

KILROY REALTY CORP
Form DEF 14A
April 10, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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KILROY REALTY CORPORATION

(Name of Registrant as Specified in Its Charter)

N/A

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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KILROY REALTY CORPORATION

12200 W. Olympic Boulevard, Suite 200

Los Angeles, California 90064

April 10, 2015

To Our Fellow Stockholders:

On behalf of the entire Board of Directors (the Board) of Kilroy Realty Corporation (NYSE: KRC), we are pleased to present you with KRC's 2015 Proxy Statement and we invite you to attend KRC's 2015 annual meeting of stockholders.

Throughout 2014, we continued to grow our real estate enterprise in step with a changing business world—one that is more collaborative, fluid, innovation-driven and focused on resource conservation and sustainable operating practices. We are committed to innovating alongside our tenants, creating efficient and inspired work environments in some of today's most dynamic real estate markets and providing long-term value for our stockholders.

KRC's 2014 total stockholder return was 41%, outperforming the SNL US REIT Office and MSCI US REIT indices, and we generated very strong financial results that exceeded our internal goals.

During 2014, we added two new independent directors that brought fresh viewpoints to our Board—Gary Stevenson, President and Managing Director of MLS Business Ventures of Major League Soccer, and Peter Stoneberg, Managing Partner of Velocity Ventures. Both bring a mix of financial, investment, operational and management experience to our boardroom. You will also note that we have nominated another new candidate to our Board. We are very excited that Jolie Hunt has agreed to join KRC's Board, subject to stockholder approval. Jolie is the Principal and founder of Hunt & Gather, a marketing and communications agency based in New York City. Her extensive background working with some of the world's leading media and technology companies will be a terrific resource to our company.

During 2014 and early 2015, our lead independent director, along with members of senior management, met and engaged with stockholders owning collectively more than 60% of our outstanding stock. These meetings provided us with insights about issues ranging from executive compensation philosophy and structure to board composition and best practices in corporate governance. We appreciate this dialogue and are committed to maintaining open lines of communication with investors.

In response to investor feedback, and with a desire to implement best practices, we made several governance and compensation-related changes during 2014, including: (1) adopting proxy access, (2) adopting majority voting in director elections, (3) expanding the role and responsibilities of our lead independent director and (4) restructuring and re-balancing our executive compensation programs to include new and more rigorous performance assessment frameworks for our short- and long-term incentive plans, and to place greater emphasis on long-term, stockholder-aligned performance.

The accompanying proxy materials contain detailed information about the matters on which you are being asked to vote at the 2015 annual meeting. We urge you to read the materials carefully and vote in accordance with the Board's recommendations. Your vote is very important to us.

Sincerely,

John Kilroy
*Chairman, President and Chief Executive
Officer*

Edward Brennan, PhD
Lead Independent Director

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KILROY REALTY CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

- Date and Time:*** Thursday, May 21, 2015 at 9:00 a.m. local (Pacific) time
- Place:*** Our principal executive offices at 12200 West Olympic Boulevard, Suite 200, Los Angeles, California 90064.
- Items of Business:***
1. Elect as directors the six nominees named in the attached Proxy Statement.
 2. Approve the amendment and restatement of our 2006 Incentive Award Plan.
 3. Approve, on an advisory basis, the compensation of our named executive officers.
 4. Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the year ending December 31, 2015.
- Record Date:*** The Board has fixed the close of business on March 13, 2015 as the record date for determining the stockholders entitled to receive notice of and to vote at the 2015 annual meeting of stockholders (the Annual Meeting), or any adjournment(s) or postponement(s) thereof.
- Proxy Voting:*** **Your vote is very important to us.** Whether or not you plan to attend the Annual Meeting, we urge you to submit your proxy or voting instructions as soon as possible to ensure your shares are represented at the Annual Meeting. If you attend the Annual Meeting and vote in person, your proxy or voting instructions will not be used.

By Order of the Board of Directors,

Tyler Rose

Executive Vice President,

Chief Financial Officer and Secretary

April 10, 2015

Los Angeles, California

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

The Notice of Annual Meeting, Proxy Statement and our 2014 Annual Report on Form 10-K are available at www.proxyvote.com.

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

Table of Contents**Proxy Summary**

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

BUSINESS HIGHLIGHTS

We delivered strong year-over-year financial results in 2014.

We also delivered exceptional total stockholder return² (TSR) for our stockholders on a relative basis. Our TSR outperformed the average TSR for our peer group, the SNL US REIT Office Index and the MSCI US REIT Index for the one- and three-year periods ended December 31, 2014, as shown in the following chart:

	TSR for the Three-Year Period	
	2014 TSR	Ended December 31, 2014
Kilroy Realty Corporation	40.8%	96.4%
Peer Group ³	31.2%	51.0%
SNL US REIT Office Index	26.1%	53.9%
MSCI US REIT Index	30.4%	57.3%

More information on the Company's 2014 performance is detailed on pages 41 through 44.

COMPENSATION HIGHLIGHTS

Our Executive Compensation Committee (the Compensation Committee) retained Mercer (US) Inc. (Mercer) as its independent compensation consultant, conducted a comprehensive review of our executive compensation program and considered input received from our stockholders. As a result of this process, we significantly restructured elements of our executive compensation program for 2014. Below are highlights from the Compensation Discussion and Analysis (the CD&A) section of this Proxy Statement:

- ¹ See Appendix A for the definition of FFO per share and a reconciliation of FFO per share to our net income available to common stockholders computed in accordance with U.S. generally accepted accounting principles (GAAP), as well as the definition of same-store cash NOI and a reconciliation of same-store cash NOI to our net income available to common stockholders computed in accordance with GAAP.
- ² For purposes of this Proxy Statement, total stockholder returns are calculated assuming dividend reinvestment.
- ³ The TSR for the peer group, identified on page 57 is calculated on a weighted basis, determined based on the average market capitalization for each company in the peer group during the applicable period.

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Proxy Summary

CORPORATE GOVERNANCE UPDATES AND HIGHLIGHTS

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

The Board and Independence

Lead Independent Director

Majority of Directors are Independent (4 out of 5 Current Directors)

Board Refreshment with Two New Independent Directors Elected in 2014 and One New Independent Director Nominated in 2015

Regular Executive Sessions of Independent Directors

Regular Board and Committee Self-Evaluations

Independent Audit, Executive Compensation and Nominating/Corporate Governance Committees

Stockholder Rights

Stockholder Proxy Access

Majority Voting for Directors in Uncontested Elections

Annual Election of All Directors (i.e., Declassified Board)

Annual Say-On-Pay Voting

Stockholder Right to Call a Special Meeting

No Stockholder Rights Plan

Compensation and Other Governance Practices

Minimum Stock Ownership Guidelines for Executives, Including Provisions for Executives to Hold a Portion of Shares Granted upon Exercise, Payment or Vesting if the Executive does not Satisfy the Applicable Level of Ownership under the Guidelines

Minimum Stock Ownership Guidelines for Non-Employee Directors

Anti-Hedging and Anti-Pledging Policies

Clawback Policy

Related Party Transactions Policy

No Single Trigger Change in Control in any Employment Agreements

No Excise Tax Gross-Ups

No repricing of Underwater Stock Options

Independent Compensation Consultant

Succession Planning Program

Industry Leading Commitment to Sustainability

Regular Stockholder Engagement, Including Discussions with Stockholders who Together Own Approximately 60% of our Common Stock in 2014

DIRECTOR NOMINEES

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Name	Director			Committee	
	Age	Since	Principal Occupation	Independent	Membership
John Kilroy <i>(Chairman)</i>	66	1996	President, Chief Executive Officer and Chairman, Kilroy Realty Corporation		
Edward Brennan, PhD <i>(Lead Independent Director)</i>	63	2003	Former Chief Executive Officer, Nexus Dx, Inc., a Samsung Company	ü	AC, CC, NCGC
Jolie Hunt	36		Principal, Hunt & Gather	ü	*
Scott Ingraham	61	2007	Co-Owner, Zuma Capital	ü	AC, NCGC
Gary Stevenson	58	2014	President and Managing Director, MLS Business Ventures of Major League Soccer	ü	CC
Peter Stoneberg	59	2014	Managing Partner, Velocity Ventures, LLC	ü	AC, NCGC

AC = Audit Committee

CC = Executive Compensation Committee

NCGC = Nominating/Corporate Governance Committee

* The Board has not yet determined the Board committee(s) to which Ms. Hunt will be named if elected at the 2015 annual meeting of stockholders.

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Voting Information

VOTING MATTERS AND BOARD RECOMMENDATIONS

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3. Advisory Approval of Compensation of NEOs	FOR	19
4. Ratification of Appointment of Deloitte & Touche LLP as Independent Registered Public Accounting Firm for 2015	FOR	21

HOW TO CAST YOUR VOTE

Internet

Follow the instructions provided in the notice or separate proxy card or voting instruction form you received.

Phone

Follow the instructions provided in the separate proxy card or voting instruction form you received.

Mail

Send your completed and signed proxy card or voting instructions to the address on your proxy card or voting instruction form.

In Person

Ballots will be provided to anyone who attends and wants to vote at the 2015 Annual Meeting of Stockholders.

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General Information About the Annual Meeting and Voting Procedures

Our Board is soliciting your proxy for the 2015 annual meeting of stockholders (the Annual Meeting) to be held at 9:00 a.m. local (Pacific) time on Thursday, May 21, 2015 at our principal executive offices located at 12200 West Olympic Boulevard, Suite 200, Los Angeles, California 90064, and any adjournments or postponements of the Annual Meeting. On April 10, 2015, proxy materials for our Annual Meeting, including this Proxy Statement and our 2014 Annual Report to Stockholders, were first sent or made available to our stockholders entitled to vote at the Annual Meeting.

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

Pursuant to rules of the Securities and Exchange Commission, we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the Notice) to our stockholders of record, while brokers, banks and other nominees who hold shares on behalf of beneficial owners will be sending their own similar Notice to the beneficial owners. All stockholders will have the ability to access the proxy materials, including this Proxy Statement and our 2014 Annual Report, on the website referred to in the Notice or to request to receive a printed copy of the proxy materials. Instructions on how to request a printed copy by mail or electronically, including an option to request paper copies on an ongoing basis, may be found in the Notice and on the website referred to in the Notice. We intend to mail this Proxy Statement, together with a proxy card, to those stockholders entitled to vote at the Annual Meeting who have properly requested paper copies of such materials, within three business days of such request.

What is the purpose of the Annual Meeting?

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

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

Proposal No. 2: Approve the amendment and restatement of our 2006 Incentive Award Plan, as amended (the 2006 Plan).

Proposal No. 3: Approve, on an advisory basis, the compensation of our NEOs.

Proposal No. 4: Ratify the appointment of Deloitte & Touche LLP (Deloitte) as our independent registered public accounting firm for the fiscal year ending December 31, 2015.

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

The Board recommends that stockholders vote:

1. **FOR** each of the Board's six nominees for election to the Board: John Kilroy, Edward Brennan, PhD, Jolie Hunt, Scott Ingraham, Gary Stevenson and Peter Stoneberg;
2. **FOR** approval of the amendment and restatement of the 2006 Plan;
3. **FOR** approval, on an advisory basis, of the compensation of our NEOs; and
4. **FOR** ratification of the appointment of Deloitte as our independent registered public accounting firm for the fiscal year ending December 31, 2015.

Who is entitled to vote?

Only the holders of record of the shares of our common stock at the close of business on March 13, 2015 (the Record Date) are entitled to notice of and to vote at the Annual Meeting. Each share of common stock is entitled to one vote on each matter voted upon at the Annual Meeting. As of the Record Date, 87,709,377 shares of common stock were outstanding.

May I attend the Annual Meeting?

You may attend the Annual Meeting if you were a stockholder of record or a beneficial holder of shares of common stock at the close of business on the Record Date, or you hold a valid legal proxy for the Annual Meeting. If you are a stockholder of

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General Information About the Annual Meeting and Voting Procedures

record, your name will be verified against the list of stockholders of record prior to your being admitted to the Annual Meeting. You should also be prepared to present a valid government-issued photo identification, such as a driver's license or passport, before being admitted. If you are not a stockholder of record but you are a beneficial holder of shares of common stock because you hold your shares in street name, you should provide proof of beneficial ownership as of the Record Date, such as an account statement reflecting your stock ownership as of the Record Date, a copy of the Notice or voting instruction form provided by your broker, bank or other nominee, or other similar evidence of ownership, as well as your photo identification, for admission. We reserve the right to determine the validity of any purported proof of beneficial ownership. If you do not have proof of ownership, you may not be admitted to the Annual Meeting. Cameras, recording devices and other electronic devices will not be permitted, and attendees may be subject to security inspections and other security precautions. For directions to the Annual Meeting, contact the Company in writing at 12200 W. Olympic Boulevard, Suite 200, Los Angeles, California 90064, Attn: Secretary or by telephone at (310) 481-8400.

