



2013 SUSTAINABILITY REPORT



KILROY
REALTY
CORPORATION

At Kilroy Realty Corporation, we believe in aggressively pursuing high-performance environmental building initiatives that create economic value for our tenants, shareholders and employees.

EXISTING
BUILDING

NEW
DEVELOPMENT

COMMUNITY
OUTREACH

ETHICS &
GOVERNANCE

Cover:

(Left) 350 Mission, San Francisco, CA

(Right) Pacific Northwest Regional Office, Bellevue, WA

**John Kilroy, Jr.**

Chairman of the Board, President and Chief Executive Officer

2013 was a terrific year in Kilroy Realty's increasing commitment to sustainability.

As the premier developer and operator of LEED properties on the West Coast, we were proud to increase the percentage of our portfolio certified under LEED from 29% to 40%.

- We certified five projects last year, the most in a single year since the launch of our sustainability programs in 2010.
- We started construction on a variety of highly impressive projects, including two LEED Platinum ground up development projects in San Francisco.
- All of our 2.5 million square feet of development projects under construction are seeking LEED Gold or Platinum certification, and are pursuing 'beyond-LEED' measures such as distributed generation and innovative water systems.

To expand and formalize our existing building programs, we have delivered on our goals from 2012 and began the process of enrolling in the LEED Volume Program for Existing Buildings. This will help us standardize our practices and demonstrate to our stakeholders that we are a leader in maintaining excellence in operating high-performing, efficient buildings.

To that end, once again we committed ourselves to reducing energy usage in our portfolio through a wide variety of energy efficiency projects.

- We were able to decrease like-for-like portfolio-wide energy consumption by 2.3% even though we experienced an occupancy increase of 0.6% in these buildings over the same timeframe.
- We were proud to increase the percentage of our portfolio certified under ENERGY STAR from 45% to 53%.

2013 was also an impressive year for recycling and composting in our existing portfolio. By working directly with our tenants and vendors, we increased our diversion level from 43% to 54%, hitting our goal of a 50% diversion rate by 2015 two years early.

Other 2013 sustainability wins included an increased commitment to alternative transportation. We did this by greatly expanding the availability of bicycle parking and shower facilities throughout our portfolio, strategically targeting new development and acquisition opportunities that are close to existing public transit, and expanding our electric vehicle charging station network. We continued to green our standard lease language and began actively engaging the broker community on green leasing, an effort we look forward to furthering in 2014.

We also increased our commitment to the Rozalia Project, assisting in its removal of over 36,000 pieces of marine debris from our waterways. The Rozalia Project, which we have been supporting since 2011, aligns with KRC strategically as we believe both organizations make a significant, positive environmental impact through carefully planned programs.

Our efforts and commitment have been rewarded. The Global Real Estate Sustainability Benchmark conferred on us its prestigious Green Star designation, indicating that we perform in the top quartile of all 543 participating companies on sustainability, and ranked us in the top of our peer group. Commercial Property Executive named us among the Top 30 Greenest Real Estate Companies of the year, and a record 25% of our properties earned the BOMA 360 designation.



350 Mission
(San Francisco, CA)

As we look over the next five years, we will continue to pursue our goal to reduce energy usage in our existing portfolio by 10%. We also will focus on our water programs so that we meet our deadline of a 10% reduction in water usage portfolio-wide by 2017. And we will continue to be a leader on sustainability in our development portfolio, as our tenants have over and over again rewarded us for developing innovative buildings that minimize their environmental impact.

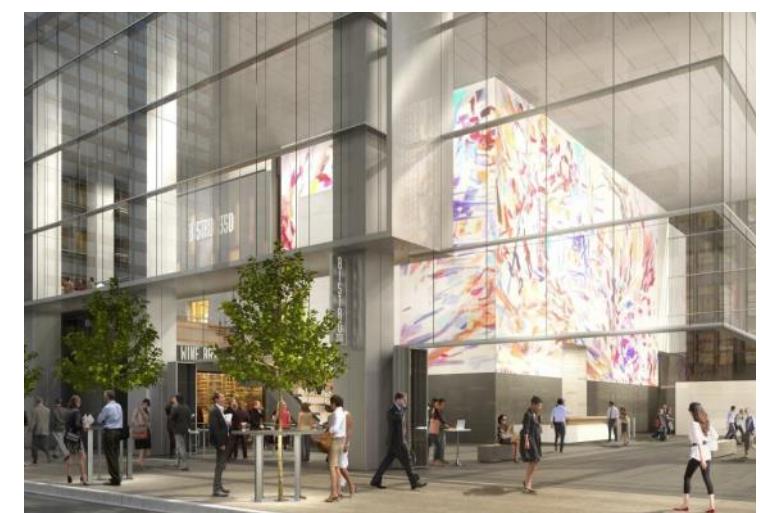
Our challenge will be to balance our requirements for optimized tenant comfort, healthy building materials, and reduced resource consumption as we pursue projects on the cutting edge of sustainable design. While we have accomplished most of the ‘low-hanging fruit’ that we identified when our sustainability programs launched in 2010, we are confident that technological innovation will create opportunities for further reductions that meet our financial thresholds.

Finally, over the past several years we have expanded our definition of sustainability to include both social and governance factors, which is why this sustainability report includes more social and governance information than prior years. We hope this will provide the users of this report with a more complete picture of KRC’s sustainability program, which we believe demonstrates excellence in all aspects of sustainability, including Risk Management and Human Resources, as well as our environmental programs.

It is clear that investing in high-performing and efficient buildings makes good business sense. We look forward to pursuing more sustainability initiatives in the coming years in a thoughtful and disciplined manner to create long-term value for the benefit of our shareholders, tenants and employees.

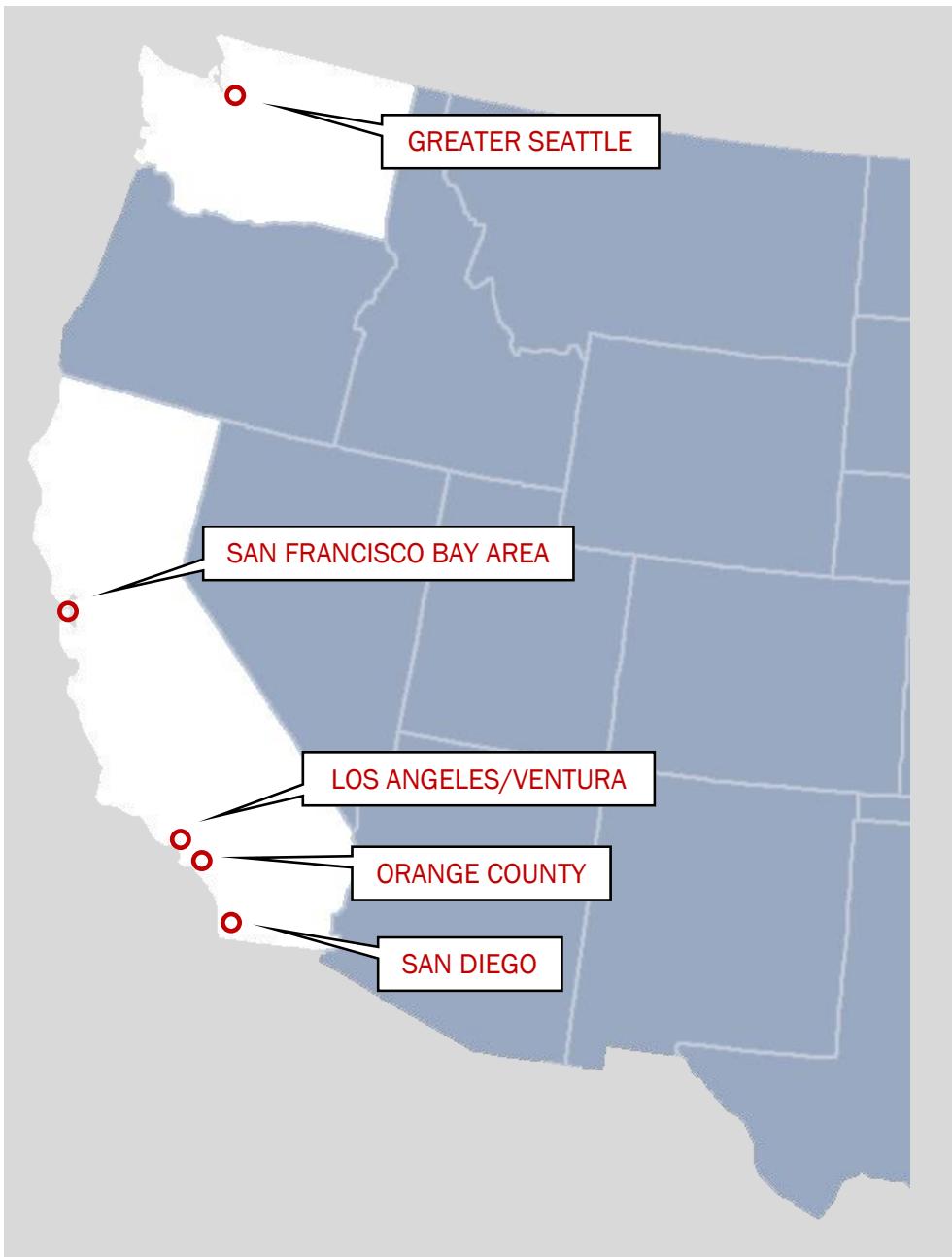
Sincerely,

John Kilroy, Jr.
Chairman of the Board, President and
Chief Executive Officer



Media Wall
350 Mission
(San Francisco, CA)

Corporate Overview



12.7 MILLION
SQUARE FEET

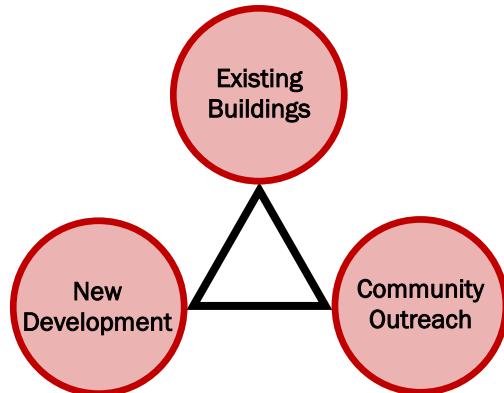
105
BUILDINGS

\$6.5B
ENTERPRISE
VALUE

2.5 MILLION
SQUARE FEET
DEVELOPMENT
PIPELINE

219
EMPLOYEES

With more than 65 years' experience owning, developing, acquiring and managing real estate assets in West Coast real estate markets, Kilroy Realty Corporation (KRC), a publicly traded real estate investment trust and member of the S&P MidCap 400 Index, is one of the region's premier landlords. The company provides physical work environments that foster creativity and productivity, and serve a roster of dynamic, innovation-driven tenants, including technology, entertainment, digital media and health care companies. At December 31, 2013, the company's stabilized portfolio totaled 12.7 million square feet of office properties, all located in the coastal regions of greater Seattle, the San Francisco Bay Area, Los Angeles, Orange County, and San Diego. 40% of the company's properties were LEED certified and 53% were ENERGY STAR certified. In addition, KRC had approximately 2.5 million square feet of new office development under construction with a total estimated investment of approximately \$1.5 billion. Total revenue for the year ending December 31, 2013 was \$465 million.



SUSTAINABILITY PROGRAM, VISION AND STRATEGY

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

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

We see our Environmental programs as comprising three interacting divisions: Existing Buildings, New Development, and Community Outreach. Our Existing Buildings program spans all of our energy projects, water projects, recycling revitalizations, installations of electric vehicle charging stations, and tenant trainings. The New Development program focuses on LEED certification for all of our ground up construction and major renovations. Finally, our Community Outreach program is comprised of our sustainability disclosures to our investors and other stakeholders, our partnerships with sustainability-focused organizations, our participation in sustainability challenges, our industry outreach efforts, our awards, our partnership with the waterway-cleanup nonprofit the Rozalia Project, and the creation of our annual sustainability report. We identified the critical issues

within these areas to be included in our sustainability programs via an extensive Materiality process. This involved in person-meetings with all relevant departments in which we collectively identified issues that were both fundamental to our business operations and important to our investors. More information on our materiality process can be found on page 9.

Our sustainability strategy involves four stages: Market Assessment, Action Plan, Implementation and Review. The first step is market assessment, which allows us to identify sustainability trends in real estate. We do this via attending educational events and other industry forums as well as researching trade publications. We then assess the performance of our existing operations and buildings to see how we respond to these trends. This involves, for example, looking at our existing governance policies to see if they match sector governance trends. We then formulate an action plan, such as developing a new training module, which we then implement. We then review our results, which involves tasks such as monitoring the before-and-after water consumption of a property. This stage then informs our analysis of available market research and allows us to create and modify our action plans in an ongoing process of continuous improvement. This process has allowed us to, for instance, determine our environmental objectives (see page 6). For information about our governance objectives, please see our proxy statement at <http://phx.corporate-ir.net/phoenix.zhtml?c=79637&p=irol-sec>.