How do I vote?

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

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

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

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

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

If you are a stockholder of record, your proxy must be received by telephone or the Internet by 11:59 p.m. Eastern time on May 20, 2015 in order for your shares to be voted at the Annual Meeting. If you are a stockholder of record and you received a printed set of proxy materials, you also have the option of completing, signing, dating and returning the proxy card enclosed with the proxy materials before the Annual Meeting in order for your shares to be voted at the meeting. If you are a beneficial owner of shares of our common stock, please comply with the deadlines included in the voting instructions provided by the bank, broker or other nominee that holds your shares.

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

A stockholder of record may revoke a previously submitted proxy at any time before it is exercised by (i) delivering a later dated proxy card or by submitting another proxy by telephone or on the Internet (your latest telephone or Internet voting instructions will be followed); (ii) delivering to the Secretary of the Company a written notice of revocation prior to the voting of the proxy at the Annual Meeting; or (iii) by voting in person at the Annual Meeting. Simply attending the Annual Meeting

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General Information About the Annual Meeting and Voting Procedures

will not revoke your proxy. If your shares are held in street name, you must contact your broker, bank or other nominee to find out how to change or revoke your voting instructions. Any change to your proxy that is provided by telephone or the Internet must be submitted by 11:59 p.m. Eastern time on May 20, 2015.

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

The shares of common stock represented by all properly submitted proxies will be voted at the Annual Meeting as instructed or, if no instruction is given, will be voted FOR each of the director nominees named in Proposal No. 1, FOR Proposal No. 2, FOR Proposal No. 3 and FOR Proposal No. 4.

If you hold your shares of common stock in street name through a brokerage account and you do not submit voting instructions to your broker, your broker may generally vote your shares in its discretion on routine matters. However, a broker cannot vote shares held in street name on non-routine matters unless the broker receives voting instructions from the street name holder. Proposal No. 4 (the ratification of the appointment of Deloitte as our independent registered public accounting firm for the fiscal year ending December 31, 2015) is considered routine under applicable rules of the New York Stock Exchange (the NYSE), while each of the other proposals to be submitted for a vote of stockholders at the Annual Meeting is considered non-routine. Accordingly, if you hold your shares of common stock in street name through a brokerage account and you do not submit voting instructions to your broker, your broker may exercise its discretion to vote on Proposal No. 4 at the Annual Meeting, but will not be permitted to vote your shares on any of the other proposals at the Annual Meeting. If your broker exercises this discretion, your shares will be counted as present for determining the presence of a quorum at the Annual Meeting and will be voted on Proposal No. 4 in the manner directed by your broker, but your shares will constitute broker non-votes on each of the other items at the Annual Meeting.

How will voting on any other business be conducted?

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

What constitutes a quorum?

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

What vote is required to approve each proposal?

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

Proposal No. 2 Approval of Amendment and Restatement of 2006 Incentive Award Plan. The affirmative vote of a majority of votes cast at the Annual Meeting will be required to amend and restate the 2006 Plan.

Proposal No. 3 Advisory Approval of Compensation of our NEOs. The affirmative vote of a majority of votes cast at the Annual Meeting will be required for the advisory approval of the compensation of our NEOs (Say-on-Pay). The Say-on-Pay vote is advisory only, and therefore not binding on the Company, the Compensation Committee or our Board. Although non-binding, our Board values the opinions that our stockholders express in their votes and the votes will provide information to our Compensation Committee regarding investor sentiment about our executive compensation philosophy, policies and practices, which the Compensation Committee will be able to consider when determining executive compensation in the future.

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General Information About the Annual Meeting and Voting Procedures

Proposal No. 4 Ratification of the Appointment of Deloitte as our Independent Registered Public Accounting Firm. The affirmative vote of a majority of votes cast at the Annual Meeting will be required for the approval of the ratification of the appointment of Deloitte as our independent registered public accounting firm for the fiscal year ending December 31, 2015.

Note on Abstentions and Broker Non-Votes. For purposes of determining the number of votes cast, only shares voting FOR or AGAINST are counted. Abstentions (other than on Proposal No. 2 Approval of Amendment and Restatement of 2006 Plan) and broker non-votes are not treated as votes cast, although they are counted for purposes of determining whether a quorum is present at the Annual Meeting. Under NYSE listing standards applicable to stockholder approval of equity compensation plans, abstentions are treated as votes cast. Accordingly, for purposes of Proposal No. 2 only, abstentions will have the effect of a vote AGAINST the proposal.

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Proposal 1 Election of Directors

Pursuant to our Articles of Restatement, the Bylaws and resolutions adopted by the Board, the Board presently consists of five directors with each director serving a term that continues until the annual meeting of stockholders to be held in the year following the year of his or her election and until his or her successor is duly elected and qualified. As further described below, our Board has selected six director nominees for election at the Annual Meeting, including all of our incumbent directors. The remaining one director nominee, Jolie Hunt, is not currently a director of the Company and will stand for election to our Board for the first time at the Annual Meeting.

NOMINEES FOR DIRECTOR

Upon the recommendation of the Nominating/Corporate Governance Committee (the Governance Committee), the Board nominated John Kilroy, Edward Brennan, PhD, Jolie Hunt, Scott Ingraham, Gary Stevenson and Peter Stoneberg for election to the Board for a term continuing until the annual meeting of stockholders to be held in 2016 and until their respective successors are duly elected and qualified. Other than Ms. Hunt, all of our director nominees are currently directors of the Company and were previously elected to serve on the Board by our stockholders. In this Proxy Statement, references to John Kilroy or our CEO are to John B. Kilroy, Jr.

Ms. Hunt is standing for election to the Board for the first time. Ms. Hunt has over 15 years of experience as a marketing and communications professional. She is the founder and Principal of Hunt & Gather, a marketing and communications agency specializing in business strategy, discreet influencer relations and reputation management. Ms. Hunt previously held senior marketing and public relations roles with AOL, Inc., Thomson Reuters, IBM Corporation and the Financial Times.

The Governance Committee authorized the retention of Korn Ferry (Korn Ferry) to assess Ms. Hunt's candidacy. As part of the Governance Committee's consideration of director candidates for the Annual Meeting, a representative of Korn Ferry interviewed Ms. Hunt, made multiple reference calls with her prior employers and conducted an extensive background check. The Governance Committee then reviewed the results of Korn Ferry's evaluation and screening, received a presentation from Korn Ferry, discussed the potential nominee and unanimously recommended Ms. Hunt to the Board for nomination by the Board. Each of the Board members met and interviewed Ms. Hunt and then met, discussed and approved the Governance Committee's recommendation. Ms. Hunt was initially introduced to members of the Company's senior management team, including our CEO, by a tenant in 2014. Ms. Hunt was subsequently identified as a potential nominee by our CEO.

Except as otherwise instructed, proxies solicited by this Proxy Statement will be voted for the election of all of the nominees to the Board. The nominees have consented to be named in this Proxy Statement and to serve as directors if elected. Biographical summaries of the experience of our director nominees can be found in this Proxy Statement under the caption Our Board of Directors.

VOTE REQUIRED

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

Under Maryland law, if an incumbent director is not re-elected at a meeting of stockholders at which he or she stands for re-election then the incumbent director continues to serve in office as a holdover director until his or her successor is elected. To address this holdover issue, our Bylaws provide that if an incumbent director is not re-elected due to his or her failure to receive a majority of the votes cast in an uncontested election, the director will promptly tender his or her resignation as a director, subject to acceptance by the Board. The Governance Committee

will then make a recommendation to our Board as to whether to accept or reject the tendered resignation, or whether other action should be taken. Our Board will act on the Governance Committee's recommendation and publicly disclose its decision, along with its rationale, within 90 days after the date of the certification of the election results.

RECOMMENDATION

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

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Proposal 2 Approval of Amendment and Restatement of 2006 Incentive Award Plan

General

As discussed in the CD&A below, long-term equity incentives are a key component of our executive compensation program. As of March 31, 2015, 494,405 shares of common stock remained available for new award grants under the 2006 Plan. Under applicable listing rules, we may not increase the 2006 Plan share limit without stockholder approval.

At the Annual Meeting, stockholders will be asked to approve an amendment and restatement of the 2006 Plan. The amended and restated 2006 Plan was adopted, subject to stockholder approval, by the Board on February 24, 2015. In evaluating our request to approve the amendment and restatement of the 2006 Plan, we ask that you consider the following:

Responsible Share Usage. The total number of shares of our common stock subject to awards granted under the 2006 Plan per year over the last three years has, on average, been 1.16% of the weighted-average number of shares of our common stock issued and outstanding for the corresponding year (calculated as discussed on page 15), which we believe is very reasonable.

Significant Focus on Performance-Based Vesting Equity Awards. For both 2014 and 2015, approximately 67% of the shares subject to our NEOs' restricted stock unit awards are subject to performance-based vesting requirements, based on both operating and relative TSR measures, except that for 2015, approximately 74% of our CEO's restricted stock unit award is subject to these performance-based vesting requirements.

Responsible Share Request Size. We believe that we are asking for enough shares to be able to continue to grant equity awards under the 2006 Plan into 2018 (as discussed on page 16). We want our stockholders to have the ability to regularly validate their comfort with our approach to equity awards.

The amended and restated 2006 Plan reflects the following amendments that are subject to stockholder approval of this proposal:

Increase in Aggregate Share Limit. The 2006 Plan currently limits the aggregate number of shares of the Company's common stock that may be delivered pursuant to all awards granted under the 2006 Plan to 7,120,000 shares. The proposed amendments would increase this limit by an additional 1,200,000 shares so that the new aggregate share limit for the 2006 Plan would be 8,320,000 shares (the Share Limit). The proposed amendments would also include a corresponding increase in the number of shares that may be delivered pursuant to incentive stock options granted under the 2006 Plan to 8,320,000 shares. For purposes of clarity, any shares that are delivered pursuant to incentive stock options also count against (and are not in addition to) the aggregate 2006 Plan Share Limit described above.

Extension of Performance-Based Award Feature. One element of the 2006 Plan is the flexibility to grant certain performance-based awards designed to satisfy the requirements for deductibility of compensation under Section 162(m) of the U.S. Internal Revenue Code (Section 162(m)). These awards are described in more detail below under Performance-Based Awards and are in addition to other awards, such as stock options and stock appreciation rights, expressly authorized under the 2006 Plan which may also qualify as performance-based compensation for Section 162(m) purposes. If stockholders approve this 2006 Plan proposal, the Performance-Based Award feature of the 2006 Plan will be extended through the first annual meeting of stockholders that occurs in 2020 (this expiration time is earlier than the general expiration date of the 2006 Plan and is required under applicable tax rules).

As of March 31, 2015, a total of 2,489,600 shares of common stock were subject to outstanding awards granted under the 2006 Plan and, as noted above, 494,405 shares of common stock were then available for new award grants under the 2006 Plan. Of the 2,489,600 shares of common stock that were then subject to outstanding 2006 Plan awards, 756,000 were subject to stock options, 954,420 were subject to vested but deferred (not paid) restricted stock units, 718,383 were subject to unvested restricted stock units and 60,797 were subject to unvested restricted stock awards. For additional information on our past grants under the 2006 Plan and the potential dilutive impact of the proposed amendments to the 2006 Plan, please see Specific Benefits Under the 2006 Plan below.

We grant awards under the 2006 Plan because we believe that it is in our stockholders' best interests to include equity awards, denominated in shares of common stock or with a value derived from the value of our common stock, as a component of the overall pay package for our executives and select key employees because such awards align the interests of award recipients

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Proposal 2 Approval of Amendment and Restatement of 2006 Incentive Award Plan

with those of our stockholders. The number of shares of common stock available for new award grants under the 2006 Plan does not give the Company sufficient authority and flexibility to adequately provide for future incentives. The Board believes that the increase in the 2006 Plan Share Limit will allow us to continue to grant awards under the 2006 Plan that are payable in shares of common stock into 2018. Please see the discussion under *Potential Dilution* below.

If stockholders do not approve this 2006 Plan proposal, the current share limits under, and other terms and conditions of, the 2006 Plan will continue in effect.