**303 Second Street
(San Francisco, CA)**

ENVIRONMENTAL OBJECTIVES

Existing Buildings

OBJECTIVES	PROGRESS
Reduce energy use by 10% from 2010 consumption levels by 2015	On track. In landlord-managed assets we have reduced energy use over 2% each year since 2011.
Reduce water use by 10% from 2012 consumption levels by 2017	Not on track. Our water use has increased, though not as fast as our occupancy.
Implement Green Leasing	On track. We have incorporated environmental language into our standard lease template.
Achieve ENERGY STAR certification for all existing buildings	On track. We have achieved ENERGY STAR certification for 53% of buildings.
Perform energy audits or retrocommissioning every 5 years on all existing buildings	On track. These audits and retrocommissioning projects have been happening on schedule.
Achieve a recycling diversion rate of at least 50%	Complete. We achieved 54% in 2013, and the new goal is now 75%.
Benchmark all energy, water and waste data on at least a monthly basis, including tenant data	Complete in landlord-managed assets, not on track in tenant-managed assets. While many tenants have shared data with us, this is an ongoing challenge.
Engage tenants to reduce their environmental impact through regular communication and action-oriented programs	On track. We engage our tenants using a variety of methods, more information on page 20.
Maintain a portfolio-wide green cleaning program that would earn maximum points under LEED for Existing Buildings	On track. All buildings have this program implemented, and our objective is now to maintain the quality of the program.
Provide electric car charging stations per tenant needs	On track. We installed 11 additional stations in 2013.

These goals are accomplished through close collaboration among asset management teams, the engineering teams, vendors and the sustainability team to identify projects, secure funding and execute programs. We take advantage of utility-funded auditing and commissioning programs to accomplish many of the audits, which identify high-potential efficiency projects. The asset management teams and engineers, in addition to the sustainability team, identify and implement additional attractive energy and water projects. The sustainability team works with our Legal and Standards departments on lease language and conducts in-person trainings with tenants to accomplish our recycling objectives. It is the responsibility of the asset management teams to benchmark their properties, and the tenant engagement is a collaboration between the asset management teams and the sustainability team. The sustainability team works with the construction team to install electric vehicle charging stations.

Upgrading the quality of our portfolio through our strategic capital recycling program helped us achieve our energy goals because we divested assets that were less energy efficient than typical buildings in our portfolio. Similarly, they had lower average recycling rates. However, they used less water on average than other buildings in our portfolio, so divesting these assets increased our average water consumption.

We have incorporated 75% Construction Waste Diversion language into all of our procurement standards such that even small tenant fit-outs are also required to achieve this objective.

New Development

OBJECTIVES	PROGRESS
All ground-up construction will pursue LEED Gold certification or better, and all major renovations will pursue LEED Silver certification or better	On track. All 2013 projects achieved this target and future projects are planning to achieve it as well.
Materials used in development projects will achieve at least 10% recycled content	On track. All large 2013 projects achieved this target and future projects are planning to achieve it as well.
Construction projects will achieve at least 75% diversion of construction waste from landfill	On track. All 2013 projects achieved this target and future projects are planning to achieve it as well.

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

We recognize that our buildings are our product, and our supply chain involves the procurement of the materials we use to build and operate our buildings. This is why we have set goals around our materials use and disposal. Each major development project has a goal of sourcing at least 10% of its building materials from recycled sources. We also make every effort to source our construction materials within 500 miles of the project site, per LEED guidelines; two of our largest development projects are pursuing the 20% regional materials LEED credit. However, because in certain areas sourcing materials regionally is more difficult than in others, achieving regional materials sourcing can be quite challenging and we have not formalized a regional sourcing goal for all construction projects.

Community Outreach

OBJECTIVES	PROGRESS
Participate in industry standard disclosures, such as the Global Real Estate Sustainability Benchmark (GRESB), and create an annual sustainability report using Global Reporting Index (GRI) guidelines	On track. We have participated in the GRESB since 2011 and have published annual sustainability reports since 2011, and will continue to do both.
Partner with the Rozalia Project to clean local waterways	On track. We have partnered with the Rozalia Project since 2011. Information about our 2013 participation can be found on page 32.
Participate in industry-specific forums to communicate our best practices and learn from our peers	On track. Information about our 2013 industry participation can be found on page 38.

Our Sustainability Team prepares our sustainability report and is responsible for our participation in the GRESB. To ensure that our reporting meets the highest standards for transparency, for the first time this year the report has been externally audited. We have an ongoing commitment to the Rozalia Project, with whom we work to maximize their effectiveness in our markets. To participate in industry-specific forums, many of our employees serve on local BOMA and USGBC sustainability committees and we have a twitter feed (@kilroygreen) to stay abreast of cutting-edge innovations and changes in the world of commercial real estate sustainability.



Key Center
(Bellevue, WA)

THIRD PARTY VALIDATION *Charters, Principles, Initiatives*

KRC has decided to seek third-party assurance of the company's annual GRI report to confirm the quality and completeness of the disclosure for the first time this year. 2013 is the first year the GRI G4 guidelines have been available, and as such, this is the first year KRC is using the G4 guidelines for its report. Last year, the first time KRC had a GRI-aligned sustainability report, KRC used the available G3 guidelines. A copy of KRC's most recent report and more information about our sustainability policies can be found at: <http://kilroyrealty.com/sustainability/>

This sustainability report has been externally assured by DNV GL - Business Assurance, USA & Canada Sustainability, formerly known as Two Tomorrows. Their external assurance assessment can be found on pages 51-53. DNV GL is an outside vendor, unaffiliated with KRC. Our senior management team was involved in the external assurance process, which included in-person interviews with our CEO and representatives of several departments including Risk Management, Human Resources, In-House Counsel and Environmental Compliance.

KRC also responds to the Global Real Estate Sustainability Benchmark (GRESB) each year. Last year KRC ranked fourth among its peer group of American Office REITs; the company that achieved the highest ranking was acquired soon after the rankings were released.

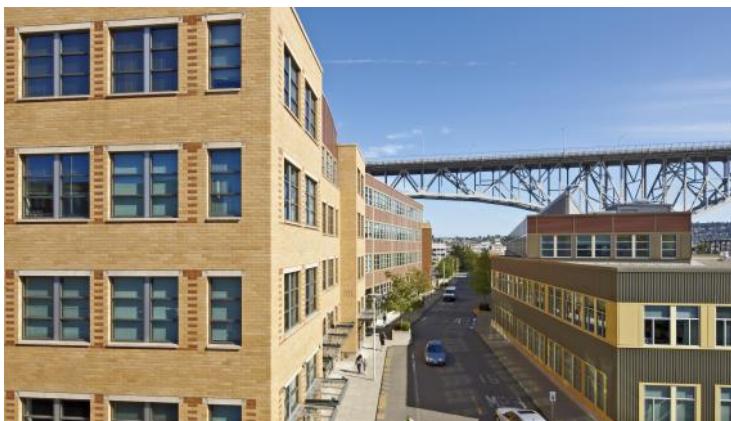
KRC subscribes to the precautionary principle in the development and operation of its buildings. We interpret this principle by assuming that the construction and management of our buildings has the potential to threaten the environment and building occupants, even though the scientific community may not have come to a consensus on what those potential threats may be. We believe that LEED helps us avoid materials and practices that may cause these negative impacts. This is why we build all of our ground up construction to at least LEED Gold standards and major renovations to at least LEED Silver standards. We are in the process of taking the entire stabilized portfolio through the LEED for Existing Buildings program to ensure we are taking all possible steps to protect the environment and our building occupants in our ongoing operations. Further, we have greened our janitorial supplies and construction standards to minimize environmental and health impacts even in our non-LEED buildings. We will continue to be as aggressive as possible in minimizing our company's impact on the environment and human health in the coming years.



Bicycle Rack Sculpture
Fremont Lake Union Center
(Seattle, WA)

MATERIALITY PROCESS

To define our report content, the sustainability team has worked to gather, analyze and report all information that our various stakeholder groups would find relevant regarding our sustainability programs. This includes all information required for the GRI G4 'Core' In Accordance option as well as additional information relevant to our employees, tenants, local communities, vendors, NGO partners, and other interested parties. The GRI organizes disclosures by defining potential subject areas, called Aspects, for disclosure. Using the guidance in the GRI Implementation Manual, we created matrices to determine which Aspects were significant to our operations and influential to our stakeholders. We are reporting on all Aspects that are both significant and influential, and on additional Aspects that we determined were influential but not significant. To define our Aspect Boundaries, the sustainability team met with all groups within KRC that the sustainability team initially believed had an impact on any of the potential Aspects available under the G4 guidelines. These groups included Human Resources, Environmental Compliance, In-House Counsel, and Risk Management. We then shared this process with DNV GL, the third party who is verifying our sustainability report, and refined our disclosures based on their feedback.



Fremont Lake Union Center
(Seattle, WA)

MATERIAL ASPECTS

	Material Within KRC	Material Outside KRC
Economic		
Economic Performance	Yes	No

Environmental

Energy	Yes	No
Water	Yes	No
Emissions	Yes	No
Effluents and Waste	Yes	Yes
Compliance	Yes	No
Environmental Grievance Mechanisms	Yes	No

Social

Training and Education	Yes	Yes
Diversity and Equal Opportunity	Yes	No
Non-discrimination	Yes	No
Local Communities	Yes	No

KRC is a member of numerous industry associations and trade groups, including:

- Building Owners and Managers Association (BOMA)
- Institute of Real Estate Management (IREM)
- International Facility Management Association (IFMA)
- National Association of Industrial and Office Properties (NAIOP)
- National Association of Real Estate Investment Trusts (NAREIT)
- U.S. Green Building Council (USGBC)
- Urban Land Institute (ULI)

EXISTING BUILDINGS

Westlake Terry
(Seattle, WA)





999 N. Sepulveda Blvd.
(El Segundo, CA)

ENERGY EFFICIENCY

Reducing our energy consumption is the primary objective of our existing building environmental programs, and our goal is to achieve a 10% reduction from 2010 levels by 2015. The annual savings from our 2013 energy management projects equal over 14 million kilowatt hours (kwh). Because many of the projects were installed at the beginning of Q3 and not Q1, we realized savings of over 4 million kwh and approximately \$610,000 in 2013. These figures are based on the difference in portfolio-wide like-for-like energy consumption from 2012 to 2013 as generated by ENERGY STAR Portfolio Manager. This is the second year in a row we have achieved a portfolio-wide drop in energy use of over 2%, in this case, 2.3%. This is especially impressive because our occupancy increased 0.6% over the same timeframe in these buildings. The annual CO₂ reduction from the implementation of our 2013 energy projects is equivalent to taking 2,046 cars off the road for a year, providing a year of electricity to 887 homes, planting 249,172 trees and letting them grow for 10 years, and avoiding burning over 52.1 railcars' worth of coal.*



Permafrost pilot installation

Lighting

We conducted traditional and innovative lighting retrofits in 2013. We relamped from 32 to 25W T8s in common areas and tenant spaces, and conducted exterior lighting retrofits, in over 750,000 square feet of space this year. We also installed LEDs throughout an additional 1.2 million square feet. We expect these efforts will save 814,230 kWh and \$111,678 per year.

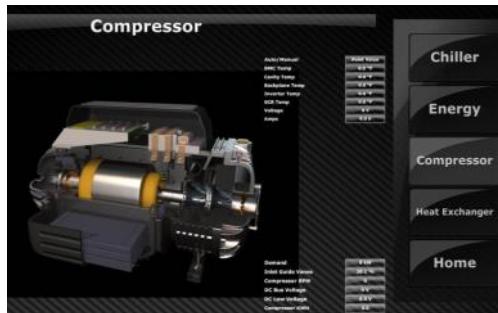
Retrocommissioning (RCx) and Energy Audits

In keeping with our goal that each of our buildings undergo RCx or an energy audit every five years, we launched RCx on a four-building campus in San Diego, approximately 300,000 square feet this year. The process should be complete in late 2014. In addition, we conducted ASHRAE Level II energy audits on an additional 630,000 square feet of space, and have begun implementing the Energy Conservation Measures (ECMs) uncovered in those audits.

Permafrost

In 2011 we piloted our first oil fouling removal technology, and this year we did two installations with a competing product, Permafrost. We added Permafrost to HVAC units both at our 12100 W Olympic and our 999 N Sepulveda buildings, and underwent the most rigorous possible M&V process so that we could be confident in our results. We experienced a 16.4% reduction in kw/ton on the DX unit we treated at 12100 W Olympic, and 20.6% reduction in kw/ton on the chiller we treated at 999 N Sepulveda. Engineers from Southern California Edison & Able Engineering witnessed the final test, and we are looking forward to future installations in 2014.

*<http://www.epa.gov/cleanenergy/energy-resources/calculator.html#results>



We are especially proud of the Turbocor we installed in our 501 Santa Monica building, which has helped the building decrease its overall energy usage by 19%. This installation will save approximately 47,646 kwh per year.

HVAC Upgrades

We did a number of traditional and innovative upgrades to our portfolio's HVAC equipment. HVAC upgrades included a Turbocor installation at 501 Santa Monica, replacing inefficient equipment in our Menlo Park campus and our Westlake Village building, adding economizers to buildings in Hollywood and Santa Monica, and garage exhaust projects in Hollywood and Los Angeles. Most of our HVAC upgrades were in addition to standard maintenance; the projects at Menlo Park Corporate Center and 2829 Townsgate involved upgrading to more efficient equipment when older equipment was at end of life. We prioritize HVAC projects based on available utility incentives and identified opportunities to save energy based on either energy audits or investigations by our building engineers.

Elevator Modifications/Tenant Stair Outreach

We modified elevators in several buildings by installing more efficient motors, which will result in roughly 86,400 kwh of energy savings. We are complementing this with an energy-focused tenant outreach campaign to promote use of stairways over elevators, which will contribute to energy savings and physical fitness, and avoid congested elevators in our high rises. We launched this campaign at the end of 2013 and will roll it out in more places in 2014.