The principal terms of the 2006 Plan are summarized below. The following summary is qualified in its entirety by the full text of the 2006 Plan, which appears as Appendix B to this Proxy Statement.

Shares Available for Awards

Subject to certain adjustments set forth in the 2006 Plan, the maximum number of shares of common stock that may be issued or awarded under the 2006 Plan will be increased to 8,320,000 shares if stockholders approve the proposed amendments to the 2006 Plan (and there would be a corresponding increase in the maximum number of shares that may be delivered pursuant to options qualified as incentive stock options granted under the 2006 Plan to 8,320,000 shares). To the extent that an award terminates, expires, lapses for any reason or is settled in cash, any shares subject to the award will again be available for the grant of new awards pursuant to the 2006 Plan. Except with respect to awards of stock options and stock appreciation rights (or SARs), any shares of common stock tendered by an award-holder or withheld by the Company to satisfy the grant or exercise price or tax withholding obligations with respect to any award will again be available for the grant of new awards pursuant to the 2006 Plan. To the extent that shares are delivered pursuant to the exercise of a stock option or SAR granted under the 2006 Plan, the number of underlying shares as to which the exercise related count against the shares available for grant or issuance under the 2006 Plan, without regard to the number of shares actually delivered to the participant upon exercise of the award. The Company may not increase the applicable share limits of the 2006 Plan by repurchasing shares of common stock on the market (by using cash received through the exercise of stock options or otherwise).

Awards

The 2006 Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights, performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, profits interest units in Kilroy Realty, L.P., our operating partnership (the Operating Partnership), as described below, performance bonus awards, performance-based awards and other incentive awards to eligible individuals. The 2006 Plan further provides that the maximum number of shares which may be subject to awards granted to any one participant during any calendar year (whether such awards are payable in stock or denominated in stock and payable in cash) is 1,500,000 and the maximum amount that may be paid to a participant in cash during any calendar year with respect to awards that are not denominated in stock is \$30,000,000.

Stock Options

Stock options, including incentive stock options, as defined under Section 422 of the Internal Revenue Code, and nonqualified stock options, may be granted pursuant to the 2006 Plan. The option exercise price of all stock options granted pursuant to the 2006 Plan will not be less than 100% of the fair market value of our stock on the date of grant. No incentive stock option may be granted to a grantee who owns more than 10% of our stock unless the exercise price is at least 110% of the fair market value at the time of grant. Notwithstanding whether an option is designated as an incentive stock option, to the extent that the aggregate fair market value of the shares with respect to which such option is exercisable for the first time by any optionee during any calendar year exceeds \$100,000 (or the option otherwise fails to qualify as an incentive stock option), such option will be treated as a nonqualified stock option. Stock options may be exercised as determined by the plan administrator, but in no event after the tenth anniversary of the date of grant. However, in the case of an option granted to a person who owns more than 10% of our stock on the date of grant, such term will not exceed five years.

Restricted Stock

Awards of restricted stock may be granted under the 2006 Plan. Restricted stock will be subject to restrictions on transferability and other such restrictions as the plan administrator may determine, including, without limitation, limitations

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on the right to vote restricted stock or the right to receive dividends on the restricted stock. These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the plan administrator determines at the time of grant of the award or thereafter.

Stock Appreciation Rights

A SAR is the right to receive payment of an amount equal to the excess of the fair market value of a share of our stock on the date of exercise of the SAR over the fair market value of a share of common stock on the date of grant of the SAR. The plan administrator may issue SARs in such amounts and on such terms and conditions as it may determine, consistent with the terms of the 2006 Plan, except that SARs may not be exercised more than ten years after the applicable date of grant. The plan administrator may elect to pay SARs in cash, in common stock or in a combination of cash and common stock.

Other Awards Under the Plan

The 2006 Plan provides that the plan administrator may also grant or issue performance shares, performance stock units, dividend equivalents, stock payments, deferred stock, restricted stock units, profits interest units, performance bonus awards, performance-based awards and other incentive awards or any combination thereof to eligible employees, consultants and directors. The terms of each such grant or issuance will be set by the plan administrator in its discretion. The plan administrator may establish the exercise price or purchase price, if any, of any such award.

Any such award will only vest or be exercisable or payable while the participant is an employee or consultant of the Company, the Operating Partnership, or Kilroy Realty TRS, Inc. (the "TRS ") or any of their subsidiaries, or a director of the Company or the TRS, except that the plan administrator may provide that such an award may vest or be exercised or paid subsequent to a termination of employment or service, as applicable, or following a change in control (as defined in the 2006 Plan) of the Company or because of the participant's retirement, death or disability or otherwise.

Payments with respect to any such award, other than profits interest units, will be made in cash, in common stock or a combination of both, as determined by the plan administrator. Each award granted under the 2006 Plan will be subject to such additional terms and conditions as determined by the plan administrator and will be evidenced by a written award agreement.

Performance Shares. Awards of performance shares are denominated in a number of shares of our stock and may be linked to any performance criterion or criteria determined appropriate by the plan administrator, in each case on a specified date or dates or over any period or periods determined by the plan administrator.

Performance Stock Units. Awards of performance stock units are denominated in units equivalent to shares of our stock and/or units of value, including dollar value of shares of our stock, and may be linked to any performance criterion or criteria determined appropriate by the plan administrator, in each case on a specified date or dates or over any period or periods determined by the plan administrator.

Dividend Equivalents. Dividend equivalents are rights to receive the equivalent value (in cash or our stock) of dividends paid on our stock. They represent the value of the dividends per share paid by us, calculated with reference to the number of shares that are subject to any award held by the participant, provided that as to any dividend equivalent rights granted in connection with an award granted under the 2006 Plan that is subject to performance-based vesting requirements, no dividend equivalent payment will be made unless the related performance-based vesting conditions of the award are satisfied (or, in the case of a restricted stock or similar award where the dividend must be paid as a matter of law, the dividend payment will be subject to forfeiture or repayment, as the case may be, if the related performance-based vesting conditions are not satisfied).

Stock Payments. Stock payments include payments in the form of our stock or options or other rights to purchase our stock, in each case made in lieu of all or any portion of the compensation that would otherwise be paid to the participant. The number of shares will be determined by the plan administrator and may be based upon specific performance criteria determined appropriate by the plan administrator, determined on the date such stock payment is made or on any date thereafter.

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Deferred Stock. Deferred stock may be awarded to participants and may be linked to any performance criteria determined to be appropriate by the plan administrator. Stock underlying a deferred stock award will not be issued until the deferred stock award has vested, pursuant to a vesting schedule or upon the satisfaction of performance criteria set by the plan administrator. Unless otherwise provided by the plan administrator, recipients of deferred stock generally will have no rights as a stockholder with respect to such deferred stock until the time the vesting conditions are satisfied and the stock underlying the deferred stock award has been issued.

Restricted Stock Units. Restricted stock units, or RSUs, may be granted to any participant in such amounts and subject to such terms and conditions as determined by the plan administrator. At the time of grant, the plan administrator will specify the date or dates on which the RSUs will become fully vested and nonforfeitable, and may specify such conditions (if any) to vesting as it deems appropriate. At the time of grant, the plan administrator will specify the maturity date applicable to each grant of RSUs which will be no earlier than the vesting date or dates of the award and may be determined at the election of the participant. On the maturity date, we will transfer to the participant one unrestricted, fully transferable share of our stock for each RSU scheduled to be paid out on such date and not previously forfeited. The plan administrator will specify the purchase price, if any, to be paid by the participant to us for such shares of our stock.

Profits Interest Units. To the extent authorized by the partnership agreement of the Operating Partnership, the 2006 Plan authorizes the grant of units in the Operating Partnership that are intended to constitute profits interests within the meaning of the Internal Revenue Code and published Internal Revenue Service guidance. Profits interests may only be granted to participants for the performance of services to or for the benefit of the Operating Partnership in the participant's capacity as a partner in the Operating Partnership, in anticipation of the participant becoming a partner of the Operating Partnership or as otherwise determined by the plan administrator, provided that the profits interest units would constitute profits interests within the meaning of the Internal Revenue Code, Treasury Regulations promulgated thereunder and any published guidance by the Internal Revenue Service. At the time of grant, the plan administrator will specify the number of profits interest units subject to the award, the purchase price, if any, of the units and the date and conditions on which the profits interest units will vest. The plan administrator may impose transferability restrictions and other restrictions upon profits interest units.

Other Incentive Awards. Participants as selected by the plan administrator may be granted other incentive awards that provide for shares of common stock or the right to purchase shares of common stock or that have a value derived from the value of, or an exercise or conversion privilege at a price related to, or that are otherwise payable in or based on, shares of common stock, stockholder value or stockholder return. Other incentive awards may also be linked to any performance criterion or criteria determined appropriate by the plan administrator. Amounts payable under other incentive awards may be in cash, common stock, units of the Operating Partnership or a combination of any of the foregoing, as determined by the plan administrator.

Performance Bonus Awards. Any participant selected by the plan administrator may be granted a cash bonus payable upon the attainment of performance goals that are established by the plan administrator and relate to any performance criterion or criteria determined appropriate by the plan administrator on a specified date or dates or over any period or periods determined by the plan administrator.

Performance-Based Awards. The plan administrator may grant a performance-based cash bonus opportunity or other performance-based vesting award under the 2006 Plan as an award intended to qualify as performance-based compensation within the meaning of Section 162(m) (a Performance-Based Award). Performance-Based Awards are in addition to any of the other types of awards that may be granted under the 2006 Plan (including options and stock appreciation rights which may also qualify as performance-based awards for Section 162(m) purposes). For Performance-Based Awards, the plan administrator will establish the criterion or criteria and target(s) on which performance will be measured in advance of applicable deadlines under the U.S. Internal Revenue Code and while the attainment of the performance targets remains substantially uncertain. The criteria that the plan administrator may use for this purpose will include one or more of the following: net earnings (either before or after interest, taxes, depreciation and amortization), economic value-added, sales or revenue, net income (either before or after taxes), operating earnings, cash flow (including, but not limited to, operating cash flow and free cash flow), cash flow return on capital, return on net assets, return on stockholders' equity, return on assets, return on capital, stockholder returns, return on sales, gross or net profit margin, productivity, expense, margins, operating efficiency, tenant satisfaction, working capital, earnings per share, price per share and market share, any of which may be measured either in absolute terms, by comparison to comparable performance in an earlier period or periods, or as compared

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to results of a peer group, industry index, or other company or companies. To the extent provided by the plan administrator, performance targets (or performance against the targets, as the case may be) will be adjusted to prevent the dilution or enlargement of the rights of participants in connection with any unusual or extraordinary corporate item, transaction, event or development, any other unusual or nonrecurring events affecting the Company or its subsidiaries or the financial statements of the Company or its subsidiaries, any changes in applicable laws, regulations, accounting principles or business conditions, or such other items as the plan administrator may specify. Before any Performance-Based Award (other than an option or stock appreciation right) is paid, the plan administrator must certify that the performance target or targets have been satisfied. The plan administrator has discretion to determine the performance target or targets and any other restrictions or other limitations of Performance-Based Awards and may reserve discretion to reduce payments below maximum award limits.

Administration

The Board or one or more committees appointed by the Board administers the 2006 Plan. The Board has delegated general administrative authority for the 2006 Plan to the Compensation Committee. The Compensation Committee may delegate some or all of its authority with respect to the 2006 Plan to another committee of directors, and certain limited authority to grant awards to employees may be delegated to one or more officers of the Company. The appropriate acting body, be it the Board, a committee within its delegated authority, or an officer within his or her delegated authority, is referred to in this proposal as the Administrator.

The Administrator has broad authority under the 2006 Plan with respect to award grants including, without limitation, the authority:

To select participants and determine the type(s) of award(s) that they are to receive;

To determine the number of shares that are to be subject to awards and the terms and conditions of awards, including the price (if any) to be paid for the shares or the award and any vesting conditions applicable to the award (or determine that the award is to be fully vested at grant);

To cancel, modify or waive the Company's rights with respect to, or modify, discontinue, suspend or terminate any or all outstanding awards, subject to any required consents;

To accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards;

Subject to the other provisions of the 2006 Plan, to make certain adjustments to an outstanding award and to authorize the conversion, succession or substitution of an award; and

To determine whether an award may be settled in, or the purchase price of an award may be paid in, shares of the Company's common stock, cash, other awards or such other form as the Administrator may authorize, and to provide for the deferred payment of awards and establish any terms applicable to deferrals.

While all of our employees are technically eligible to receive awards under the 2006 Plan, in 2014 we granted awards to 34 employees and each of our non-employee directors. The Administrator uses its judgment to determine who will receive awards, the type(s) of award grants and the size and particular terms and conditions of those awards. These determinations may change based on any number of variables, including,

without limitation, changes in compensation practices at companies that we consider in our peer group from time to time or changes in compensation practices in the market generally, the need to attract, retain and incentivize key talent, the benefit of enhancing the link between the interests of award recipients with those of our stockholders and the potential dilutive impact of those awards.

No Repricing

In no case (except due to an adjustment to reflect a stock split or other event referred to under *Adjustments* below, or any repricing that may be approved by stockholders) will the 2006 Plan administrator (1) amend an outstanding stock option or stock appreciation right to reduce the exercise price or base price of the award, (2) cancel, exchange or surrender an outstanding stock option or stock appreciation right in exchange for cash or other awards for the purpose of repricing the award or (3) cancel, exchange or surrender an outstanding stock option or stock appreciation right in exchange for an option or stock appreciation right with an exercise or base price that is less than the exercise or base price of the original award.

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Eligibility

Employees and consultants of the Company, the TRS, the Operating Partnership or their subsidiaries and directors of the Company or the TRS, are eligible to be granted non-qualified stock options, restricted stock, stock appreciation rights, performance share awards, performance stock units, dividend equivalents, stock payments, deferred stock, RSUs, profits interest units, other incentive awards and performance bonus awards under the 2006 Plan. Currently, approximately 223 officers and employees of the Company and its subsidiaries (including all of the Company's NEOs), and each of the Company's four non-employee directors, are considered eligible under the 2006 Plan. Only employees of the Company and its qualifying corporate subsidiaries are eligible to be granted options that are intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code.

Adjustments

As is customary in incentive plans of this nature, each share limit and the number and kind of shares available under the 2006 Plan and any outstanding awards, as well as the exercise or purchase prices of awards, and performance targets under certain types of performance-based awards, are subject to adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, stock splits, stock dividends, or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to the stockholders.

Assumption and Termination of Awards

Generally, and subject to limited exceptions set forth in the 2006 Plan, if the Company dissolves or undergoes certain corporate transactions such as a merger, business combination or other reorganization, or a sale of substantially all of its assets, the outstanding awards granted under the 2006 Plan will not automatically accelerate and become vested under the terms of the 2006 Plan as long as there is provision for the awards to be substituted for, assumed or otherwise continued after the event. If there is no such provision for the awards to be substituted for, assumed or otherwise continued after the event (that is, the awards are to be terminated in connection with the change in control event), the awards would generally become fully vested and, in the case of options, exercisable. The Administrator also has the discretion to establish other change in control provisions with respect to awards granted under the 2006 Plan.

Transfer Restrictions

Subject to certain exceptions contained in Section 10.3 of the 2006 Plan, awards under the 2006 Plan generally are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient's lifetime, only by the recipient. Any amounts payable or shares issuable pursuant to an award generally will be paid only to the recipient or the recipient's beneficiary or representative. The Administrator has discretion, however, to establish written conditions and procedures for the transfer of awards to other persons or entities, provided that such transfers comply with applicable federal and state securities laws and are not made for value (other than nominal consideration, settlement of marital property rights, or for interests in an entity in which

more than 50% of the voting securities are held by the award recipient or by the recipient's family members).

No Limit on Other Authority

The 2006 Plan does not limit the authority of the Board or any committee to grant awards or authorize any other compensation, with or without reference to the Company's common stock, under any other plan or authority.

Termination of or Changes to the 2006 Plan

The Board may amend or terminate the 2006 Plan at any time and in any manner. Stockholder approval for an amendment will be required only to the extent then required by applicable law or any applicable listing agency or required under Sections 162, 422 or 424 of the U.S. Internal Revenue Code to preserve the intended tax consequences of the 2006 Plan. For example, and as reflected by this Proposal 2, stockholder approval will be required for any amendment that proposes to increase the maximum number of shares that may be delivered with respect to awards granted under the 2006 Plan. Adjustments as a result of stock

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splits or similar events will not, however, be considered an amendment requiring stockholder approval. If stockholders approve this 2006 Plan proposal, unless terminated earlier by the Board, the authority to grant new awards under the 2006 Plan will terminate on March 19, 2024. Outstanding awards, as well as the Administrator's authority with respect thereto, generally will continue following the expiration or termination of the 2006 Plan. Generally speaking, outstanding awards may be amended by the Administrator (except for a repricing), but the consent of the award holder is required if the amendment (or any 2006 Plan amendment) materially and adversely affects the holder.

Federal Income Tax Consequences***Stock Options***

With respect to nonqualified stock options, the Company, the Operating Partnership or the participant's employer, as applicable, is generally entitled to deduct and the optionee recognizes taxable income in an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. A participant receiving incentive stock options will not recognize taxable income upon grant. Additionally, if applicable holding period requirements are met, the participant will not recognize taxable income at the time of exercise. However, the excess of the fair market value of the shares received over the option price is an item of tax preference income potentially subject to the alternative minimum tax. If stock acquired upon exercise of an incentive stock option is held for a minimum of two years from the date of grant and one year from the date of exercise, the gain or loss (in an amount equal to the difference between the fair market value on the date of sale and the exercise price) upon disposition of the stock will be treated as a long-term capital gain or loss, and the Company, the Operating Partnership or the participant's employer, as applicable, will not be entitled to any deduction. If the holding period requirements are not met, the incentive stock option will be treated as one which does not meet the requirements of the Internal Revenue Code for incentive stock options and the tax consequences described for nonqualified stock options will apply. Certain additional special rules apply if the exercise price for an option is paid in stock previously owned by the participant rather than in cash.

Other Awards

The current federal income tax consequences of other awards authorized under the 2006 Plan generally follow certain basic patterns: SARs are taxed and deductible in substantially the same manner as nonqualified stock options; nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid, if any, only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); stock-based performance awards, dividend equivalents and other types of awards are generally subject to tax at the time of payment. Compensation otherwise effectively deferred is taxed when paid. In each of the foregoing cases, the Company, the Operating Partnership or the participant's employer, as applicable, will generally have a corresponding deduction at the time the participant recognizes income, subject to Section 162(m) of the Internal Revenue Code with respect to covered employees.

Profits Interest Units

Profits interest units that constitute "profits interests" within the meaning of the Internal Revenue Code and published Internal Revenue Service guidance (PIUs) will generally not be taxed at the time of grant, though the holder will be required to report on his income tax return his allocable share of the issuing partnership's income, gain, loss, deduction and credit, regardless of whether the issuing partnership makes a distribution of cash. Instead, such PIUs are generally taxed upon a disposition of the PIU or distributions of cash to the extent that such amounts received exceed the basis in the PIUs. Generally, no deduction is available to the Company upon the grant, vesting or disposition of the PIUs.

If PIUs are granted to a recipient who is an employee of the Company, the issuance of those PIUs may cause wages paid to the recipient to be characterized and subject to taxation as self-employment income. If treated as a self-employed partner, the recipient will be required to make quarterly income tax payments rather than having amounts withheld by the Company, the Operating Partnership or the participant's employer, as applicable. Additionally, if self-employed, the recipient must pay the full amount of all FICA employment taxes on the employee's compensation (in the form of SECA taxes rather than FICA taxes), whereas regular employees are only responsible for 50% of these taxes. To date, the Internal Revenue Service has not issued definitive guidance regarding the treatment of wages paid to partner-employees.

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Code Section 409A

Certain types of awards under the 2006 Plan may constitute, or provide for, a deferral of compensation under Section 409A. Unless certain requirements set forth in Section 409A are complied with, holders of such awards may be taxed earlier than would otherwise be the case (e.g., at the time of vesting instead of the time of payment) and may be subject to an additional 20% penalty tax (and, potentially, certain interest penalties and penalties under applicable state tax laws). To the extent applicable, we intend to structure awards granted under the 2006 Plan to comply with Section 409A and the Department of Treasury regulations and other interpretive guidance that may be issued pursuant to Section 409A or an available exemption from Section 409A. There can be no assurance, however, that the requirements of Section 409A will, in fact, be satisfied.

Tax Deductibility and Section 162(m) of the Internal Revenue Code

Section 162(m) generally places a \$1.0 million annual limit on the amount of compensation paid to certain of the Company's executive officers that may be deducted by the Company for federal income tax purposes unless such compensation constitutes qualified performance-based compensation which is based on the achievement of pre-established performance goals set by a committee of the Board pursuant to an incentive plan that has been approved by the Company's stockholders. The 2006 Plan provides that certain awards made thereunder may, in the discretion of the plan administrator, be structured so as to qualify for the qualified performance-based compensation exception to the \$1.0 million annual deductibility limit of Section 162(m). There can be no assurance, however, that the compensation intended to qualify for deductibility under Section 162(m) awarded or paid by the Company will be fully deductible. In addition, the Company reserves the right to award compensation that does not qualify for deductibility under Section 162(m) in such circumstances as it may consider appropriate.

Other Considerations

Awards that are granted, accelerated or enhanced upon the occurrence of a change in control may give rise, in whole or in part, to excess parachute payments within the meaning of Section 280G of the Internal Revenue Code to the extent that such payments, when aggregated with other payments subject to Section 280G, exceed the limitations contained in that provision. Such excess parachute payments are not deductible by the Company and are subject to an excise tax of 20% payable by the recipient.

The 2006 Plan is not subject to any provision of the Employee Retirement Income Security Act of 1974, as amended, and is not qualified under Section 401(a) of the Internal Revenue Code.

The preceding discussion of federal income tax consequences does not purport to be a complete analysis of all of the potential tax effects of the 2006 Plan. It is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. No information is provided with respect to foreign, state or local tax laws, or estate and gift tax considerations.

Specific Benefits Under the 2006 Plan

The Company has not granted any awards that are conditioned on stockholder approval of this Proposal No. 2. Except for the non-employee director awards discussed below, the Company is not currently considering any new award grants under the 2006 Plan and the number and type of awards that the Company may grant in the future under the 2006 Plan (within the express limits of the 2006 Plan, discussed above) is not determinable. If the proposed share increase for the 2006 Plan had been in effect in 2014, the Company expects that its award grants for 2014 (after giving effect to the amendment of the 2006 Plan approved by stockholders in 2014) would not have been different from those actually made in 2014 under the 2006 Plan. For more information regarding those awards, please see the following discussion and, for more detailed information on the awards granted to our NEOs during 2014, see the material under Compensation Discussion and Analysis below and the executive compensation tables under Named Executive Officer Compensation Tables below.

Non-Employee Director Awards

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The Company is not currently considering any new award grants under the 2006 Plan except for the annual grants of shares of common stock to non-employee directors described under Director Compensation below. These annual grants

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are determined based on the closing price of our common stock on the date of the grant as described below. Assuming, for illustrative purposes only, that the price of the common stock used for the conversion of the dollar amount for the annual grants under the non-employee director program (\$100,000) into shares was \$73.92 (the closing price of a share of our common stock on the Record Date), the number of shares that would be allocated to the Company's four non-employee directors as a group (assuming a Board with four non-employee directors) pursuant to the annual grant formula over the remaining nine-year term of the 2006 Plan (2015 through 2023) is approximately 48,701 shares (approximately 60,877 shares if a Board with five non-employee directors is assumed). This figure represents the continuation of the current non-employee director equity awards, for the number of non-employee directors indicated, over that nine-year period. The actual number of shares that we may issue depends on, among other future variables, the number of our non-employee directors from time to time, the price of our common stock on the applicable grant date that is used to convert the applicable grant-date value into a number of shares, and whether the Board changes the \$100,000 grant date value or other aspects of our non-employee director compensation program in the future.

Potential Dilution

The following paragraphs include additional information to help you assess the potential dilutive impact of the Company's equity awards and the proposed amendments to the 2006 Plan. The 2006 Plan is the Company's only equity compensation plan.