Window Film

We completed a very large window film project on our Sunset Media Center. The retrofit spanned 18 floors, saving 542,284 kwh and over \$65,000 dollars per year.

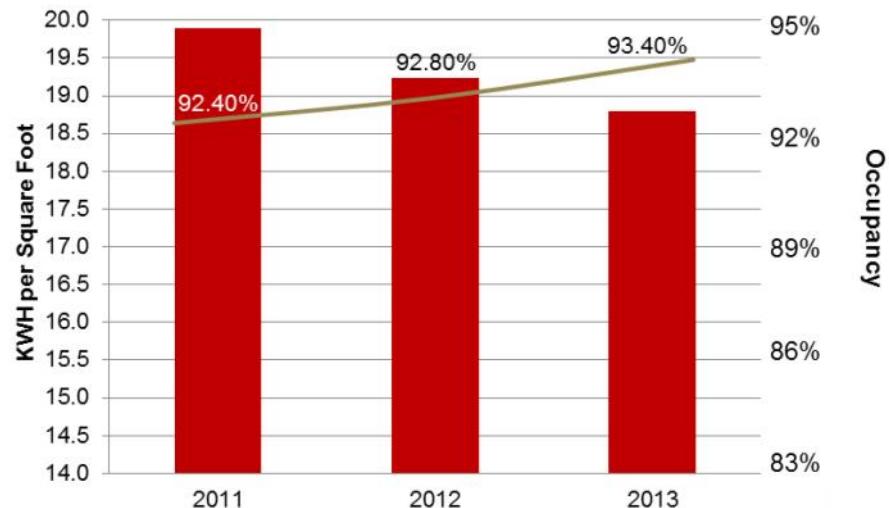
BAS Upgrades

Recognizing that our BAS systems are key to energy optimization, we did major BAS upgrades in over one million square feet of property. Conservatively estimating that this will help these buildings reduce their energy use by just 1%, these upgrades should save 11.5 million kwh a year, or approximately \$23,500 dollars. We used 1% as our assumption for energy reduction because we did not perform measurement & verification on these projects. BAS upgrades typically reduce mechanical energy usage by approximately 5-10%, so we felt that 1% was a conservative estimate.

Demand Response

We enabled our one million square foot campus in Long Beach to participate in Demand Response and Critical Peak Pricing events. This involved the installation and testing of the Enerliance LOBOS system, which allows our buildings to shed load in stages to protect tenant comfort while maximizing the drop in consumption. These buildings should shed 66,770 kwh a year, saving approximately \$11,350 plus utility incentives.

Energy Consumption History



Energy Benchmarking

We track our energy usage in ENERGY STAR Portfolio Manager. In Pacific Gas & Electric and Southern California Edison territories, our bills upload into Portfolio Manager automatically each month. In Los Angeles Department of Water and Power and all Washington State territories, we manually upload our energy data into Portfolio Manager. Until July 2013, San Diego Gas & Electric also uploaded our bills and those of our tenants who had shared their account information with us, into Portfolio Manager. When Portfolio Manager underwent an upgrade in Summer 2013, the San Diego Gas & Electric connections were broken and have not been reestablished. As a result, since July 2013, we have manually uploaded our own San Diego consumption, and the consumption of our tenants is based on estimates from previous usage. We hope to have these connections working again in 2014.

Managed Assets

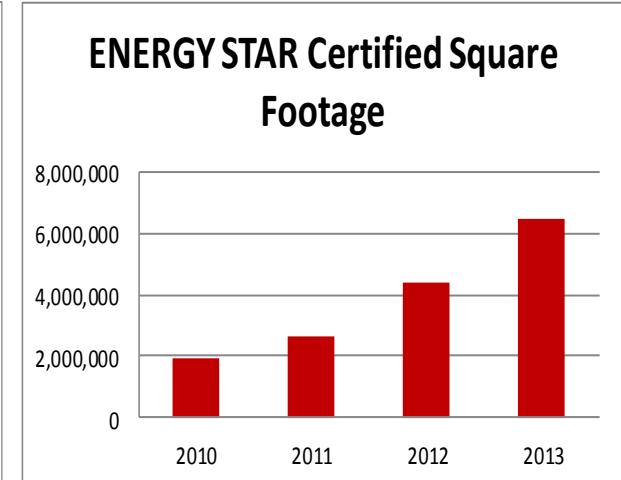
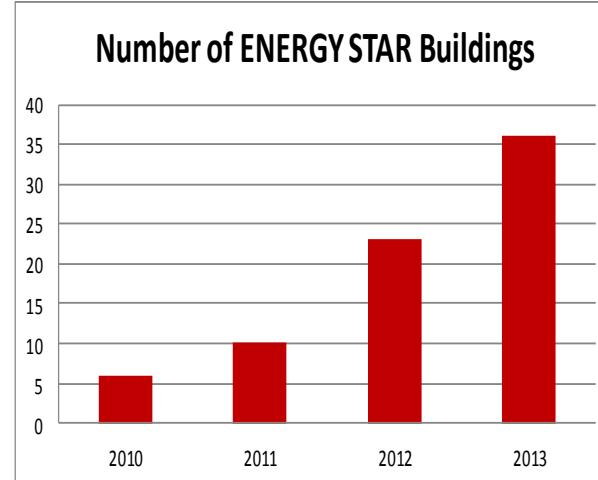
		Absolute Consumption			Like-for-Like Consumption			
		2012		2013	2012	2013	Like-for-Like (sf)	Like-for-Like Change (%)
		Consumption (MWh)	Consumption (MWh)	Coverage (sf)	Consumption (MWh)	Consumption (MWh)		
Landlord Controlled	Fuel	34,744.6	29,795.0	10,795,934	15,346.8	15,229.3	7,406,496	-0.8%
	Electricity	173,578.6	166,727.9	10,795,934	114,233.6	108,550.7	7,406,496	-5.0%
Total Energy Usage Landlord Controlled Areas		208,323.2	196,522.9	N/A	129,580.5	123,780.1	7,406,496	-4.5%
Tenant Space	Fuel	12,082.9	15,828.2	1,403,899	11,486.1	12,965.4	1,195,932	12.9%
	Electricity	29,112.5	25,455.3	1,403,899	24,446.1	24,942.6	1,195,932	2.0%
Total Energy Usage Tenant Areas		41,195.4	41,283.5	N/A	35,932.2	37,908.0	1,195,932	5.5%
Total Renewable Energy		0.0	312.9	N/A	0.0	0.0	N/A	0.0%
Total Energy Usage Managed Assets		249,518.6	238,119.3	N/A	165,512.7	161,688.1	8,602,428	-2.3%

The 'Like-for-Like' comparison includes only stabilized assets that we owned both in 2012 and 2013. This provides users of this report with a clearer picture of changes in consumption in our portfolio because it excludes buildings that only have partial consumption data in the last two years, which skew the results.

A more detailed breakdown of our energy usage, aligned with the GRESB, can be found on page 50.

ENERGY STAR Certified Buildings

[Key Center](#), Bellevue, WA
[Skyline Tower](#), Bellevue, WA
[Fremont Lake Union Center \(801 N 34th St\)](#), Seattle, WA
[Westlake Terry](#), Seattle, WA
[4040 Civic Center](#), San Rafael, CA
[100 First St](#), San Francisco, CA
[201 Third St](#), San Francisco, CA
[303 Second St](#), San Francisco, CA
[301 Brannan St](#), San Francisco, CA
[24025 Park Sorrento](#), Calabasas, CA
[23975 Park Sorrento](#), Calabasas, CA
[2829 Townsgate Rd](#), Thousand Oaks, CA
[Sunset Media Center](#), Hollywood, CA
[12100 W Olympic Blvd](#), Los Angeles, CA
[12200 W Olympic Blvd](#), Los Angeles, CA
[Tribeca West](#), Los Angeles, CA
[3130 Wilshire](#), Los Angeles, CA
[501 Santa Monica](#), Santa Monica, CA
[3760 Kilroy Airport Way](#), Long Beach, CA
[3780 Kilroy Airport Way](#), Long Beach, CA
[3800 Kilroy Airport Way](#), Long Beach, CA
[3900 Kilroy Airport Way](#), Long Beach, CA
[2211 Michelson](#), Irvine, CA
[999 Town & Country](#), Orange, CA
[7525 Torrey Santa Fe](#), San Diego, CA
[7535 Torrey Santa Fe](#), San Diego, CA
[7555 Torrey Santa Fe](#), San Diego, CA
[13480 Evening Creek Dr](#), San Diego, CA
[13500 Evening Creek Dr](#), San Diego, CA
[13520 Evening Creek Dr](#), San Diego, CA
[2355 Northside Dr](#), San Diego, CA
[2365 Northside Dr](#), San Diego, CA
[2375 Northside Dr](#), San Diego, CA
[2385 Northside Dr](#), San Diego, CA
[2305 Historic Decatur Rd](#), San Diego, CA



WATER EFFICIENCY

While our water reduction efforts continued in 2013, we fell short of our major water reduction goals as budget constraints forced us to postpone several projects. We completed an irrigation project in Calabasas and installed low-flow irrigation systems in all of our development projects, such as 360 Third St. We also reduced cooling tower water use as part of a retrocommissioning project. We continued to reduce domestic water use by installing low-flow lavatories, low-flow faucets and waterless urinals in our new development projects. These projects add to our existing impressive reclaimed water infrastructure, which saves nearly 16 million gallons of water in Calabasas, Irvine, and San Diego yearly. In 2014 we will be looking to reduce water in more cooling towers, as well as in irrigation systems and restrooms.

Water Benchmarking

We track our water usage in ENERGY STAR Portfolio Manager, where we manually upload our water consumption, which we get from our water bills and those of our tenants who share their data with us.

Water consumption for 2013 has increased by 0.6%, which matches our 0.6% increase in occupancy portfolio-wide. While we hoped to have a reduction in water usage as a result of several water-saving projects in 2013, year-end audits revealed usage increases related to undetected leaks, which have since been fixed, as well as issues with fountain controls. We are actively pursuing water reduction strategies throughout the portfolio and hope to show reductions in next year's report.

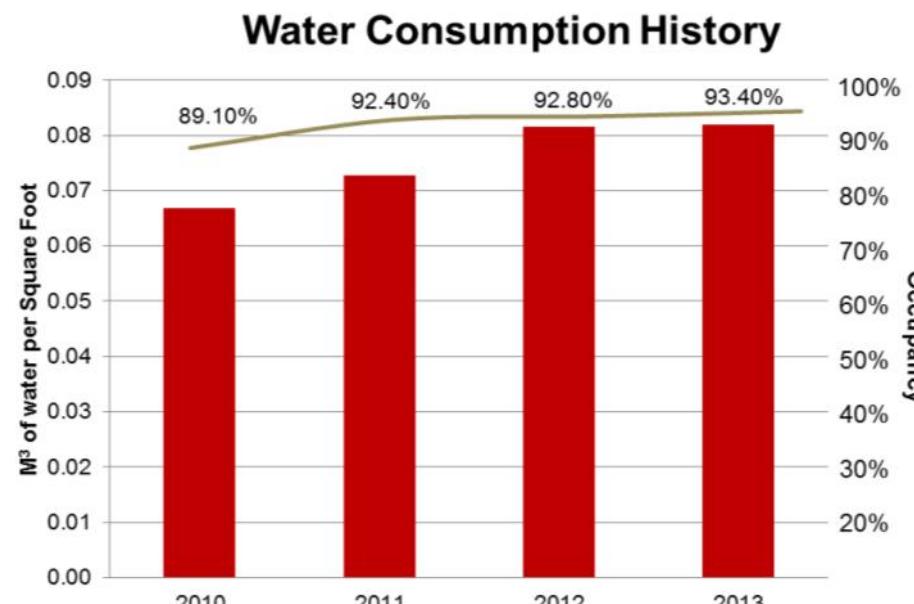


12400 High Bluff Drive
(San Diego, CA)



Water Performance

Managed Assets		Absolute Consumption			Like-for-Like Consumption			
		2012	2013		2012	2013		
Base Building	Common Areas	Consumption (cubic meter)	Consumption (cubic meter)	Coverage (sf)	Consumption (cubic meter)	Consumption (cubic meter)	Like-for-Like (sf)	Like-for-Like Change (%)
	Outdoor/Exterior Area/Parking	17075.2	23,379.1	N/A	17,075.2	23,379.1	N/A	36.9%
Total Water Usage Base Building		17075.2	23,379.1	0	17,075.2	23,379.1	0	36.9%
Tenant Space	Purchase by Landlord	0	0	0	0	0	0	0
	Purchase by Tenant	27,649.8	18,550.8	510,727	27,649.8	18,550.8	510,727	-32.9%
Total Water Usage Tenant Areas		27,649.8	18,550.8	510,727	27,649.8	18,550.8	510,727	-32.9%
Whole Building	Combined Consumption Common Areas + Tenant Spaces	833,935.6	892,435.1	12,107,565	648,536.0	655,268.9	7,990,860	1.0%
Total Water Usage Whole Building		833,935.6	892,435.1	12,107,565	648,536.0	655,268.9	7,990,860	1.0%
Total Water Usage Managed Assets		878,660.6	934,365.0	12,618,292	693,261.0	697,198.8	8,501,587	0.6%





Sunset Media Center
(Hollywood, CA)

RECYCLING & COMPOSTING

We continued to revitalize the recycling programs in more of our buildings by training our tenants to throw away only recyclable materials at their desks and take their non-recyclable waste to common area bins. This program typically results in a diversion rate of 50% or better in participating buildings. In 2013, the revitalizations spanned an additional 350,000 square feet in Hollywood and Menlo Park. Trainings are done in person with tenants, and our property managers make the events fun by, for example in our Hollywood building, having a bagel breakfast with each tenant individually. These programs save our tenants money by reducing the number of trash containers we need to service and increasing the amount of recycling, which often generates rebates. In 2013 we increased our overall portfolio diversion rate from 43% to 54%.

The recycling revitalization of our Sunset Media Center building also included a launch of composting services, which resulted in the composting of 3.03 tons of organic waste in 2013. This is equivalent to enough gasoline to drive 3,538 miles, enough trees to produce over 1.2 million sheets of newspaper, and enough water to meet the needs of nearly 1,965 people for a month. Overall the KRC portfolio composted over 820 tons of organic waste in 2013. We will be extending these programs to additional buildings in Los Angeles and elsewhere in 2014.

In addition, we had many successful e-waste events; each building targets hosting two events per year. We ensure that e-waste providers are processing our electronic waste domestically and not shipping it abroad, a common practice that causes significant environmental and health problems.

We have had no significant spills.

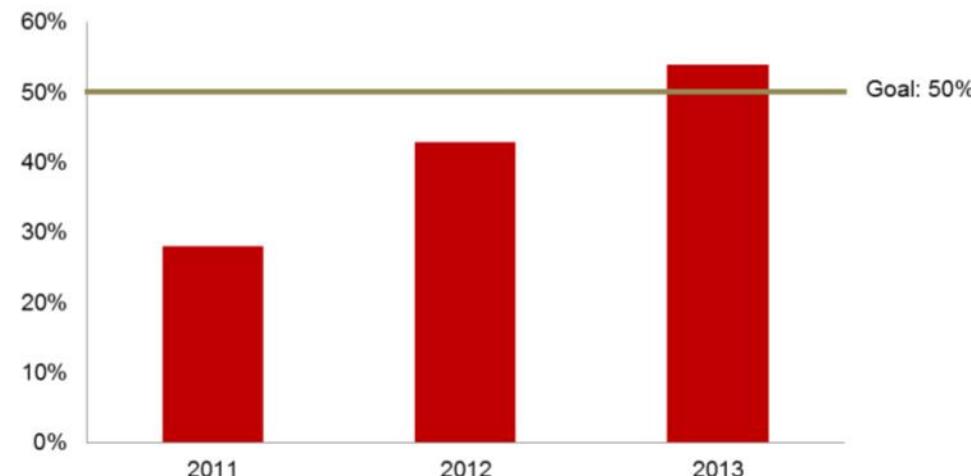
Waste Benchmarking

We track our waste usage via excel spreadsheets. Where buildings have compacters, we enter actual tonnages hauled each month for landfill waste, recycling, and organics via information provided by our waste vendors. Where buildings have bins, we make the following assumptions: a 3 yard trash bin weighs 300 pounds, a 3 yard recycling bin weighs 350 pounds, and a 3 yard organics bin weighs 455 pounds. These are industry averages. We also assume that all bins, regardless of content, are three quarters full when they are serviced. A major contributor to the increase in our diversion percentage was our working with our waste vendors and asset managers in 2013 to get more accurate diversion information in places where, in the absence of data, we had assumed very low recycling diversion levels.

Recycling & Composting Performance

Managed Assets	Absolute Consumption			Like-for-Like Consumption			
	2012		2013	2012	2013		
	Measurement (metric tonnes)	Measurement (metric tonnes)	Coverage (sf)	Measurement (metric tonnes)	Measurement (metric tonnes)	Like-for-Like (sf)	Like-for-Like Change (%)
Total Non-Hazardous Waste	6,939	7,691	13,146,742	6,727	6,924	12,535,871	3%
Portion of Waste by Disposal Route							
Recycling	37%	43%	N/A	38%	44%	N/A	6%
Composting	6%	11%	N/A	6%	10%	N/A	4%
Landfill	57%	46%	N/A	56%	46%	N/A	-10%
Total Diversion Rate	43%	54%	N/A	44%	54%	N/A	10%

Recycling and Composting Performance



Every KRC building has a green cleaning program that earns the maximum possible number of points under LEED for Existing Buildings.

EV CHARGING STATIONS

We continued to expand our network of electric vehicle charging stations in 2013, adding an additional 11 stations in Los Angeles, Santa Monica, El Segundo, and Kirkland. Installations in 2014 are planned for Hollywood, San Francisco, Calabasas, Los Angeles and Menlo Park.

GREEN CLEANING

In 2013 we decided to push our green cleaning program to be even more sustainable by piloting a technology that allows us to clean without chemicals. This technology turns regular water into aqueous ozone, which can safely be used as a replacement for traditional chemical cleaners and which kills all known food and human pathogens. Aqueous ozone has no emissions and we believe it improves indoor air quality and further protects our janitorial providers. We piloted this technology in one million square feet of office space in San Francisco and Hollywood, and based on positive results look forward to more installations in 2014.

All cleaning products we use meet the relevant LEED environmental standard, either GreenSeal or the California VOC limit. Our vacuums achieve the Carpet and Rug Institute Seal of Approval, and we use microfiber cloths and rags to capture additional dirt to improve air quality. Finally, we continue to replace many of our traditional plastic trash bags with a biodegradable product.

LEED VOLUME FOR EXISTING BUILDINGS

We have enrolled in the USGBC LEED Volume Program for Existing Buildings, and in 2013 began creating the documentation that will allow us to certify much of our existing portfolio through the LEED for Existing Buildings: Operations & Maintenance rating system. We also began the LEED for Existing Buildings recertifications for 100 First St, Key Center, Skyline Tower in 2013, and will complete those certifications and start the recertifications for 201 Third St and 303 Second St next year. LEED for Existing Buildings certification demonstrates to our tenants and investors that we understand how to run high-performing buildings, and that we can maintain excellence in building operations over time.



TENANT PARTICIPATION

Our partnerships with our tenants to push the environmental performance of our buildings expanded extensively in 2013. Following on their success installing fuel cells in 2012, Intuit, our tenant in our LEED Gold project at Santa Fe Summit in San Diego, installed a solar photovoltaic system in 2013 with a 201.85 kW solar array. We continued our engagement on sustainability with Bridgepoint Education, also in San Diego (more information on page 21), which has resulted in a wide range of energy reduction projects. Nielsen, our tenant in Hollywood, rolled out an extensive campaign to improve recycling and composting performance in their space.

Additional tenant projects in 2013 included installation of electric vehicle charging stations, carpool matching programs, and the pursuit of LEED for Commercial Interiors for tenant improvements. Our participation in the Better Buildings Challenges (more information on page 29), in Los Angeles and Seattle included the efforts of over 4,800 tenants. We also helped numerous tenants with their own sustainability disclosures.

To encourage our tenants to participate in greening their office environment, we continued to increase our tenant sustainability communications. Our traditional tenant communication tactics include quarterly tenant memos and increased outreach around accomplishments (such as an ENERGY STAR certification for a building), projects (such as a lighting retrofit), the Better Buildings Challenge and Earth Day. Also, this year we decided to co-brand our typical tenant appreciation events as ENERGY STAR Awareness Events, and to make them more fun gave out ENERGY STAR temporary tattoos. Because it is critical that building engineers be engaged on energy efficiency, we included our building engineers in these events as well.

We also cohosted an event with an energy efficiency-focused tenant: DirecTV implemented aggressive energy management practices in a large tenant fit out in our building at 2260 E Imperial Highway, which we certified Silver under the LEED for Core & Shell rating system in 2012. They are pursuing LEED Gold under the Commercial Interiors rating system, and we organized a tour with them to take community members through their 300,000 square foot property to inspire additional local savings.

2240, 2250 & 2260 E. Imperial Highway
(El Segundo, CA)



Case Study: Existing Buildings

KILROY SABRE SPRINGS SAN DIEGO, CA



Our Kilroy Sabre Springs (KSS) portfolio, which spans 13480, 13500 and 13520 Evening Creek Drive, is an excellent example of sustained operational excellence focused on environmental performance. 13480 Evening Creek was the first building to achieve LEED Core & Shell certification in San Diego (Silver), and the KSS team has been pushing for increased sustainability ever since. All three buildings have achieved ENERGY STAR certification over multiple years, an impressive feat given that these buildings have many tenant-owned meters; for example, 13520 Evening Creek has 21 different active energy meters.

The KSS team has worked hard to reduce energy usage via both conventional and innovative projects. They ensure that lights are turned off and stay off in vacant suites, and monitor electric bills to verify compliance. They have also proactively approached tenants to request air conditioning shut-off during holiday or company closures for energy savings. The buildings participate in Demand Response, and also piloted a successful project with Clean Urban Energy to take advantage of thermal cooling to reduce daytime energy use in 2012. “Being proactive on energy efficiency is important because it demonstrates to our tenants how committed we are to sustainability,” says Cheryl Castrence, Senior Property Manager. “We look forward to taking on even more environmental projects as we gear up for LEED certification.”

All three buildings have undergone an intensive recycling revitalization over the past two years, which involves removing wet waste receptacles from deskside locations. This involves ongoing communications both with the tenants and with janitorial, and the team rolls out the recycling program on a floor-by-floor basis, which is time consuming but earns maximum participation. They also host an annual recycling meeting for tenants to maintain the program. In addition, they host bi-annual e-waste

events at the property to properly dispose of electronic waste. 13400 and 13500 Evening Creek have a 64% recycling rate, and 13520 Evening Creek has an 54% recycling rate. The minimum recycling rate to earn LEED points is 50%.

To encourage their tenants to use alternative transportation, the KSS team has installed three electric vehicle charging stations and bike racks, and has strongly encouraged tenants to participate in Bike to Work Day and Vanpool to Work Day. In addition, the buildings have excellent green cleaning programs and walk-off mats, and they maintain an environmentally-friendly pest control strategy. In addition, they have proactively worked with their window cleaning vendor to ensure that the window cleaning products used also meet the green cleaning program standards. The team also makes sure to communicate with all of their tenants on a regular basis on their sustainability projects, doing so at least quarterly via an electronic memo.

As a result of these efforts, the campus's anchor tenant, Bridgepoint Education, is very aware that KRC is focused on sustainability. Bridgepoint came to the KSS team with an idea for a lighting upgrade, which KRC approved, and even worked on extending the installation elsewhere in our portfolio. Though the lighting project ultimately did not get funding, that momentum led Bridgepoint to identify a range of other possible energy efficiency projects, which KRC approved and Bridgepoint is installing. One of those projects is a window film installation, and the KSS team liked the sample that Bridgepoint installed and are now working to get window film for the entire campus. It is this kind of partnership, in which the tenant and the landlord inspire each other to take on increased sustainability projects, that is the goal of every tenant relationship at KRC.

LEED Certified Projects

Key Center , Bellevue, WA	LEED Gold, Existing Buildings	488,470 sf
Skyline Tower , Bellevue, WA	LEED Silver, Existing Buildings	417,000 sf
Fremont Lake Union Center , Seattle, WA	LEED Platinum, Existing Buildings	308,407 sf
Westlake Terry , Seattle, WA	LEED Gold, Core & Shell	320,399 sf
100 First Street , San Francisco, CA	LEED Gold, Existing Buildings	466,490 sf
201 Third Street , San Francisco, CA	LEED Gold, Existing Buildings	311,545 sf
303 Second Street , San Francisco, CA	LEED Gold, Existing Buildings	723,506 sf
360 Third Street , San Francisco, CA	LEED Gold, Core & Shell	410,319 sf
2260 E. Imperial Highway , El Segundo, CA	LEED Silver, Core & Shell	298,310 sf
3880 Kilroy Airport Way , Long Beach, CA	LEED Silver, New Construction	99,654 sf
2211 Michelson Drive , Irvine, CA	LEED Silver, Core & Shell	271,556 sf
999 Town & Country Road* , Orange County, CA	LEED Silver, Commercial Interiors	49,276 sf
Santa Fe Summit , San Diego, CA	LEED Gold, Commercial Interiors	465,812 sf
13480 Evening Creek Drive. , San Diego, CA	LEED Silver, Core & Shell	149,817 sf
15333 Avenue of Science* , San Diego, CA	LEED Silver, Commercial Interiors	25,404 sf
2305 Historic Decatur Road , San Diego, CA	LEED Gold, Core & Shell	103,900 sf
		4,909,865 sf Total SF

*LEED certification covers indicated square feet and not complete building.

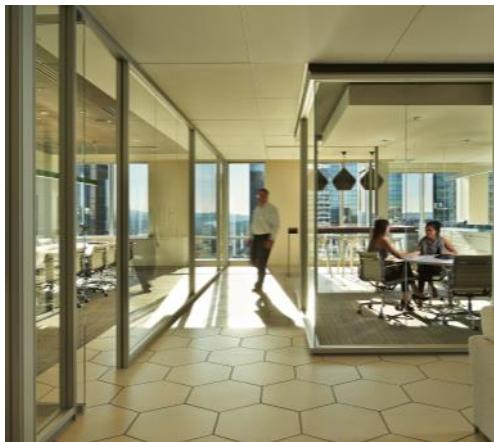
LEED Certified Project list as of December 31, 2013



NEW DEVELOPMENT

Crossing 900
(Redwood City, CA)





Greater Seattle Regional Office
Key Center
(Bellevue, WA)

NEW DEVELOPMENT

The goal for all KRC ground-up new development is LEED Gold or Platinum, and the goal for major renovations is Silver, though these also attempt Gold whenever possible. Major renovations are projects, typically in vacant existing buildings, that are impacting more than 50% of the mechanical/electrical/plumbing system, interiors, roof, and/or envelope. At end of year 2013, 40% of our portfolio had achieved LEED certification, and we have an additional 3.3 million square feet registered for certification.