Overhang refers to the number of shares of our common stock that are subject to outstanding awards or remain available for new award grants. The following table shows the total number of shares of our common stock that were subject to outstanding restricted stock and RSU awards granted under the 2006 Plan, that were subject to outstanding stock options granted under the 2006 Plan, and that were then available for new award grants under the 2006 Plan as of December 31, 2014 and as of March 31, 2015. None of the outstanding awards covered interests in our Operating Partnership. In this 2006 Plan proposal, the number of shares of the Company's common stock subject to restricted stock and RSU awards granted during any particular period or outstanding on any particular date is presented based on the actual number of shares of the Company's common stock covered by those awards. As to the number of shares of the Company's common stock subject to restricted stock and RSU awards outstanding on any particular date, the information is presented including the crediting of dividend equivalents on the awards through that date, to the extent the dividend equivalents are payable in shares of common stock. For awards subject to performance-based vesting requirements, the number of shares presented is as follows: (1) with respect to any such award granted prior to 2014, the maximum number of shares subject to that award, as there was no difference as to these awards between target and maximum performance levels, (2) with respect to any such award granted during 2014, at 150% of the target number of shares subject to the award, as performance during 2014 resulted in 150% of the target number of shares being subject to the awards (while the final vesting of the awards may range from 140% to 200% of the target number of shares awarded based on performance over the three-year performance period applicable to the awards, giving effect to actual performance outcomes for 2014) and (3) with respect to any such award granted during 2015, at the target number of shares subject to the awards (while the final vesting of the awards may still range from zero to 200% of the target number of shares subject to the awards based on performance over the three-year performance period applicable to the awards).

	As of December 31, 2014	As of March 31, 2015
Shares subject to outstanding restricted stock and RSU awards (including vested but deferred RSUs and excluding performance-based vesting awards)	1,333,413	1,357,975
Shares subject to outstanding performance-based vesting RSU awards	247,089	375,625
Shares subject to outstanding stock options	1,008,000	765,000
Shares available for new award grants	681,626	494,405
The weighted-average number of shares of the Company's common stock issued and outstanding in each of the last three years was 69,639,623 shares issued and outstanding in 2012 (71,403,258 shares assuming the conversion of all common units of the Operating Partnership); 77,343,853 shares issued and outstanding in 2013 (79,166,250 shares assuming the conversion		

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Proposal 2 Approval of Amendment and Restatement of 2006 Incentive Award Plan

of all common units of the Operating Partnership); and 83,090,235 shares issued and outstanding in 2014 (84,894,498 shares assuming the conversion of all the common units of the Operating Partnership). The number of shares of the Company's common stock issued and outstanding as of December 31, 2014 and March 31, 2015 was 86,259,684 shares and 88,031,377 shares, respectively (88,063,884 and 89,824,547, respectively, assuming the conversion of all common units of the Operating Partnership). In this 2006 Plan proposal and except as noted above, the number of shares of the Company's common stock that are outstanding for any particular period or on any particular date do not include common units of the Operating Partnership that are convertible into our common stock.

Burn rate refers to how many shares are subject to awards that we grant over a particular period of time. The total number of shares of the Company's common stock subject to awards that the Company granted under the 2006 Plan in each of the last three years, and to date (as of March 31, 2015) for 2015, are as follows:

1,948,573 shares in 2012 (which was 2.80% of the weighted-average number of shares of the Company's common stock issued and outstanding in 2012), of which 1,550,000 shares were subject to time-based vesting stock option awards, 295,334 shares were subject to restricted stock and RSU awards (excluding performance-based vesting awards) and 103,239 shares were subject to performance-based vesting restricted stock and RSU awards;

210,893 shares in 2013 (which was 0.27% of the weighted-average number of shares of the Company's common stock issued and outstanding in 2013), of which no shares were subject to stock option awards, 140,024 shares were subject to restricted stock and RSU awards (excluding performance-based vesting awards) and 70,869 shares were subject to performance-based vesting restricted stock and RSU awards (as to which there was no difference between the maximum and target number of shares subject to the awards, and as to which the applicable performance goals were achieved at the target level in 2013);

338,594 shares in 2014 (which was 0.41% of the weighted-average number of shares of the Company's common stock issued and outstanding in 2014), of which no shares were subject to stock option awards, 155,229 shares were subject to restricted stock and RSU awards (excluding performance-based vesting awards) and 183,365 shares were subject to performance-based vesting restricted stock and RSU awards (presented at 150% of the target number of shares subject to the award as performance during 2014 resulted in 150% of the target number of shares being subject to the awards, while the final vesting of the awards may range from 140% to 200% of the target number of shares subject to the awards based on performance over the three-year performance period applicable to the awards, giving effect to actual performance outcomes for 2014); and

219,053 shares in 2015 through March 31, 2015 (which was 0.25% of the number of shares of the Company's common stock issued and outstanding on March 31, 2015), of which no shares were subject to stock option awards, 90,517 shares were subject to restricted stock and RSU awards (excluding performance-based vesting awards) and 128,536 shares were subject to performance-based vesting restricted stock and RSU awards (presented at the target number of shares subject to the awards, while the final vesting of the awards may range from zero to 200% of the target number of shares subject to the awards based on performance over the three-year performance period applicable to the awards).

Thus, the total number of shares of our common stock subject to awards granted under the 2006 Plan per year over the last three years (2012, 2013 and 2014) has, on average, been 1.16% of the weighted-average number of shares of our common stock issued and outstanding for the corresponding year, and this percentage is consistent with the Company's 2015 awards under the 2006 Plan through March 31, 2015 (which, as noted above, cover 0.25% of the number of shares of the Company's common stock issued and outstanding on March 31, 2015). Performance-based vesting awards have been included above in the year in which the award was granted. The actual number of performance-based vesting restricted stock and RSU awards that became eligible to vest each year because the applicable performance-based condition was satisfied in that year (subject to the satisfaction of any applicable time-based vesting requirements) was as follows: 14,748 in

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2012, 77,665 in 2013, 183,075 in 2014 and 0 to date (as of March 31, 2015) in 2015. No performance-based vesting stock options vested or were outstanding in any of those years.

The total number of shares of our common stock that was subject to awards granted under the 2006 Plan that terminated or expired, and thus became available for new award grants under the 2006 Plan, in each of the last three years, and to date (as of March 31, 2015) in 2015, are as follows: 10,000 in 2012, 12,000 in 2013, 22,000 in 2014 and 6,000 in 2015. The total number of shares of our common stock that were subject to awards granted under the 2006 Plan and that were withheld to cover tax

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Proposal 2 Approval of Amendment and Restatement of 2006 Incentive Award Plan

withholding obligations arising with respect to the award (other than stock options and stock appreciation rights), and thus became available for new award grants under the 2006 Plan, in each of the last three years, and to date (as of March 31, 2015) in 2015, are as follows: 0 in 2012, 0 in 2013, 29,092 in 2014 and 16,902 in 2015. Shares subject to 2006 Plan awards that terminated or expired, or were withheld to cover tax withholding obligations arising with respect to the award (other than stock options and stock appreciation rights), and became available for new award grants under the 2006 Plan have been included when information is presented in this 2006 Plan proposal on the number of shares available for new award grants under the 2006 Plan.

The number of shares credited as dividend equivalents under the 2006 Plan with respect to then-outstanding restricted stock and RSU awards, to the extent the dividend equivalents are payable in shares of the Company's common stock, in each of the last three years, and to date (as of March 31, 2015) for 2015, are as follows: 28,368 in 2012, 27,593 in 2013, 32,122 in 2014 and 6,590 in 2015.

The Compensation Committee anticipates that the 1,200,000 additional shares requested for the 2006 Plan (which represents 1.36% of the number of shares of the Company's common stock issued and outstanding as of March 31, 2015) will provide the Company with flexibility to continue to grant equity awards under the 2006 Plan into 2018 (reserving sufficient shares to cover potential payment of performance-based awards at maximum payment levels and covering dividend equivalents that may be credited with respect to the awards based on the Company's recent dividend payments). However, this is only an estimate, in the Company's judgment, based on current circumstances. The total number of shares that are subject to the Company's award grants in any one year or from year-to-year may change based on a number of variables, including, without limitation, the value of the Company's common stock (since higher stock prices generally require that fewer shares be issued to produce awards of the same grant date fair value), changes in competitors' compensation practices or changes in compensation practices in the market generally, changes in the number of employees, changes in the number of directors and officers, whether and the extent to which vesting conditions applicable to equity awards are satisfied, acquisition activity and the need to grant awards to new employees in connection with acquisitions, the need to attract, retain and incentivize key talent, the number of dividend equivalent rights outstanding, the extent to which they provide for settlement in stock and the amount and frequency of the Company's dividend payments, the type of awards the Company grants and how the Company chooses to balance total compensation between cash and equity awards.

As of the Record Date, the closing market price for a share of the Company's common stock was \$73.92 per share.

Table of Contents**Proposal 2 Approval of Amendment and Restatement of 2006 Incentive Award Plan***Aggregate Past Grants Under the Plan*

As of March 31, 2015, awards covering 4,123,906 shares of our common stock had been granted under the 2006 Plan. This number of shares includes shares subject to awards that expired or terminated without having been exercised and paid and became available for new award grants under the 2006 Plan. The following table shows information regarding the distribution of all awards among the persons and groups identified below, option exercises and restricted stock vesting prior to that date, and option and unvested restricted stock holdings as of that date.

Name and Position	STOCK OPTIONS				RESTRICTED STOCK/UNITS		
	Number of Shares Subject to Past Option Grants	Number of Shares Acquired On Exercise	Number of Shares Underlying Options as of 03/31/2015	Number of Shares/Units Subject to Past Awards	Number of Shares/Units Vested as of 03/31/2015	Number of Shares/Units Outstanding and Unvested as of 03/31/2015	
John Kilroy							
<i>Chairman, President and Chief Executive Officer</i>	300,000	450,000	300,000	1,189,694	823,244	366,450	
Jeffrey Hawken							
<i>Executive Vice President and Chief Operating Officer</i>	100,000	150,000	100,000	433,461	329,512	103,949	
Tyler Rose							
<i>Executive Vice President, Chief Financial Officer and Secretary</i>	50,000	75,000	50,000	141,836	84,253	57,583	
Eli Khouri							
<i>Executive Vice President and Chief Investment Officer</i>	125,000		75,000	50,000	47,848	13,869	
Justin Smart	20,000		12,000	8,000	117,864	70,067	
						47,797	

*Executive Vice President,
Development and
Construction*

**Total for All Current
Executive Officers as a
Group (5 persons):**

	595,000	675,000	87,000	508,000	1,930,703	1,320,945	609,758
Edward Brennan, PhD					22,175	20,485	1,690
Scott Ingraham					21,912	20,222	1,690
Gary Stevenson					2,706		2,706
Peter Stoneberg					2,706		2,706

**Total for all Current
Non-Executive Directors
as a Group (4 persons):**

49,499 40,707 8,792

**Each other person who
has received 5% or
more of the options,
warrants or rights
under the Plan:**

**All current employees,
including all current
officers who are not
executive officers or
directors, as a group:**

161,000 44,000 79,000 82,000 290,216 124,084 166,132

**All Other Awards,
including awards
granted to persons who
are no longer employees
or directors**

25,000 303,488 303,488

Total 756,000 744,000 166,000 590,000 2,573,906 1,789,224 784,682

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Proposal 2 Approval of Amendment and Restatement of 2006 Incentive Award Plan

Mr. Kilroy and each of the non-employee directors identified above is a nominee for re-election as a director at the Annual Meeting. Ms. Hunt is also a nominee for election as a director at the Annual Meeting. Ms. Hunt has not previously been granted any awards under the 2006 Plan.

Equity Compensation Plan Information

For additional information on the Company's equity compensation plans, please see *Equity Compensation Plan Information* on page 79 below.

VOTE REQUIRED

The amendment and restatement of the 2006 Plan will be approved if a majority of the votes cast at the Annual Meeting are cast in favor of the proposal. Abstentions will be treated as votes cast and will have the effect of a vote **AGAINST** the proposal.

RECOMMENDATION

The Board believes that the adoption of the proposed amendments to the 2006 Plan will promote the interests of the Company and its stockholders and will help the Company and its subsidiaries continue to be able to attract, retain and reward persons important to our success.

All members of the Board and all of our executive officers are eligible for awards under the 2006 Plan and thus have a personal interest in the approval of the 2006 Plan proposal.

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL OF THE AMENDED AND RESTATED 2006 INCENTIVE AWARD PLAN AS DESCRIBED ABOVE AND SET FORTH IN APPENDIX B HERETO.

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Proposal 3 Advisory Approval of Our Executive Compensation

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

We believe that our performance in 2014 was exceptional and that the structure of our executive compensation program contributed to our achievements by incentivizing our executives to responsibly grow the Company in a way that creates long-term value for our stockholders. Highlights of our Company's executive compensation program and performance in 2014 are outlined below under Compensation Discussion and Analysis Summary of Executive Compensation.