2013 was a strong year for sustainability performance in our development projects. We achieved LEED certifications on five projects, totaling over 543,000 square feet, spanning many project types. Our largest success was completing the LEED Gold certification for 360 3rd ST in San Francisco (more information on page 25). We also achieved LEED Silver certification for 3880 Kilroy Airport Way in Long Beach. In that project, we collaborated with our tenant, DeVry University, to develop a LEED project scope that included both the Core & Shell and the Tenant Improvements. We achieved LEED Silver certification on behalf of our tenant, State of California, at 15333 Avenue of Science in San Diego. We received LEED Gold certifications on both our Hollywood Regional Office and our Greater Seattle Regional Office. We have also submitted the documentation for another State of California space at 2375 Northside Drive in San Diego and expect to achieve certification in early 2014. Finally, we are proud to have more than doubled the number of LEED professionals on staff. This is both because we are actively recruiting employees that have earned their LEED credentials and because we have implemented a program in which we are covering the costs of LEED education and

testing for employees who work in the operation and construction of our LEED buildings. We are confident that as a result of this program our number of LEED professionals will keep increasing in the future.

Building on our success with our previous LEED projects, we have an impressive array of development projects already underway that are all targeting LEED Gold or Platinum. These include build-to-suit campuses targeting Gold for LinkedIn and Synopsys, our mixed use development in Hollywood also targeting Gold, and two Platinum projects in San Francisco, 350 Mission and 333 Brannan. 350 Mission, 100% leased to SalesForce, will feature advanced stormwater filtration, an extremely efficient mechanical system and a radiant floor. 333 Brannan, 100% leased to DropBox, will have sustainability features that include a green roof, biomimicry-based materials, operable windows, use of stormwater for toilet flushing, and onsite generation of electricity.

These projects add to KRC's already-impressive history with LEED. We built the first LEED for Core & Shell building in San Diego and are developing one of the world's first LEED for Neighborhood Development projects. Building and operating our buildings to LEED standards demonstrates to current and prospective tenants and investors that we have a high-performing team that know how to build and operate best-in-class buildings. Typical features of our LEED development projects include enhanced commissioning, high levels of recycled content and FSC wood, measurement & verification protocols, water reduction both in irrigation and domestic use, low-emitting materials, and a mechanical design that emphasizes thermal comfort.

Case Study: Major Renovation

360 THIRD STREET SAN FRANCISCO, CA



Less than two years after acquiring the 40-year-old, 410,000 square-foot office building at 360 Third Street, we successfully transformed the property into a contemporary office and studio space for the media and technology tenants that now dominate SOMA's real estate landscape. In September, the redeveloped property—96% leased as of December 31, 2013—was awarded LEED Gold certification.

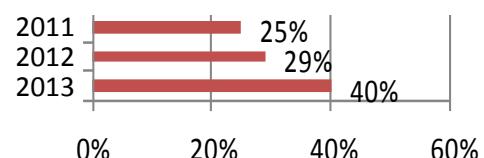
"From the beginning, our goal was to deliver a top quality, top performing work environment with all the amenities sought after by creative and innovation-driven companies flooding into the SOMA area," said John Kilroy, Jr., KRC's chairman, president and CEO. "Not only did we achieve this but I think we've successfully converted this former Pacific Bell call center into a 'hip and cool' new digital, media and technology powerhouse."

Today, 360 Third Street features San Francisco's largest roof deck with views of the Bay Bridge, AT&T Ball Park and the San Francisco Bay including a rooftop bar, integrated lighting and sound systems, fire pits and extensive landscaping. Elevator systems were modernized and extended to the roof deck, building infrastructure was updated to support densification and the lobby and floor plans were redesigned into contemporary, collaborative layouts. A new irrigation system was installed that reduces landscaping water usage by 50%, and a new measurement and verification system was added to the building that allows individual tenants to monitor and manage energy consumption. Bicycle storage and showers were also incorporated into the new design as part of the amenity package that tenants seek in today's modern office campuses.

"We were able to create a new vibe in the building—taking it from un-inspired shell office space and conventional common areas to more vibrant and productive technology and media space with inviting public areas that include indoor and outdoor 'great' rooms and modern amenities. Achieving LEED Gold certification serves as a testament to the successful transformation of the project by our team," said Mike Sanford, KRC's Senior Vice President, Northern California.

KRC acquired 360 Third Street in late 2011 when the building was 9% occupied by media conglomerate Comcast SportsNet, who uses the space to broadcast its CSN Bay Area programs. Building off Comcast's studio, 360 Third Street was able to attract Pac-12 Enterprises, who signed an 11-year lease almost immediately after KRC closed on the acquisition. The multi-floor lease agreement with PAC-12 Enterprises included the creation of a state-of-the-art studio for PAC-12's broadcasting arm. In addition to Comcast SportsNet and PAC-12 Enterprises, the roster of tenants at 360 Third Street currently includes KNTV, AKQA, Square Trade, Flurry, Real Page and Clinkle.

Percentage of KRC Portfolio LEED Certified



In 2012, on average our peers had 20% of their portfolios LEED certified.

LEED Projects Finished in 2013

Hollywood Regional Office	Los Angeles, CA	3,831 sf
Greater Seattle Regional Office	Bellevue, WA	3,960 sf
3880 Kilroy Airport Way	Long Beach, CA	99,654 sf
360 Third Street	San Francisco, CA	410,319 sf
15333 Avenue of Science*	San Diego, CA	25,404 sf

*After completion of LEED certification, 15333 Avenue of Science was sold on January 9, 2014.



LEED Projects in Development

505-605 N Mathilda	Sunnyvale, CA	587,000 sf
350 Mission	San Francisco, CA	450,000 sf
333 Brannan	San Francisco, CA	185,000 sf
Columbia Square	Los Angeles, CA	675,000 sf
331 Fairchild	Mountain View, CA	87,565 sf
690 Middlefield	Mountain View, CA	341,000 sf
Crossing 900	Redwood City, CA	300,000 sf



LEED Credentialed Employees at KRC

1	Rich Ambidge	LEED AP
2	Brian Brady	LEED AP
3	Kyle Brown	LEED AP
4	Morgan Clarke	LEED GA
5	Alex King	LEED AP
6	Robert Masterson	LEED GA
7	Sara Neff	LEED AP
8	Rob Paratte	LEED GA
9	Sharla Shimono	LEED AP



Case Study: New Construction

333 BRANNAN SAN FRANCISCO, CA



We launched our second ground-up development project in downtown San Francisco in December 2013 with a groundbreaking ceremony that featured Mayor Ed Lee and architect David Johnson with William McDonough + Partners. This project is our LEED Platinum-designed, six-story brick and concrete office property located at 333 Brannan Street in San Francisco's SOMA District.

"333 Brannan Street will be another dynamic work place in San Francisco where companies can continue to innovate, thrive and grow jobs right here in the Innovation Capital of the World," said Mayor Ed Lee. "The construction of this new office complex demonstrates yet again that investors have confidence in our City, and I thank KRC for continuing to partner with us to keep our economy growing and to keep our job numbers rising." Located amid buildings dating from the city's brick-and-timber industrial past, 333 Brannan Street will feature an exterior that fits gracefully with its neighborhood's roots as well as efficient, expansive interiors designed for a contemporary workforce.

The many advances in sustainable development and property operation the project incorporates include onsite power generation capabilities and a rainwater reclamation system expected to reduce energy usage by approximately 26% and water usage by 46% compared to a typical building of its size. "The site is one of the city's first to employ eco-district strategies and the project reflects KRC's progressive, long term view and understanding of building designs, and we believe that this project will raise the standards for future development," said architect David Johnson.



333 Brannan Street's large, open floor plates, abundant natural light and operable windows delivering 100% fresh air all create a work environment that was designed to be highly appealing for the technology and media companies that predominate in the South of Market area. DropBox leased 100% of the building in late 2013. The building will also feature an onsite restaurant, ground floor retail amenities, and a large roof top garden common area.

"The transformation now taking place in commercial real estate design is profound and San Francisco is at the leading edge with KRC commencing construction on the second LEED Platinum ground up development after 350 Mission Street," said John Kilroy, Jr., KRC's chairman, president and CEO. "Working with creative partners like William McDonough + Partners and with a supportive city leadership, KRC is committed to developing properties like 333 Brannan Street that are aesthetically appealing, environmentally innovative and deliver dynamic work environments essential to attracting and retaining employees."

COMMUNITY OUTREACH



Rozalia Project Mission Pacific Coast
Seattle Beach Clean Up



PARTNERSHIPS AND INDUSTRY CHALLENGES

In 2013, we worked with the following organizations and initiatives to meet our sustainability goals:

ENERGY STAR

We continue to be an ENERGY STAR Partner, and as such we have benchmarked the energy use of all of our buildings in ENERGY STAR's Portfolio Manager.

USGBC

We joined the US Green Building Council in 2011 to demonstrate our commitment to LEED and sustainability in building design, construction, and operations. In 2013 we became a Gold member.

Global Real Estate Sustainability Benchmark

The Global Real Estate Sustainability Benchmark (GRESB) is an industry-driven organization committed to assessing the sustainability performance of real estate portfolios (public, private and direct) around the globe. It is used by institutional investors to engage with their investments with the aim to improve the sustainability performance of their investment portfolio, and the global property sector at large. We have disclosed a wide range of data related to our sustainability performance to the GRESB for the last three years and will continue to do so.

Better Buildings Challenge

The Better Buildings Challenge (BBC) invites buildings to target reducing energy use at least 20% by 2020 from 2010 levels. In 2012 we decided to participate in the Los Angeles Department of Water and Power's portion of the BBC by enrolling our Sunset Media Center building (more information on page 20), and in 2013 we added three additional buildings to the Los Angeles BBC. In addition, we enrolled Skyline Tower in the Seattle BBC in 2013.

BOMA

KRC is very active in the Building Owners and Managers Association (BOMA), and in 2011 we endorsed BOMA's 7-Point Challenge. This is a voluntary commitment to report and reduce energy use, which we continued to do in 2013. Many of our employees serve on their regional BOMA Sustainability Committees.

BOMA STARS

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

The 20,000 commercial buildings that have earned the ENERGY STAR are estimated to have saved over \$2.7 billion in energy costs since the creation of ENERGY STAR in 1992.

AWARDS

GRESB Green Star

The GRESB confers its Green Star award on the portfolios that score in the top quartile worldwide on sustainability. KRC earned the Green Star this year, placing 4th among the 25 responding portfolios in its peer group (American office REITs) and 78th worldwide out of 543 total respondents.



ENERGY STAR Partner of the Year

EPA's annual ENERGY STAR Awards honor organizations that have made outstanding contributions to protecting the environment through superior energy efficiency. The award winners are chosen from nearly 20,000 partners that participate in the ENERGY STAR program, and the selection is extremely competitive. Commercial landlords that win the prestigious award have demonstrated an organization-wide commitment to reducing energy costs for their tenants.



Individual Award

The San Francisco Business Times named KRC's VP, Sustainability a Northern California Real Estate Women of Influence Rising Star in 2013. More information can be found at: www.bizjournals.com/sanfrancisco/feature/women-of-influence/2013/10/rising-stars.html

Commercial Property Executive 30 Greenest Real Estate Companies

In 2013 Commercial Property Executive named KRC one of the 30 Greenest Real Estate Companies of the year. Commercial Property Executive is a leading integrated resource for executives and companies that own, invest in, develop, lease and/or manage commercial real estate. More information can be found at: www.cpexecutive.com/researchcenter/cpe-mhn-rankings/2013-greenest-companies/

Rank	Company	Branches of Operation*	Primary Asset Type	LEED Assets in 2012**	LEED Accredited Staff**	Chief Sustain. Officer
1	Hines	O, I, D, PM	Office	199	87	Yes
2	Principal Real Estate Investors	O, I, D	Industrial	54	8	Yes
3	Liberty Property Trust	O, I, D, PM	Office	117	73	No
4	Corporate Office Properties Trust Inc.	D, PM	Office	36	32	Yes
5	Brookfield Office Properties Inc.	O, I, D, PM	Office	35	48	No
6	Trammell Crow Co.	D	-	12	21	Yes
7	KBS Realty Advisors	O, I, AM	Office	33	0	No
8	Brandywine Realty Trust	O, I, D, B, PM	Office	5	7	No
9	Thomas Properties Group Inc.	O, I, D, B, PM	Office	18	9	No
10	First Potomac Realty Trust	O, D, PM	Office	6	5	Yes
11	Granite Properties Inc.	O, I, D, B, PM	Office	12	13	No
12	Lincoln Property Co.	O, I, D, PM	-	6	927	No
13	Kilroy Realty Corp.	O, D, PM	Office	13	4	Yes
14	Jones Lang LaSalle Inc.	D, B, PM	Office	6	1,200	Yes
15	CBRE Group Inc.	O, I, D, B, PM	Office	-	1,016	Will Add
16	Cassidy Turley	D, B, PM	Office	-	105	Yes
17	Paramount Group Inc.	O, I, PM	Office	7	6	Yes
18	AvalonBay Communities Inc.	O, I, D, PM	Multifamily	5	11	Yes
19	WinnCompanies	O, D, PM	Multifamily	5	4	Yes
20	Akridge	O, I, D, B, PM, AM	Office	4	12	Yes
21	Concord Hospitality Enterprises Co.	O, D, PM	Hotel	3	2	No
22	SL Green Realty Corp.	O	Office	3	5	Yes
23	UDR Inc.	O, I, D, PM	Multifamily	3		No
24	AMLI Residential	O, D, PM	Multifamily	2	14	Yes
25	SARES•REGIS Group	O, I, D	Multifamily	2	3	No
26	The Ashforth Co.	O, I, D, PM	Office	2	1	No
27	The Ratkovich Co.	O, I, D, PM	Office	2	2	No

Notes: * Branches of Operation: O=Ownership; I=Investment; D=Development; B=Brokerage; PM=Property Management; AM=Asset Management

BOMA 360

The BOMA 360 Performance Program, sponsored by BOMA International, evaluates buildings against industry best practices in six major areas: building operations and management; life safety, security and risk management; training and education; energy; environmental/sustainability; and tenant relations/community involvement. Individual buildings that satisfy the requirements in all six areas are awarded the BOMA 360 designation. We had ten new buildings, totaling over 1.1 million square feet, earn the designation in 2013 in part for their excellence in maintaining sustainable operations. These join our existing 1.8 million square feet of BOMA 360 Buildings.