In connection with and following our annual meeting held in May 2013, we thoroughly reviewed our executive compensation program and sought input from our stockholders. As a result of this process, the Compensation Committee significantly restructured elements of our executive compensation program for 2014. We believe that the changes to our program reflect many of the best practices in executive compensation today, have increased the emphasis on performance in the program and will result in greater alignment between the interests of our NEOs and those of our stockholders. Key changes to the program for 2014 are outlined below in the CD&A and include the following:

Base Salaries Remained Flat for Most. Except for Mr. Smart, who received a base salary increase for 2014 to bring him into parity with two other NEOs, none of our NEOs received a salary increase for 2014.

Formalized a Performance Measurement Framework for the Annual Incentive Plan. The Compensation Committee refined and formalized an annual incentive framework that measures performance against five key categories: (1) Operations, (2) Development, (3) Acquisitions, (4) Dispositions and (5) Balance Sheet Management. This measurement framework was applied to assess performance and determine annual cash incentives for our NEOs for 2014.

Rebalanced our CEO's Target Compensation Mix, including a Reduction in Target Annual Cash Incentive Levels. In order to enhance alignment with long-term stockholder returns, the Compensation Committee placed an even greater emphasis on long-term compensation, in the form of equity awards, for our CEO for 2014. This rebalancing included reducing the 2014 target annual cash incentive opportunity for our CEO from \$3,000,000 to \$2,450,000.

Enhanced Performance Component of the Long-Term Incentive Compensation Program. In 2014, approximately two-thirds of the shares covered by each of our NEOs' equity awards were subject to performance-based vesting requirements over a three-year performance period and included a performance measure indexed to our relative TSR over that period.

We also maintain a range of executive compensation and governance policies, listed on page 41, that we believe reflect current best practices.

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

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

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

The Company's current policy is to provide our stockholders with an opportunity to approve the compensation of our NEOs each year at the annual meeting of stockholders. It is expected that the next Say-on-Pay vote will be held at the 2016 annual meeting of stockholders.

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Proposal 3 Advisory Approval of Our Executive Compensation

VOTE REQUIRED

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

RECOMMENDATION

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

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Proposal 4 Ratification of Appointment of Independent Registered Public Accounting Firm

We are seeking stockholder ratification of our appointment of Deloitte as our independent registered public accounting firm for the fiscal year ending December 31, 2015. Deloitte has served as our independent registered public accounting firm since the completion of the Company's initial public offering in January 1997 and, prior to the Annual Meeting, the Audit Committee is expected to re-appoint Deloitte as our independent registered public accounting firm for the year ending December 31, 2015.

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

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

VOTE REQUIRED

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

RECOMMENDATION

THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF DELOITTE AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL 2015.

Table of Contents**Our Board of Directors**

Name	Age	Position With The Company	Director Since
<i>Director Nominees:</i>			
John Kilroy	66	President, Chief Executive Officer and Chairman of the Board	1996
Edward Brennan, PhD	63	Lead Independent Director	2003
Jolie Hunt	36	Director	
Scott Ingraham	61	Director	2007
Gary Stevenson	58	Director	2014
Peter Stoneberg	59	Director	2014

We believe all of the current members of our Board possess the professional and personal qualifications necessary for effective service as a director. In addition to each nominee's specific experience, qualifications and skills, we believe that each nominee has a reputation for integrity, honesty and adherence to high ethical standards and has demonstrated business acumen and an ability to exercise sound business judgment. We believe all nominees have a commitment to the Company and to building long-term stockholder value.

Director Nominees**JOHN KILROY**

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

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

Specific Qualifications, Attributes, Skills and Experience:

Mr. Kilroy was nominated to serve on our Board because of his more than 30 years of experience with our Company and its predecessors, including 18 years as our President and CEO and approximately 15 and five years as our predecessor's President and CEO, respectively, as well as his experience in acquiring, owning, developing and managing real estate, and his service on the board of governors of a national real estate trade organization.

EDWARD BRENNAN, PhD

Edward Brennan, PhD has been a member of our Board since July 2003 and our Lead Independent Director since March 2014. Until March 2014, Dr. Brennan was Chief Executive Officer of Nexus Dx, Inc., a medical diagnostics company located in San Diego, California. In November 2011, Nexus was acquired by Samsung Electronics Co., Ltd. from ITC Nexus Holding Company, where Dr. Brennan had been Chief Integration Officer following the merger of Nexus Dx, Inc. and International Technidyne Corporation. Previously, he was President and Chief Operating Officer of CryoCor, Inc. until June 2008, when the company was sold to Boston Scientific Corporation. From January 2004, he served as chairman of HemoSense Inc. until its sale to Inverness Medical Innovations in November 2007. While a director of HemoSense since 2000, he was also a Managing Partner of

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Our Board of Directors

Perennial Ventures, a Seattle-based venture capital firm beginning in 2001. Prior to that time, he served as Vice President at Tredegar Investments. Dr. Brennan has participated in the development, management and financing of new medical technology ventures for over 30 years, including scientific and executive positions with Syntex, Inc., UroSystems, Inc., Medtronic Inc., DepoMed Systems, Inc. and CardioGenesis Corp. Dr. Brennan also serves on the board of directors of several private companies and previously served on the Board of Trustees of Goucher College, Baltimore, Maryland. Dr. Brennan holds Bachelor's Degrees in Chemistry and Biology and a PhD in Biology from the University of California, Santa Cruz.

Specific Qualifications, Attributes, Skills and Experience:

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

JOLIE HUNT

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

Specific Qualifications, Attributes, Skills and Experience:

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

SCOTT INGRAHAM

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

Specific Qualifications, Attributes, Skills and Experience:

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

Table of Contents**Our Board of Directors****GARY STEVENSON**

Gary Stevenson has been a member of our Board since 2014. Mr. Stevenson has been President and Managing Director of MLS Business Ventures of Major League Soccer since July 2013. Prior to such time, Mr. Stevenson served as President of PAC-12 Enterprises (Pac-12) from 2011 to 2013, where he managed a diversified and integrated company, including the Pac-12 Networks and Pac-12 Properties. Before joining Pac-12, Mr. Stevenson was Chairman and Chief Executive Officer of OnSport Strategies, a sports and entertainment consulting company that he founded in 1997 and later sold to Wasserman Media Group in 2007. From 2007 to 2010, Mr. Stevenson served as Principal for Wasserman Media Group to help handle the integration of OnSport Strategies. Mr. Stevenson previously also served as President of NBA Properties, Marketing and Media for the National Basketball Association from 1995 to 1997, as Chief Operating Officer and Executive Vice President of The Golf Channel from 1994 to 1995 and as Executive Vice President, Business Affairs for PGA Tour from 1987 to 1994. Mr. Stevenson received his Bachelor's Degree from Duke University and his Master's Degree in Business Administration from George Washington University.

Specific Qualifications, Attributes, Skills and Experience:

Mr. Stevenson was nominated to serve on our Board because of his extensive business and operational experience, including his founding role at OnSport Strategies, and his roles as President of Pac-12 and currently as President and Managing Partner of MLS Business Ventures of Major League Soccer. The Board believes these positions and Mr. Stevenson's entrepreneurship success brings a diverse set of skills, experiences and relationships to our Board.

PETER STONEBERG

Peter Stoneberg has been a member of our Board since 2014. Mr. Stoneberg is currently Managing Partner of Velocity Ventures, LLC (Velocity Ventures), a merchant banking firm that he founded in 2000. From 2000 to 2006, Mr. Stoneberg was with Bank of America Capital Investors (BACI), an investment firm specializing in middle market and large capitalization companies, serving as an investment partner to BACI. Mr. Stoneberg also served as Senior Managing Director of Montgomery Securities, where he founded and led the Technology M&A group, beginning in 1994 until its acquisition by Bank of America in 1999. Prior to such time, Mr. Stoneberg served in various other roles, including Managing Director of Broadview Associates from 1992 to 1994. Previously, he was with IBM and ROLM Corp. as a Marketing Manager and has served as a private equity investor and on the board of directors for Cupertino Electric, Saleslogix Corp. and Netcom Systems. Mr. Stoneberg also previously served as a founder and member of the San Francisco America's Cup Organizing Committee. Mr. Stoneberg received his Bachelor's Degree in Business from the University of Colorado.

Specific Qualifications, Attributes, Skills and Experience:

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

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Corporate Governance at Kilroy Realty Corporation

BOARD COMPOSITION AND GOVERNANCE

Director Attendance

During the year ended December 31, 2014, the Board held five meetings. All directors who served on the Board during 2014 attended at least 75% of the total number of meetings of the Board and meetings of the Board committees on which each director served that were held during the period of the director's service during the year. Directors are encouraged to attend in person the annual meeting of stockholders of the Company. All incumbent directors attended the 2014 annual meeting of stockholders.

Independent Directors

Each of Messrs. Ingraham, Stevenson and Stoneberg and Dr. Brennan are considered by the Board to be Independent Directors and, if elected at the Annual Meeting, Ms. Hunt will be considered by the Board to be an Independent Director. An Independent Director is a director who (i) is not an employee, officer or affiliate of the Company or any of its subsidiaries or divisions, or a relative of a principal executive officer, and who is not an individual member of an organization acting as an advisor, consultant or legal counsel receiving compensation from the Company in addition to director's fees; and (ii) satisfies the independence standards set forth in the current listing standards of the NYSE.

Each of Dale Kinsella, who resigned from the Board effective as of December 31, 2014, and William Dickey, who resigned from the Board effective as of the 2014 annual meeting of stockholders, was also considered by the Board to be an Independent Director during the period of his service on the Board in 2014.

Independent Director Meetings

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

Board Leadership Structure and Lead Independent Director

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

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

In March 2014, our Board amended our Corporate Governance Guidelines to provide that if the Chairman is also our CEO, or if the Chairman is not otherwise an Independent Director, the Independent Directors will elect annually from amongst themselves a Lead Independent Director. Dr.

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Brennan is currently our Lead Independent Director and brings to this role considerable skills and experience, as described above in Our Board of Directors. The role of our Lead Independent Director is designed to further promote the independence of our Board and appropriate oversight of management and to facilitate free and open discussion and communication among the Independent Directors.

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Corporate Governance at Kilroy Realty Corporation

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

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

Serving as liaison between the Chairman and the Independent Directors;

Approving information sent to our Board;

Approving agendas for meetings of our Board;

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

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

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

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

Board Oversight of Risk

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

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

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

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

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

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

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

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

Code of Business Conduct and Ethics

Our Board has adopted a Code of Business Conduct and Ethics that applies to our directors, officers (including our CEO, Chief Financial Officer, Chief Accounting Officer and Controller and other members of senior financial management), employees, agents and consultants. This Code of Business Conduct and Ethics satisfies the requirements of a code of business conduct and ethics under the NYSE listing standards and a code of ethics within the meaning of Section 406 of the Sarbanes-Oxley Act of 2002 and applicable Securities and Exchange Commission rules. This Code of Business Conduct and Ethics is available in the Investor Relations Corporate Governance section of the Company's website at <http://www.kilroyrealty.com>. Amendments to, or waivers from, a provision of this Code of Business Conduct and Ethics that apply to the Company's directors or executive officers, including our CEO, Chief Financial Officer, Chief Accounting Officer, Controller and other members of senior financial management, may be made only by the Board or a Board committee and will be promptly posted on our website to the extent required by applicable Securities and Exchange Commission rules and NYSE listing standards.

Corporate Governance Guidelines

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

BOARD COMMITTEES

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

Director Name	Audit	Compensation	Governance
Edward Brennan, PhD			
Scott Ingraham			
John Kilroy			
Gary Stevenson			
Peter Stoneberg			
Lead Independent Director	Independent Director	Financial Expert	

Committee Member

Committee Chairperson

The Board has not yet determined the committee(s) of the Board to which Ms. Hunt will be named if elected at the Annual Meeting.

Audit Committee

The Audit Committee's purpose is to assist the Board in fulfilling its oversight responsibilities regarding (i) the quality and integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the independent auditor's qualifications and independence; (iv) the Company's accounting and system of internal controls; and

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Corporate Governance at Kilroy Realty Corporation

(v) the performance of the Company's internal audit function and independent auditor. Our Board has determined that each member of the Audit Committee satisfies the enhanced independence standards applicable to audit committees pursuant to Rule 10A-3(b)(i) under the Exchange Act and the NYSE listing standards. In addition, each of Messrs. Ingraham and Stoneberg and Dr. Brennan is financially literate and each of Messrs. Ingraham and Stoneberg and Dr. Brennan is an audit committee financial expert as determined by the Board in accordance with the applicable rules of the NYSE and the Securities and Exchange Commission. The Board based its determination on the qualifications and business experience of each of Messrs. Ingraham and Stoneberg and Dr. Brennan described above under "Our Board of Directors" "Director Nominees."