1	303 Second Street , San Francisco, CA	723,506 sf
2	100 First Street , San Francisco, CA	466,490 sf
3	Key Center , Bellevue, WA	488,470 sf
4	4040 Civic Center Drive , San Rafael, CA	126,787 sf
5	7525 Torrey Santa Fe Road* , San Diego, CA	103,979 sf
6	7535 Torrey Santa Fe Road* , San Diego, CA	130,243 sf
7	7545 Torrey Santa Fe Road* , San Diego, CA	130,354 sf
8	7555 Torrey Santa Fe Road* , San Diego, CA	101,236 sf
9	3579 Valley Centre Drive* , San Diego, CA	52,375 sf
10	3611 Valley Centre Drive* , San Diego, CA	130,178 sf
11	3661 Valley Centre Drive* , San Diego, CA	129,752 sf
12	3721 Valley Centre Drive* , San Diego, CA	114,780 sf
13	3811 Valley Centre Drive* , San Diego, CA	112,067 sf
14	Liberty Station* , San Diego, CA	103,900 sf
	Total:	2,914,117 sf

*Buildings earning the BOMA 360 designation in 2013.





Rozalia Project Mission Pacific Coast
2013 Summer Trash Tour

EMPLOYEE SERVICE

Rozalia Project

Our partnership with the Rozalia Project grew in 2013. The Rozalia Project is a high-performing nonprofit dedicated to water stewardship and research. In addition to sponsoring their 2013 Summer Trash Tour, 205 KRC employees, their families and Kilroy Cup sailors participated in science and cleanup programs in 3 cities (Long Beach, San Francisco and Seattle). Also, we helped the Rozalia Project repower their boat with a state of the art, Tier 3 marine diesel engine. This engine lowered the boat's emissions by 80%, reduced its particulate matter by 100% and increased its efficiency from using 2.5 gallons per hour to go 5-6 knots to using 1.8 gallons per hour to go 8-9 knots. We look forward to sponsoring their 2014 Summer Trash Tour and assisting them as their programs expand even further.

Highlights of the Rozalia Project's 2013 work include:

- Removing 36,659 pieces of marine debris this year bringing the organizational total to: 582,000+
- Working with 8,595 people in direct programs, including 850 San Diego students
- Producing 43 online Expedition Reports with a reach of 25,000+ students
- Working with over 100 organizations, events and partners
- Working in 12 states and their first international program in Vancouver, Canada
- Working with guest scientists from the University of Exeter in England who are doing groundbreaking research in the relationship between microplastics and plankton on the surface as well as creatures in sediment

Habitat for Humanity

We continued our support for Habitat for Humanity with the second annual KRC Habitat for Humanity day. Employees, family and friends gathered to participate in the rehabilitation of a formerly foreclosed home that a low-income family would be soon occupying. In addition to contributing their time as sweat equity, the family will also take out a low-cost mortgage through Habitat for Humanity. KRC's donation will go a long way to helping a deserving family find safe and affordable housing.



PHILANTHROPY

Kilroy Scholarship at Loyola Marymount University

In furtherance of our recognized industry leadership on sustainability in LEED development and building operations, energy and water efficiency, waste reduction, and environmental community outreach, and in recognition of John B. Kilroy, Sr.'s unique and longstanding role as chairman of KRC, we established the Kilroy Scholarship at Loyola Marymount University (LMU) with a gift of \$100,000 each year for the next 10 years. The Kilroy Scholarship will support undergraduate students in the Frank R. Seaver College of Science and Engineering who are pursuing a degree in Environmental Science. This scholarship will allow academically deserving LMU students in financial need to pursue a high caliber education and enter careers in areas such as environmental protection, environmental education and natural resource management.



Charitable Donations

- Wellspring Family Services
- Cystic Fibrosis Foundation
- Mary Star of the Sea High School
- American Heart Association
- Port of Los Angeles High School
- San Francisco America's Cup
- YMCA
- San Francisco AIDS Foundation
- Special Olympics of Southern California
- The Breast Cancer Research Foundation
- Boys and Girls Clubs of San Francisco
- PBS of Southern California
- Antidefamation League
- City of Hope LARE Spirit of Life Celebration
- Friends of Overland
- North Sails Hawaii
- Cedars-Sinai Medical Center Run for Her
- Citizens of the World Los Angeles
- Habitat for Humanity
- San Diego Humane Society

ETHICS & GOVERNANCE

Westside Media Center
12100, 12200 & 12312 W. Olympic Blvd.
(Los Angeles, CA)



CORPORATE GOVERNANCE

We are committed to corporate governance practices that support a business environment of uncompromising integrity. We reinforce this objective through our governance policies and compliance with the Sarbanes-Oxley Act of 2002, FCPA and the rules of the SEC and the NYSE.

Our highest governance body is the Board of Directors, followed by our senior officers. In February 2013 we announced the retirement of John B. Kilroy, Sr., as the company's chairman. The board of directors elected John Kilroy, Jr. to replace him. John Kilroy, Jr. is chairman of the board and Chief Executive Officer.

The KRC Board comprises 5 members who are elected annually, four of whom are independent. The board has three committees: the Audit Committee, Executive Compensation Committee and the Nominating/Corporate Governance Committee. The Corporate Governance Committee makes decisions on social impacts.

KRC requires that a majority of our Board be independent in accordance with the applicable provisions of the Securities Act of 1934 and the standards adopted by the NYSE. Additionally, the Audit Committee, Executive Compensation Committee and the Nominating/Corporate Governance Committee consist entirely of independent directors as required by law and under the rules of the New York Stock Exchange. Of the 5 members on the Board, all are white men between the ages of 59 and 70.

Interested parties may communicate with any of the directors, individually or as a group, by writing to them in care of Tyler Rose as follows:

Tyler Rose
Chief Financial Officer and Company Secretary
Kilroy Realty Corporation
12200 W. Olympic Blvd, Suite 200
Los Angeles, CA 90064

All communications should prominently indicate on the outside of the envelope that they are intended for the full Board, for outside directors only or for any particular group or member of the Board. A stockholder seeking to have a proposal included in KRC's proxy statement for the 2013 annual meeting of stockholders must comply with the applicable rules and regulations of the Securities and Exchange Commission.

For a complete description of KRC's corporate governance practices, please visit: <http://phx.corporateir.net/phoenix.zhtml?c=79637&p=irol-govhighlights>

There are several mechanisms available for employees to report issues to governing bodies at KRC. These include speaking to Designated Officers or reporting to the Audit Committee of the Board of Directors through KRC's anonymous and confidential Conduct Hotline, which is hosted by Global Compliance, an independent third-party provider.

ECONOMIC PERFORMANCE

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



111 Pacifica
(Irvine, CA)

ENTITIES

KRC is a publicly-traded REIT, and is the general partner of Kilroy Realty, LP. Kilroy Realty, LP owns property throughout the west coast, as do its subsidiaries. Kilroy Realty Corporation is the sole owner of Kilroy Realty Finance, Inc, which is the general partner of Kilroy Realty Finance Partnership, LP. Kilroy Realty Finance Partnership, LP and its subsidiaries also own West Coast properties. Kilroy Realty Corporation and Kilroy Realty, LP are the entities included in our consolidated financial statements. No entity included in our consolidated financial statements is excluded from coverage in this sustainability report. We are headquartered in Los Angeles, CA.

STAKEHOLDER ENGAGEMENT

We take an active approach to stakeholder engagement, and we incorporate stakeholder comments into our business decisions. Our stakeholders are the main drivers of our operations, and we take pride in communicating with our stakeholders via a wide variety of methods.

These include tenant satisfaction surveys, quarterly earnings calls, tenant sustainability memos, community town hall meetings, industry conferences and other events, press releases, third party surveys, employee meetings, government hearings, broker gatherings, and in-person interactions with contractors, vendors and suppliers. We disclose our sustainability data to our investors via the Global Real Estate Sustainability Benchmark and this report. The activities listed below were not specifically undertaken as part of the report preparation process.

Stakeholder Engagement

Tenants

- Dedicated Asset Management teams
- Biennial tenant satisfaction surveys
- Social media
- Quarterly tenant sustainability memos
- Tenant appreciation events
- In-person recycling revitalization training
- Competition participation
- Earth Day events

Our tenants increasingly tell us how important sustainability is to them, especially in terms of energy and water consumption, as well as availability of composting. This is the main driver behind our continued commitment to energy, water and recycling projects. Our tenants are also more and more interested in having us install electric vehicle charging stations in their properties, and as a result of this feedback we have installed additional stations throughout our portfolio.

Employees

- Training programs and support
- Biannual employee meetings
- Annual performance reviews
- Intranet site for internal communications
- Whistleblower mechanism

At the beginning of each year the Sustainability Team meets with each Asset Management team to discuss projects that team would like to engage in that year. Feedback from those meetings suggested that employees want to do more water projects, which we are doing.

Investors

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

Transparency is a key concern for our investors, which is why we believe several of our investors have requested that we participate in the GRESB, and we have done so as a result of this feedback since 2011. We received the below proposals from shareholders for the 2014 annual meeting:

- a) *Proxy Access Proposal* (proposal co-filed by the New York City Employees' Retirement System, the New York City Fire Department Pension Fund, the New York City Teachers' Retirement System, the New York City Policy Pension Fund, the New York City Board of Education Retirement System, and The City of Philadelphia Public Employees Retirement System)

We have engaged with each of the proponents and are addressing each proposal during this proxy season. The final proxy statement with our responses to the proposals can be found here: <http://phx.corporate-ir.net/phoenix.zhtml?c=79637&p=irol-sec>

Brokers

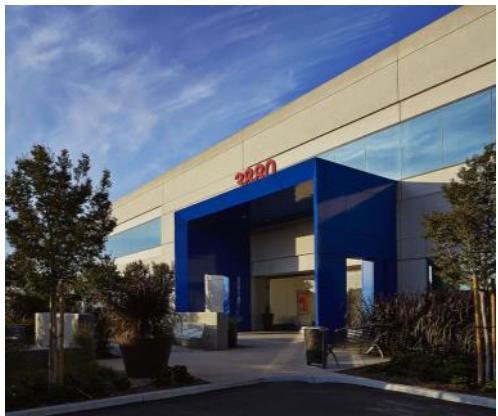
- Annual broker appreciation event
- Informal broker events throughout the year
- Attendance and hosting of various broker meetings

We have been increasingly engaging our brokers on sustainability issues, and in 2013 we successfully added a variety of language related to sustainability into our standard lease. We received some feedback from brokers that some of this language would be potentially problematic for tenants, especially language related to utility consumption disclosure. We have worked to find solutions that honor privacy concerns while still providing us the data we need for disclosure.

Government

- Attendance at hearings related to sustainability
- Collaboration throughout the permitting process for new developments and major renovations
- Engagement with government representatives on sustainability issues

The local governments that operate the cities in which we do business have indicated through their permitting processes their increasing focus on sustainability. As a result, our development projects are targeting higher and higher levels of sustainability performance, and this has led to expedited permitting in many areas.



**3880 Kilroy Airport Way
(Long Beach, CA)**

NGOs

- NGO surveys
- Membership and employee participation in NGO activities
- Attendance at conferences and other industry events
- Employee volunteerism
- Corporate Philanthropy

On a regular basis we fill out surveys distributed by a variety of NGOs, which suggests that there is expanding interest in the owner perspective on sustainability concerns. We received extremely positive feedback from the NGOs we engaged with for employee volunteerism, and will be increasing our participation in these events in the future.

Industry Associations

- Generation of articles for written publications
- Participation on committees and leadership teams, such as BOMA
- Active participation at conferences and meetings

Our industry associations, most notably BOMA, have indicated that we are considered leaders in environmental sustainability, and we have been requested more and more often to contribute to trade publications, conferences, seminars, and other industry forums. In response to this we have increased our presence in these forums, and 1,100 industry professionals attended our various sustainability speaking engagements in 2013.

Contractors, Vendors and Suppliers

- Attendance at conferences and other industry events
- Contract development and interaction throughout duration of service
- One-on-one meetings and calls

Contractors, vendors and suppliers are interested in our capital budget process and the environmental criteria for choosing with whom we work, including how we calculate the financial return for an environmental investment. We are working to be as transparent as possible on these issues.

Media

- Press releases
- Articles written for relevant news outlets
- Interviews with media regarding KRC operations and sustainability
- Events around significant achievements, such as groundbreakings

All of the media articles which mention our sustainability programs in 2013 can be found here: <http://www.kilroyrealty.com/Sustainability/PressReleases.aspx>. Feedback in 2013 indicated that we needed to be more involved in social media, so in 2013 we launched the @kilroygreen twitter handle to better engage with our stakeholders.

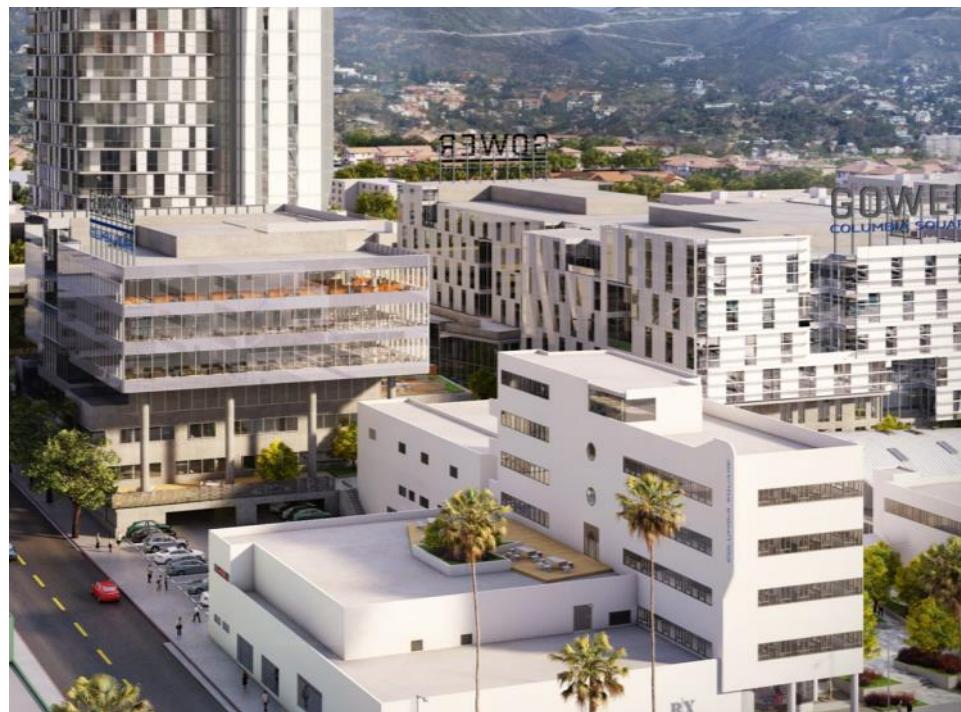
Communities

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

Our local communities provide us with specific feedback on development projects in their areas. We solicit this feedback through town halls, charettes and dedicated project websites, among other methods. We have changed our development programs as a result of this feedback by, for example, reducing the size of the One Paseo project or increasing public transportation access at Columbia Square.

ETHICS

Obeying the law, both in letter and in spirit, is the foundation on which our ethical standards are built. Each employee has an obligation to comply with federal laws and the laws of the states, counties and cities in which we have properties and operate our business. We will not tolerate any activity that violates any laws, rules or regulations applicable to us. This includes, without limitation, laws covering bribery and kickbacks, copyrights, trademarks and trade secrets, information privacy, insider trading, illegal political contributions, antitrust prohibitions, offering or receiving gratuities, environmental hazards, employment discrimination or harassment, occupational health and safety, false or misleading financial information or misuse of corporate assets.



Columbia Square
(Hollywood, CA)





Kilroy Governor Pointe
(San Diego, CA)

EMPLOYEES

At KRC, we believe our people make a difference. The success of our business is tied to the quality of our staff and we strive to maintain a corporate environment without losing the entrepreneurial spirit on which we were founded more than 65 years ago.

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

We have had no significant variations in employment numbers.

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

TOTAL WORKFORCE AS OF DECEMBER 31, 2013

Total Employees	219
Female	122
Male	97

Supervisors	91
Female	40
Male	51

Supervised Workers	128
Female	82
Male	46

TOTAL WORKFORCE BY REGION AS OF DECEMBER 31, 2013

Total Employees	219
Irvine/San Diego Region	33
Female	25
Male	8

Los Angeles Region	129
Female	68
Male	61

San Francisco Region	41
Female	21
Male	20

Seattle Region	16
Female	8
Male	8

The goal of our training is to share best practices throughout our portfolio, improve employee satisfaction and the quality of our management teams, and standardize operations to increase efficiency.

Training and Education

KRC supports the continual improvement of training and education programs for our employees. We had extensive training in 2013 to support our transition to Yardi. Yardi is a software platform that enables us to automate and easily analyze many aspects of our operations, including accounts payable, insurance, and leasing; we believe that transitioning to Yardi will allow us to operate more efficiently as we grow. This training totaled approximately 14 hours per person, and we estimate that of our 203 Yardi users 175 of them underwent this rigorous training. There were many other training topics in addition to Yardi that happened throughout the company in 2013, including leadership and maintaining appropriate workplace relations. Individual teams conducted trainings as appropriate on topics such as energy, water and waste benchmarking and the operating of new mechanical equipment. In addition, we had two in-person training modules for our managers to improve their leadership and communication skills, as well as workplace behavior training for all employees. The total number of training hours related to Yardi and Human Resources totaled approximately 3375 hours, or 15.2 hours per person.

Training & Education by Gender*

Female	15 hours
Male	17 hours

Employee Category

Administrative Support Workers	17 hours
Craft Workers	4 hours
Executive/Senior Level Officials & Managers	14 hours
First/Mid-Level Officials & Managers	22 hours
Professionals	18 hours
Service Workers	2 hours

*Training hours based on averages by employee type

Education Tuition Reimbursement

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

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

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

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

Employees within KRC's Asset/Property Management department are encouraged to take BOMA courses each year to reach the applicable professional designations for their position. BOMA International is a leading source for industry education that offers a variety of programs designed to enhance and advance the careers of commercial real estate professionals.



100 First Street
(San Francisco, CA)

Performance and Career Development Reviews

All of our employees receive an annual performance review. We have an established process for annual performance evaluations. These evaluations are done in the same timeframe as the review of annual incentive compensation. One of the general factors on the performance appraisal form is 'Attendance/Adherence to Policy' which requires the supervisor to address whether the employee follows safety & conduct rules, other regulations and adheres to company policies. The CEO, COO and CFO at their discretion may discuss performance expectations with respective employees either verbally and/or in written form.

Annual Performance Review

Female	100%
Male	100%

Employee Category

Administrative Support Workers	100%
Craft Workers	100%
Executive/Senior Level Officials & Managers	100%
First/Mid-Level Officials & Managers	100%
Professionals	100%
Service Workers	100%

Diversity and Equal Opportunities

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

ORGANIZATION'S GOVERNANCE BODY (ELECTED OFFICERS)

Gender

Female	22.86%
Male	77.14%

Age Group

Under 30 years old	0.00%
30-50 years old	51.43%
Over 50 years old	48.57%

Minority Groups

Asian	8.57%
Hispanic or Latino	2.86%
White	88.57%

ALL EMPLOYEES

Gender

Female	55.66%
Male	44.34%

Age Group

Under 30 years old	21.72%
30-50 years old	54.30%
Over 50 years old	23.98%

Minority Groups

Asian	19.46%
Black or African American	1.81%
Hispanic or Latino	10.41%
Two or more Races	1.81%
White	66.06%

Non-Discrimination

We had no incidents of discrimination reported during 2013.

KRC has not had any significant fines or non-monetary sanctions regarding environmental compliance.

ENVIRONMENTAL STEWARDSHIP

Formal environmental grievance mechanisms as contemplated in the GRI guidance are not applicable to us as a REIT. However, we have a procedure in place for environmental incidents, whether they are discovered by our employees or through tenant complaints. Examples of environmental issues that can arise at various properties include water leaks, mold, air quality, water quality, leaking underground storage tanks or pipes, asbestos, lead paint, and other hazardous materials. There were approximately 136 reports related to various environmental incidents completed in 2013. There are a handful of incidents that arose during 2013 that are ongoing. Other than this handful of incidents that we are in the process of resolving, there are no known incidents that arose in 2013 that were not resolved.



Plaza Yarrow Bay
(Kirkland, WA)

We have a flexible procedure in place regarding responding to various environmental issues, including complaints by tenants. This procedure is flexible because each set of circumstances requires a slightly different protocol to be followed. The only written procedure we currently have in place is one for suspected mold incidents. However, we are currently in the process of preparing written protocol to distribute throughout our organization that details how to generally handle all other environmental incidents.

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



One Paseo
(San Diego, CA)

LOCAL COMMUNITIES

We recognize that our buildings are part of larger community systems. Our tenants are looking for prime locations within neighborhoods close to public transportation and amenities such as restaurants and fitness centers, and community features are a deciding factor in our development and acquisition plans. We also recognize that our buildings have the potential to either benefit or detract from their local communities, which also impacts our decision-making. This is why, for example, 333 Brannan street is designed with a brick exterior to match the aesthetic of neighboring buildings, and why we decided proactively to reduce the size of our Columbia Square project. Our sensitivity to community systems has enabled us to become a successful landlord in a variety of desirable west coast locations.

In addition, we implement local community engagement and environmental impact assessment programs in all of our development projects. By square footage our development programs comprise 19.9% of our operations. All of these projects involve an assessment of the existing environmental conditions, and, where needed, an Environmental Impact Report (EIR). EIRs are disclosed publicly as part of the entitlement process. We also engage local communities as part of our development process using a variety of forums, from town hall meetings to charettes to websites that solicit feedback to open houses. The goal of these programs is to ensure that our development projects meet the needs of the local community. Our One Paseo project, for example, is in a lengthy local community engagement process, and has reduced the size of the development plan in response to community feedback.

CLIMATE CHANGE IMPACTS AND RISKS

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

Being proactive on sustainability also protects our reputation in our industry. We proactively engage our community through articles, industry forums, and interviews. In addition, we have comprehensive risk management procedures and disaster recovery plans in place in the event of a disruption to our business or our properties. Also, because we recognize that as a result of climate change our stakeholders are asking for increased transparency, we are improving our voluntary disclosure efforts, which include this report, many survey and questionnaire responses, participating in the GRESB and the information available on our website.

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Because we proactively address climate change risk, we minimize financial risk, especially regarding new regulation, take advantage of opportunities in our portfolio, and increase our success in undertaking new development projects.

We see the following as possible consequences of climate change:

1) Higher costs for energy and water

We manage rising costs for energy and water through our efficiency programs to protect our tenants, but it is possible that as a result of climate change these costs could increase faster than we can reduce our energy and water use. While we believe we will remain an attractive landlord in comparison to other West Coast landlords, tenants could decide to leave our area entirely for parts of the country where utility costs are lower. To mitigate this risk, we are aggressively pursuing projects designed to decrease energy and water costs in our buildings.

2) Increased energy regulation

We strive to implement sustainability measures far before they are required by code, so we have mitigated this risk, and in the event that even stricter regulations than anticipated are implemented, we are well positioned to respond quickly. Increased regulation could, however, cause increased costs that motivate some tenants to leave California entirely.

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

In addition, there may be increased government incentives for energy conservation, and we are well positioned to take advantage of these opportunities. We already take advantage of a range of government and utility incentives to improve the efficiency of our portfolio.

3) Higher costs and more regulation on development activities

As a result of climate change, sourcing materials for our buildings could become increasingly expensive, and there could be increased permitting restrictions around new construction. We have an experienced development team who will be able to mitigate these increases as much as possible. In addition, by committing to sustainable building, we have experienced expedited approvals and community support.

4) Increased attractiveness of West Coast properties

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

Conclusion

CONCLUSION

Thank you for reading our third annual sustainability report. Our sustainability programs continued to get stronger in 2013, and we were thrilled that we received increasing recognition from outside stakeholders for our progress. Our goal is always to deliver a steady stream of high quality, adaptable and productive work environments for the wide range of industries attracted to the vibrant economic centers on the West Coast of the United States. Because a high quality work environment is one that is sustainably built and operated, our sustainability programs are critical in enabling us to deliver premium product to our rapidly evolving market. We want to be the standard against which other real estate developers, owners and operators are judged on their sustainability performance, and we will do so by having the most rigorous and comprehensive sustainability programs in the market.

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

Special thanks to Pauline Hudson, Devri Cox, Joe Magri, Lauren Follett, Scott Ritto, Lauren Ross, Caitlin Kilroy, Judy LaCoss, Jessica Fine, Michelle Ngo, Jo Osika, Jim Rosales, Bill Wendt, Cheryl Castrence, Holly Jump, Phil Tate, Brendon Lydon, Janelle Strand, Karin Gilbert, Steve Scott and Brian Galligan.

For any questions pertaining to this report, please contact Sara Neff at (310) 481-8449 or sneff@kilroyrealty.com. More information about our sustainability programs and corporate responsibility practices is available on our website at www.kilroyrealty.com/sustainability and on Twitter and Instagram @kilroygreen.