The Audit Committee held six meetings during 2014. Information regarding the specific functions performed by the Audit Committee is set forth in the "Audit Committee Report" below.

Executive Compensation Committee

The purpose of the Compensation Committee is to formulate, evaluate and approve the compensation of our officers, as defined in the rules under Section 16 of the Exchange Act, and to discharge our Board's duties and responsibilities relating to our compensation programs and practices, including its incentive and equity-based compensation plans and programs. The Compensation Committee is responsible for, among other things: (i) establishing, reviewing and approving our compensation philosophy; (ii) reviewing and approving corporate goals and objectives relating to the compensation of our CEO, evaluating the performance of our CEO in light of those goals and objectives, and reviewing and approving the compensation of our CEO based on such evaluation; (iii) reviewing and approving all compensation for our other executive officers, including salary, cash and equity incentives (including all annual bonus, long-term incentive compensation, stock option and other equity awards), perquisites and all executive officers' employment, change of control and severance arrangements; (iv) administering, reviewing and approving all employee retirement and welfare benefit plans; (v) reviewing and approving our policies with respect to severance arrangements and change of control payments; and (vi) preparing the Compensation Committee Report included in this Proxy Statement. The Compensation Committee held five meetings in 2014.

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

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

In accordance with the Compensation Committee's charter, the Compensation Committee may retain independent compensation advisors and other management consultants. Such advisors and consultants may assist with, among other things, evaluating our various compensation programs, both individually and in the aggregate, including levels of salary, cash and long-term incentives, benefits and other perquisites and awards payable to our key personnel, as well as to advise the Compensation Committee with respect to the development of performance objectives that will contribute to our short-term and long-term profitability, growth and total return to stockholders. In 2014, the Compensation Committee retained Mercer to assist it in reviewing our compensation programs and the evaluation of specific compensation-related matters. Mercer provides data on the compensation and relative performance of our peer group, makes presentations on matters affecting compensation, provides assessments of the degree to which our compensation arrangements are consistent with market practices and our corporate objectives, provides assistance with the design and performance considerations associated with our annual and long-term incentive programs, and consults on other compensation matters as needed. Mercer also periodically meets privately in executive session with the Compensation Committee. As described further under "Compensation Discussion and Analysis" "Role of Independent Compensation Consultant" below, the Compensation Committee has assessed the independence of Mercer and has concluded that its engagement of Mercer does not raise any conflict of interest with the Company or any of its directors or executive officers.

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Corporate Governance at Kilroy Realty Corporation

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

Nominating/Corporate Governance Committee

The purpose of the Governance Committee is to (i) identify individuals qualified to become Board members; (ii) recommend Board members to chair Board committees; (iii) recommend nominees for election as directors at the Company's annual meeting of stockholders and any special meeting of stockholders, as necessary; (iv) select director candidates to fill any vacancies on the Board; (v) oversee matters of corporate governance, including the evaluation of the Board's performance and processes, and assignment and rotation of members of Board committees; and (vi) annually review and propose changes to the Board to the Company's Corporate Governance Guidelines. The Governance Committee also serves as the Independent Committee of our Board pursuant to Article III, Section 7 of our Bylaws and approves all transactions between the Company and John B. Kilroy, Sr. or John B. Kilroy, Jr. and their respective affiliates. The Governance Committee held four meetings in 2014.

Additionally, the Governance Committee has the authority to engage any independent counsel or other outside expert or advisors it deems desirable or appropriate to carry out its responsibilities. During 2014, Korn Ferry, an independent executive search firm retained by the Governance Committee in 2013, assisted the Governance Committee in the process of identifying and evaluating qualified prospective director candidates for nomination by our Board in connection with our 2014 annual meeting of stockholders and evaluated and screened each of Mr. Stevenson and Mr. Stoneberg prior to their nomination by our Board in 2014. Korn Ferry was engaged again during the first quarter of 2015 to assist the Governance Committee in the process of identifying and evaluating an additional qualified prospective candidate for nomination by our Board in connection with our Annual Meeting and evaluated and screened Ms. Hunt prior to her nomination by our Board.

DIRECTOR SELECTION, EVALUATION AND COMMUNICATIONS

Qualifications of Director Nominees

The Governance Committee has established Standards for Overall Structure and Composition of the Board and Minimum Director Qualifications (the Standards) as a guideline in considering nominations to the Company's Board. The criteria include, but are not limited to, relevant industry expertise, loyalty, reputation, character, knowledge, experience, education, business judgment, diligence, stock ownership, independence and ability to contribute to Board balance and diversity. The Governance Committee does not assign specific weights to particular criteria, and no particular criterion is necessarily applicable to all prospective nominees. In considering diversity, the Governance Committee and the Board recognize that nominees for the Board should reflect a reasonable diversity of backgrounds and perspectives, including those backgrounds and perspectives with respect to business experience, professional expertise, age, gender and ethnic background. The Governance Committee and the Board may also consider other qualifications and attributes that they believe are appropriate in evaluating the ability of an individual to serve as a member of the Board. The Governance Committee reviews and assesses the effectiveness of the Standards annually.

Process for Identifying Nominees for Director

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Prior to each annual meeting of stockholders at which directors are to be elected, and whenever there is otherwise a vacancy on the Board, the Governance Committee will consider incumbent Board members and other well-qualified individuals as potential director nominees. The Governance Committee will review each potential candidate's qualifications in light of the Standards, described above. The Governance Committee will select the candidate or candidates it believes are the most qualified to recommend to the Board for selection as a director nominee.

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Corporate Governance at Kilroy Realty Corporation

Stockholder-Recommended Director Candidates

The Governance Committee will consider director candidates recommended by stockholders of the Company. Candidates recommended by a stockholder are evaluated in the same manner as candidates identified by the Governance Committee. All recommendations must be directed to the Governance Committee c/o Secretary at 12200 W. Olympic Boulevard, Suite 200, Los Angeles, California 90064. Recommendations for director nominees to be considered at the 2016 annual meeting of stockholders must be received in writing not later than December 12, 2015, which is 120 days prior to the one-year anniversary of the date this Proxy Statement is first available to stockholders.

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

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

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

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

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

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

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

Annual Board Evaluations

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

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Corporate Governance at Kilroy Realty Corporation

Stockholder Communications with the Board

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

Interested Party Communications with the Independent Directors

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

Table of Contents**Audit and Non-Audit Fees**

Deloitte has served as the Company's independent registered public accounting firm since the completion of the Company's initial public offering in January 1997 and is expected to be reappointed by the Audit Committee prior to the Annual Meeting.

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

Principal Accountant Fees and Services

The aggregate fees billed to the Company by Deloitte for professional services rendered in fiscal years 2014 and 2013 are as follows:

Fees⁽¹⁾	2014	2013
Audit Fees ⁽²⁾	\$ 1,693,565	\$ 1,624,862
Audit-Related Fees	\$	\$
Tax Fees ⁽³⁾	\$ 740,880	\$ 247,905
All Other Fees	\$	\$
Total Fees	\$ 2,434,445	\$ 1,872,767

- (1) All services rendered for these fees were pre-approved by the Audit Committee in accordance with the Audit Committee's pre-approval policies and procedures described above. The Audit Committee has concluded that the provision of the non-audit services rendered for the listed fees is compatible with maintaining Deloitte's independence.
- (2) Includes the aggregate fees billed for the audits of the Company's and the Operating Partnership's annual financial statements and internal control over financial reporting, review of financial statements included in their quarterly reports on Form 10-Q, consultations with management on technical accounting and regulatory issues, and services provided for assistance with and review of other regulatory filings.
- (3) Includes the aggregate fees billed for the review and assistance with the preparation of tax returns, the review of quarterly REIT test compliance, assistance with the preparation of the annual earnings and profit analysis, and tax consulting and assistance services. The tax fees incurred in 2014 also include one-time fees billed for assistance with the acquisition of The Flower Mart in San Francisco, California and assistance with the adoption of the tangible property regulations recently issued by the IRS.

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Audit Committee Report

The Audit Committee of the Company's Board is composed of Independent Directors who satisfy the requirements of Section 10A(m)(3) of the Exchange Act and Rule 10A-3(b)(i) thereunder and the current listing standards of the NYSE. The Audit Committee operates pursuant to a written charter.

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

Deloitte is responsible for performing an audit of the Company's financial statements and expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles. The Audit Committee reviewed and discussed the audited financial statements of the Company as of and for the year ended December 31, 2014 with management and Deloitte. The Audit Committee discussed with Deloitte its judgments as to the Company's accounting principles and such other matters as are required to be discussed with the Audit Committee under Auditing Standard No. 16, Communications with Audit Committees, as adopted by the Public Company Accounting Oversight Board (the PCAOB). In addition, the Audit Committee received the written disclosures and the letter from Deloitte required by the PCAOB regarding Deloitte's communications with the Audit Committee concerning its independence, and discussed with Deloitte its independence from the Company. The Audit Committee also considered the compatibility of Deloitte's provision of non-audit services with Deloitte's independence.

The Audit Committee discussed with Deloitte the overall scope of its audits of the Company's and the Operating Partnership's financial statements. The Audit Committee meets with Deloitte, with and without management present, to discuss the results of its examinations, its assessments of the Company's internal control over financial reporting and the overall quality of the Company's financial reporting. In the performance of their oversight function, the members of the Audit Committee relied upon the information, opinions, reports and statements presented to them by the Company's management and by Deloitte. The Audit Committee held six meetings during 2014.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board (and the Board approved) that the audited financial statements as of and for the year ended December 31, 2014 be included in the Company's and the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission on February 10, 2015.

Audit Committee

Scott Ingraham, Chairman

Edward Brennan, PhD

Peter Stoneberg

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

Table of Contents**Our Executive Officers**

Name	Age	Position With The Company
John Kilroy	66	President, Chief Executive Officer and Chairman of the Board
Jeffrey Hawken	56	Executive Vice President and Chief Operating Officer
Marcum David Eli Khouri (Eli Khouri)	56	Executive Vice President and Chief Investment Officer
A. Robert Paratte	59	Executive Vice President, Leasing and Business Development
Tyler Rose	54	Executive Vice President, Chief Financial Officer and Secretary
Heidi Roth	43	Executive Vice President, Chief Accounting Officer and Controller
Mike Sanford	45	Executive Vice President, Northern California
David Simon	52	Executive Vice President, Southern California
Justin Smart	55	Executive Vice President, Development and Construction Services

John Kilroy was appointed as Chairman in February 2013 and has served as our President and CEO since our incorporation in September 1996. Biographical information regarding Mr. Kilroy is set forth above under the caption "Our Board of Directors."

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

Eli Khouri was appointed Executive Vice President and Chief Investment Officer in January 2011 and is responsible for the performance of the Company's investment activities and capital allocations including acquisitions, development, redevelopment and dispositions. From 2002 to January 2011, Mr. Khouri served as Managing Director of Broadreach Capital Partners (BRCP), a private real estate investment firm he founded in 2002 that is focused primarily on western U.S. commercial assets, including office, industrial and multi-use properties. From 1991 to 2001, he served in various investment capacities at Spieker Properties (formerly NYSE: SPK), including Chief Investment Officer, where he was involved with the acquisition and development of over \$5 billion of office and industrial assets as well as managing its disposition and capital recycling program. Spieker Properties operated as a West Coast office and industrial public REIT from 1993 through 2001. In 2001, Mr. Khouri was part of the management team that orchestrated the \$7.2 billion merger of Spieker Properties into Equity Office Properties (formerly NYSE: EOP). From 2007 to 2010, Mr. Khouri served as a Director of Vesta Industrial, a leading developer and operator of state-of-the-art industrial and distribution properties across Mexico. Headquartered in Mexico City, Vesta is a fully-integrated firm with extensive experience in build-to-suit and prospective development, leasing, management and acquisition of industrial properties. The firm has a broad, diverse tenant base, operating in a wide range of industries throughout Mexico. Vesta's clients include high-credit multi-national firms such as BMW, Nestle, Bombardier and Kraft. Vesta recently completed its IPO on the Bolsa stock exchange. Mr. Khouri received a Bachelor of Science Degree in Civil Engineering from Stanford University.

A. Robert Paratte was appointed Executive Vice President, Leasing and Business Development in January 2014 and is responsible for the Company's leasing and business development activities from Seattle to San Diego. Mr. Paratte will also pursue new build-to-suit opportunities, cultivate and expand the Company's roster of key tenant relationships, focus on corporate marketing and branding, and assist in the professional development of all leasing personnel. Across a two-decade plus career in commercial real estate, Mr. Paratte has held leadership roles in a variety of disciplines, including leasing.