Calabasas Park Centre
(Calabasas, CA)



GRI Content Index

This is KRC's third corporate sustainability report and its second developed in accordance with Global Reporting Index (GRI) guidelines. This is its first report using the G4 guidelines. The report covers all of KRC's activities, all of which are located in the United States, during calendar year 2013. KRC publishes a corporate sustainability report on an annual basis. The last KRC corporate sustainability report was published in December 2012 and covered calendar year 2012. Since our last report, there have been no restatements of information relating to that disclosure. The only significant change from the previous report is that for the first time we have decided to adopt the GRI G4 reporting methodology, instead of the G3 methodology. Since last year's report, KRC has reduced the square footage of its portfolio by approximately 4 percent, from 13.2 million square feet to 12.7 million square feet as the company disposed of nonstrategic assets and refocused our investments in our key regional markets. Like-for-like, our occupancy increased over this period from 92.8% to 93.4%.

KRC chosen the 'Core' in accordance option for our sustainability report. The external assurance report can be found on pages 51-53. The external assurance has used the AA10000 Assurance Standard (08) as the basis of the assurance.

INDICATOR	DESCRIPTION	PAGE	INDICATOR	DESCRIPTION	PAGE
G4-1	Statement from the most senior decision maker of the organization.	2	G4-22	Effect of any restatements of information provided in previous reports and reason for restatements.	47
G4-3	Name of the organization.	4	G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	47
G4-4	Primary brands, products and/or services.	7	G4-24	Stakeholder groups.	36-39
G4-5	Location of organization's headquarters	36	G4-25	Basis for identification and selection of stakeholders.	36
G4-6	Number of countries where organization operates.	4	G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any engagement was undertaken specifically as part of the report preparation process.	36-39
G4-7	Nature of ownership and legal form.	36	G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns.	36-39
G4-8	Markets served.	4	G4-28	Reporting period.	47
G4-9	Scale of the organization.	4	G4-29	Date of most recent previous report.	47
G4-10	Total workforce by employment contract, employment type, employees versus supervised workers and region, broken down by gender. Substantial portion of work performed by workers legally recognizes as self-employed or contractors. Significant variations in employment numbers.	40	G4-30	Reporting cycle.	47
G4-11	Percentage total employees covered by collective bargaining agreements.	40	G4-31	Contact point for questions regarding the report or its content.	46
G4-12	Organization's supply chain.	7	G4-32	'In accordance' option the organization has chosen. GRI Content Index for the chosen option. Reference to the External Assurance Report.	47
G4-13	Significant changes during the reporting period regarding organization's size, structure, ownership or supply chain.	47	G4-33	Policy and current practice with regard to seeking external assurance. Scope and basis of any external assurance provided. Relationship between the organization and the assurance providers. Whether highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	8
G4-14	Precautionary approach or principle addressed by the organization.	8	G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	35
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives the organization subscribes or endorses.	8	G4-56	Organization's values, principles, standards and norms of behaviors such as codes of conduct and codes of ethics.	39
G4-16	Memberships in associations and national or international advocacy organizations.	9			
G4-17	Entities included in the organization's consolidated financial statements or equivalent documents.	36			
G4-18	Process for defining the report content and Aspect Boundaries. Implementation of the Reporting Principles for Defining Report Content.	9			
G4-19	List all material Aspects identified.	9			
G4-20	Aspect Boundary within the organization for each material Aspect.	9			
G4-21	Aspect Boundary outside the organization for each material Aspect.	9			

We have implemented all Reporting Principles for Defining Report Content and Quality:

Stakeholder Inclusiveness: We have identified our stakeholders, and explained how we have responded to their reasonable expectations and interests. Information on our stakeholders can be found on pages 36-39.

Sustainability Context: We have presented our performance in the wider context of sustainability by discussing challenges related to resources at the regional level. We have also referenced peer performance where appropriate.

Materiality: We went through an extensive materiality process to ensure that this report reflects topics that reflect our significant economic, environmental and social impacts and substantively influence the assessments and decisions of stakeholders. More information on our materiality process can be found on page 9.

Completeness: To ensure report completeness, this report has been externally assured. This intensive process verifies that the topics included in this report and the boundaries of those topic areas are sufficient to reflect significant economic, environmental and social impacts, and to enable stakeholders to assess the organization's performance in the reporting period. More information on the external assurance of this report can be found on page 8.

Balance

This report discloses both favorable and unfavorable results and Aspects. For example, while we are pleased that the recycling diversion percentage has increased, overall the total amount of waste that our buildings generate has increased. We are reporting like-for-like data for the past 24 months so that users can see trends in performance, and we have tried to emphasize various Aspects proportionate to their relative materiality. For example, we find energy consumption to be highly material, so this Aspect is highly emphasized in this report. Environmental Compliance is not as material, so it is not as emphasized.

Comparability

All benchmarks are reported annually, for easy comparison. We use industry standard benchmarks consistent with the GRESB, such as metric tonnes of waste, kilowatt hours of electricity, and cubic meters of water. All information regarding variation between reporting periods can be found on page 47; this year's variation in reporting is large as a result of moving from G3 to G4 GRI guidelines. We have compiled our information using standard methods, and each consumption benchmark has its methodology clearly explained next to the quantitative results.

Accuracy

The data included in this report has been measured using explicitly-defined techniques that can be replicated, and this data has been verified by an unaffiliated third party, DNV GL. DNV GL has also verified our qualitative statements. We have clearly indicated when data has been estimated, and on what we based these estimations; we have also tried to avoid having to use estimations wherever possible. As such, we do not believe there is a margin of error significant in the quantitative data that would jeopardize the ability of our stakeholders to make informed analyses of our performance.

Timeliness

We report our information on an annual basis, and the report covers the previous calendar year's performance. In prior years we have released our Annual Sustainability Report at year end, but this year we are releasing it at the end of the first quarter 2014 so that we could include all of 2013's consumption data, as the last of the bills that reflect 2013 do not arrive until early March. All previous Annual Sustainability Reports are available at: <http://kilroyrealty.com/Sustainability/SustainabilityReport.aspx>

Clarity

Using the section headings at the top of our report and the GRI Index at the end of our report, we are confident that stakeholders can find the information they need easily. We have worked to provide a sufficient level of detail without providing too much information that will make the report hard to navigate. We have avoided technical terms likely to be unfamiliar to stakeholders wherever possible. The report is available electronically as a download and online, and can be viewed from a smartphone. We also provide hard copies on request. At this time, the report is only available in English.

Reliability

The information contained in this report has been externally verified by DNV GL, and more information on the scope and extent of their assurance can be found on pages 51-53. This external assurance process was extremely rigorous. It involved not only independent verification of all claims made throughout this report, but also data verification for our energy, water and waste consumption information. In addition, the external assurance process required in-person interviews with our CEO and executives from Risk Management, Sustainability, In-House Counsel, Environmental Compliance and Human Resources to verify that our materiality process captured the content areas that were appropriate for inclusion in this report. Information about the report's original authors, including contact information and their declaration of content accuracy, is on page 46.

Appendix

Energy Usage Managed Assets

Managed Assets		Absolute Consumption				Like-for-Like Consumption				
		2012		2013		2012		2013		
		Consumption (MWh)	Consumption (MWh)	Data Coverage (sf)	Max Coverage (sf)	Consumption (MWh)	Consumption (MWh)	Like-for-Like Change (%)		
Base Building	Common Areas	Fuel	11,265.6	7,607.5	865,171	1,952,011	2,897.7	3,172.9	9.5%	
		Electricity	21,493.1	13,215.1	865,171	1,952,011	9,879.1	10,226.8	3.5%	
	Shared Services/Central Plant	Fuel	9,873.4	11,122.0	5,440,426	5,440,426	6,490.6	6,581.5	1.4%	
		Electricity	75,735.2	80,252.7	5,440,426	5,440,426	59,000.6	57,227.9	-3.0%	
	Outdoor/Exterior Areas/Parking	Fuel	0.0	0.0	N/A	N/A	0.0	0.0	0.0%	
		Electricity	203.2	219.5	N/A	N/A	203.2	219.5	8.0%	
Total Energy Consumption of Base Building			118,570.6	112,416.8	N/A	N/A	78,471.2	77,428.5	-1.3%	
Tenant Space	Purchased by Landlord	Fuel	0.0	0.0	0	0	0.0	0.0	0.0%	
		Electricity	0.0	0.0	0	0	0.0	0.0	0.0%	
	Purchased by Tenant	Fuel	12,082.9	15,828.2	1,403,899	2,687,195	11,486.1	12,965.4	12.9%	
		Electricity	29,112.5	25,455.3	1,403,899	2,687,195	24,446.1	24,942.6	2.0%	
Total Energy Consumption of Tenant Areas			41,195.4	41,283.5	N/A	N/A	35,932.2	37,908.0	5.5%	
Whole Buildings	Combined Consumption Common Areas & Tenant Spaces	Fuel	13,605.5	11,065.5	4,490,337	4,987,167	5,958.5	5,474.9	-8.1%	
		Electricity	76,147.0	73,040.6	4,490,337	4,987,167	45,150.7	40,876.6	-9.5%	
Total Energy Consumption of Whole Building			89,752.6	84,106.1	N/A	N/A	51,109.3	46,351.5	-9.3%	
Total Renewable Energy			0.0	312.9	N/A	N/A	0.0	0.0	0.0%	
Total Energy Consumption of Managed Assets			249,518.6	238,119.3	N/A	N/A	165,512.7	161,688.1	-2.3%	



INDEPENDENT ASSURANCE STATEMENT

Scope & Objectives

DNV Certification Inc. (DNV GL) was commissioned by Kilroy Realty Corporation (KRC) to conduct independent assurance of its 2013 Sustainability Report (the Report), as published on the company's website at <http://www.kilroyrealty.com/Sustainability/SustainabilityReport.aspx>.

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

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

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

Responsibilities of Kilroy Realty L.P. and of the Assurance Providers

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

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

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

Basis of our opinion

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

- Conducted interviews with the Chairman of the Board of Directors, President and CEO, and a selection of the senior executives and managers from business areas including Risk Management, Human Resources, Legal, Facilities Management, and Sustainability. They are responsible for areas of management and stakeholder relationships covered by the Report. The objective of these discussions was to understand KRC's governance arrangements, stakeholder engagement process, management priorities, and systems;
- Conducted a general review of issues that could be relevant to KRC's operations and policies to provide a check on the appropriateness of statements made in the Report;
- Assessed documentation and evidence that supported and substantiated claims made in the Report;

- Reviewed the specified sustainability data collated at the corporate level and statements made in the Report;
- Interviewed managers responsible for internal data validation, reviewed their work processes, and undertook sample checks on consolidated sustainability data;
- Provided feedback on early versions of the Report based on our assurance scope and some changes were incorporated into later versions.

Findings

On the basis of the work conducted, nothing came to our attention to suggest that the Report does not properly describe KRC's adherence to the Principles of Inclusivity, Materiality, and Responsiveness. Moreover, nothing came to our attention to suggest that the data and claims made in the Report are not accurate and complete.

Observations

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

Inclusivity: the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability

KRC has a culture of engagement, with clear channels for various stakeholders to inform the organization of their expectations. This is the first year KRC has commissioned report assurance and as such the organization should be commended for the scope and extent of how it integrates sustainability considerations into its management processes and reporting.

There are strong examples of working with stakeholders such as tenants to reduce environmental impact and corporate level engagement in the sustainability debate. The inclusion of stakeholders, the ways KRC engages with them, and their areas of interest in the Ethics and Governance section is very useful.

We recommend that the company continue to formalize the way that it uses engagement to further sustainability objectives. In particular, it would be beneficial to understand more about its expectations of contractors with regards to environmental and social issues during construction of new developments.

Materiality: identification of those issues which are necessary for stakeholders to make informed judgments concerning KRC and its impacts

The Report addresses the most material environmental and social issues facing the company and its stakeholders.

The organization has conducted a materiality assessment for the first time which helped to confirm the topics covered in the report. Employee matters including training and development as well as diversity and non-discrimination were deemed very significant. We recognize that performance was considered by stakeholders to be good in these areas. We recommend future coverage of these issues is highlighted more clearly, potentially in a separate section.

There is strong coverage of strategic issues such as the risk assessment on the implications of climate change on the portfolio. A growing area of interest which may be valuable to expand coverage of in the report is how expectations of community planning is changing to enable more sustainable neighborhoods and the part KRC plays in this, including site selection. Emerging issues include health and well-being impacts on tenants of buildings and we recommend further coverage of this in future years.

Responsiveness: the extent to which an organization responds to stakeholder issues

KRC has many sustainability initiatives in place. It has now strengthened the descriptions of the links between these initiatives and the goals/objectives they are helping to achieve. We recommend this process is continued and expanded in future reports so that progress against the strategy is clearer to track.

Performance Information

Similarly, goals and performance data is now presented more clearly and we recommend that future reporting further clarifies where there are not clear target dates or baselines for objectives and targets. KRC has adopted good practice in presenting data through informative charts as well as the narrative which provides further context for the trajectory of performance and its implications.

Energy, waste, and water data presented in the report are considered to be reliable and accurate as minimal technical errors were identified based on our sampling. These errors have been corrected. As KRC continues to grow its data collection requirements, we recommend the company considers options for increased automation of its collection and compilation processes.

KRC currently audits its data at various frequencies depending on the data point in question and is increasing the number of audits and coverage. We welcome ongoing reporting on the outputs of these audits to enable report users to understand areas of strong performance and those targeted for improvement.

**DNV Certification Inc.
Oakland, April 9th 2014**



Dave Knight
Project Director



Natasha D'Silva
Consultant

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