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property acquisitions, development and property management. Mr. Paratte joined the Company after seven years at Tishman Speyer where he was managing director for global leasing and business development. Mr. Paratte was responsible for maintaining and building relationships with corporate real estate executives across the country and around the world. In addition, Mr. Paratte was instrumental in securing some of the largest lease transactions in the firm's development projects. Prior to Tishman Speyer, Mr. Paratte was a partner at San Francisco-based William Wilson and Associates. Mr. Paratte was named the San Francisco Business Times Deal Maker of the Year in 2002. Mr. Paratte holds a Bachelor of Science degree in Environmental Planning from the University of California, Davis and a Master of Business Administration degree from the University of San Francisco. Mr. Paratte is a licensed California Real Estate Broker and a member of the Urban Land Institute.

Tyler Rose was appointed Executive Vice President and Chief Financial Officer in December 2009 after serving as Senior Vice President and Treasurer since 1997. Prior to his tenure at the Company, Mr. Rose was Senior Vice President, Corporate Finance of Irvine Apartment Communities, Inc. from 1995 to 1997, and was appointed Treasurer in 1996. Prior to that, Mr. Rose was Vice President, Corporate Finance of The Irvine Company from 1994 to 1995. From 1986 to 1994, Mr. Rose was employed at J.P. Morgan & Co., serving in its Real Estate Corporate Finance Group until 1992 and as Vice President of its Australia Mergers and Acquisitions Group from 1992 to 1994. Mr. Rose also served for two years as a financial analyst for General Electric Company. He currently serves as a director of Rexford Industrial Realty, Inc. and on the Policy Advisory Board for the Fisher Center for Real Estate and Urban Economics at the University of California, Berkeley. Mr. Rose received a Master of Business Administration degree from The University of Chicago Booth School of Business and a Bachelor of Arts degree in Economics from the University of California, Berkeley.

Heidi Roth was appointed Executive Vice President, Chief Accounting Officer and Controller of the Company in January 2015. Ms. Roth has been with the Company since 1997 and was appointed Senior Vice President and Controller in July 2005. Prior to such time, Ms. Roth held various other positions with the Company, including serving as the Company's Vice President, Internal Reporting and Strategic Planning. Prior to joining the Company, Ms. Roth was a CPA for Ernst & Young in Los Angeles. Ms. Roth is a Certified Public Accountant and a member of the AICPA. Ms. Roth currently serves on the Board of Directors of Crystal Stairs, Inc., a nonprofit child development organization and is an emeritus member of the National Association of Real Estate Investment Trusts' Best Financial Practices Council. Ms. Roth received her Bachelor of Science degree in Accounting from the University of Southern California.

Mike Sanford was appointed Executive Vice President, Northern California in January 2015 after serving as Senior Vice President, Northern California from February 2012 through December 2014 and Vice President, Northern California & Pacific Northwest from March 2011 through January 2012. Mr. Sanford is responsible for the Northern California region, including development. Mr. Sanford has over 20 years of experience in West Coast real estate markets as a result of working in key positions at the Company and other well-known real estate firms, including Lowe Enterprises, Equity Office Properties and Spieker Properties. During his real estate career, Mr. Sanford has been responsible for over \$3.5 billion of investment activity, including over 7.5 million square feet of office acquisition and development activity. In addition, Mr. Sanford has completed over 2.5 million square feet of significant office lease transactions, totaling over \$1.5 billion of revenue. Mr. Sanford is a member of the BOMA S.F. Foundation Board of Directors and the Golden Gate Chapter of Lambda Alpha International, and a council member of the Urban Land Institute. In addition, he holds a Master of Business Administration degree from the Haas School of Business and a Bachelor of Science degree from the University of California, Berkeley.

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

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Our Executive Officers

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

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Table of Contents**Compensation Discussion and Analysis****INTRODUCTION**

This CD&A describes the material elements of our executive compensation program, the compensation decisions made under the program and the factors considered in making those decisions for the below referenced named executive officers (each, an NEO) for 2014. This CD&A also contains forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Future compensation programs that we adopt may differ materially from currently planned programs, though none are anticipated at this time.

Name	Title
John Kilroy	Chairman, President and Chief Executive Officer
Jeffrey Hawken	Executive Vice President and Chief Operating Officer
Tyler Rose	Executive Vice President and Chief Financial Officer
Marcum David Eli Khouri (Eli Khouri)	Executive Vice President and Chief Investment Officer
Justin Smart	Executive Vice President of Development and Construction Services

Our Business

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

A fully integrated real estate enterprise. Our core management capabilities encompass all aspects of real estate, including the acquisition, financing, development, redevelopment, construction management, leasing, asset management and disposition of office and mixed use projects. This integrated approach to real estate ownership creates efficiencies throughout our enterprise.

Strong and broad-based development experience. We maintain an active, multi-year development program that focuses on economically dynamic locations where anticipated long-term demand is strong, supply is limited and barriers to entry are high. As of December 31, 2014, we had six development projects under construction that totaled approximately 1.7 million square feet and had a total estimated investment of approximately \$1.0 billion. The office space was 82% preleased to technology and media companies, including salesforce.com, Box, Dropbox, Viacom and NeueHouse. As of December 31, 2014, our future development pipeline included projects in each of our submarkets that provide us with the opportunity to create substantial incremental value by developing office and mixed-use space, subject to obtaining appropriate approvals and entitlements.

A commitment to sustainable practices. We are an advocate of sustainability practices and are a leader in LEED-certified design, development and property operations. In 2014, we were ranked first in terms of sustainability practices in the American Office REIT category by the Global Real Estate Sustainability Benchmark (GRESB). We were also awarded the 2014 Leader in the Light Award for the Office sector by the National Association of Real Estate Investment Trusts (NAREIT). At December 31, 2014, approximately 39% of our portfolio was Leadership in Energy and Environmental Design (LEED) certified and approximately 56% of our portfolio was ENERGY STAR certified. We are also pursuing either LEED platinum or LEED gold on all of our development projects.

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

A respect for long-term tenant relationships. Many of our tenants have done business with us for decades and turn to us to fulfill their real estate needs as their businesses evolve. We believe such relationships are built on a foundation of trust and experience. We take the time to understand each prospective tenant's requirements and we offer our knowledge of markets and experience in development to help create the right workplace solution for each one.

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Table of Contents**Compensation Discussion and Analysis***Performance Highlights*

We delivered strong year-over-year financial results in 2014.

We also delivered exceptional TSR for our stockholders on a relative basis. Our TSR outperformed the average TSR for our peer group, the SNL US REIT Office Index and the MSCI US REIT Index for the one- and three-year periods ended December 31, 2014, as shown in the following chart:

	TSR for the Three-Year Period	
	2014 TSR	Ended December 31, 2014
Kilroy Realty Corporation	40.8%	96.4%
Peer Group ⁽¹⁾	31.2%	51.0%
SNL US REIT Office Index	26.1%	53.9%
MSCI US REIT Index	30.4%	57.3%

⁽¹⁾ The TSR for the peer group, identified on page 57, is calculated on a weighted basis, determined based on the average market capitalization for each company in the peer group during the applicable period.

More information on the Company's 2014 performance is detailed on pages 41 through 44.

SHAREHOLDER ENGAGEMENT AND RESPONSE TO OUR 2014 SAY-ON-PAY VOTE

The Compensation Committee values input from the Company's stockholders regarding the Company's executive compensation program. At each annual meeting, we hold a non-binding advisory vote to approve the compensation of our NEOs, which is commonly referred to as a Say-on-Pay vote. At our 2014 annual meeting of stockholders, approximately 85.57% of the votes cast were in favor of our Say-on-Pay proposal. The Compensation Committee believes the results of our 2014 Say-on-Pay vote demonstrate that stockholders support the significant changes made to our executive compensation program over past few years and endorse our current executive compensation practices.

During 2014 and early 2015, we engaged with and solicited input from stockholders who together own over 60% of our outstanding common stock. To the extent we received feedback on our executive compensation program from these stockholders, the feedback was generally positive and consistent with the strong vote we received in response to our 2014 Say-on-Pay proposal. We believe that part of the reason for our favorable 2014 Say-on-Pay vote was due to our efforts in engaging with stockholders and making changes to the 2014 executive compensation structure, which included implementing a new annual incentive performance assessment framework and further increasing the percentage of each NEO's annual equity award that is subject to performance-based vesting requirements from 50% in 2013 to approximately 67% in 2014. As a result of the 2014 Say-on-Pay results, the Compensation Committee also decided to retain our general executive compensation structure for

2015. When making future compensation decisions for our NEOs, the Compensation Committee will continue to consider the opinions that stockholders express directly to the Compensation Committee through our lead independent director or management and through Say-On-Pay votes.

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Compensation Discussion and Analysis

SUMMARY OF EXECUTIVE COMPENSATION

We believe that the structure of our executive compensation program contributed to our achievements in 2014 and strikes an appropriate balance between the need to attract and retain executives with the expertise and talent required to execute on our active strategy and the need to link compensation with the performance of the Company, including stockholder return. Below is a summary of some of the key features of our 2014 executive compensation program.

Alignment of Pay with Performance Majority of Target Total Direct Compensation is At Risk Incentive Compensation. Approximately 85% of our CEO's target total direct compensation (TDC) for 2014, and approximately 76% (on average) of our other NEOs' TDC for 2014, was not guaranteed but rather was tied directly to the performance of our Company, our stock price and/or individual performance during the year, as depicted below. In addition, more than 50% of our CEO's 2014 TDC was in the form of a long-term incentive equity award (approximately 67% of which is subject to performance-based vesting requirements).

Annual cash incentives are at risk because the final annual cash incentive awards are based on Company performance and subject to variation. Actual incentives could range from zero to approximately 150% of the NEO's pre-established annual cash incentive target based on actual performance. Annual equity incentives are at risk because the ultimate value of the award depends on our stock price, continued service over a multi-year vesting period and, for approximately 67% of each annual equity incentive award, the satisfaction of performance-based vesting conditions that include the possibility of complete forfeiture if a minimum operating performance threshold is not achieved in the year in which the award is granted and further subject to relative TSR goals over the entire three-year performance period.

Base Salaries Remained Flat for Most. NEO base salaries for 2014 remained at 2013 levels, except that Mr. Smart received a 2014 base salary increase to achieve parity with the base salary levels for Messrs. Rose and Khouri and in consideration of his increased responsibilities associated with our significantly increased development programs.

Cash Incentive Targets Remained Flat or Decreased. NEO target annual cash incentives for 2014 remained at their 2013 levels, except that our CEO's 2014 target annual cash incentive level was reduced from

\$3,000,000 to \$2,450,000.

Equity Awards are Approximately Two-Thirds Performance-Based. For 2014, consistent with our goal of emphasizing performance-based compensation, the Compensation Committee increased the portion of the equity award granted to each of our NEOs that is subject to performance-based vesting requirements from one-half of the total award in

- ⁴ As used in this CD&A, target total direct compensation means the executive's base salary, target cash incentive and grant date value (based on the value approved by the Compensation Committee and used to determine the number of shares subject to the award) of equity awards granted to the executive during the year.

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2013 to approximately two-thirds of the total equity award in 2014. The performance-based portion of the 2014 equity award covers a three-year performance period (including a one-year FFO Per Share (as defined on page 67) metric and a relative TSR component for the entire three-year period) as described below under Long-Term Incentives Decisions for 2014.

TDC is Aligned with Market Pay Levels and our Performance. The Compensation Committee did not set 2014 pay levels at any specific percentile against our peer group. Rather, the Compensation Committee considered final 2013 peer group compensation data to inform its decision making-process for 2014. The Compensation Committee believed that our NEOs' 2014 TDC levels would generally be above the median for executives holding similar positions at companies in our peer group for 2014. The Compensation Committee believed that the 2014 TDC levels for our NEOs were appropriate for the following reasons.

- Ø ***Rigorous Pay Metrics Require Performance.*** Our executive compensation program is strongly performance-based. As a result, a significant portion of each NEO's TDC opportunity will only be realized if the Company performs well against pre-established performance metrics. The annual cash incentive value that our NEOs can realize is highly linked to our performance through a formalized cash incentive performance measurement framework, which allows each NEO to earn up to approximately 150% of their target cash incentive if extraordinary performance is achieved or lose up to 100% of their target cash incentive if the Company performs well below expectations. In addition, and as noted above, approximately two-thirds of each NEO's 2014 equity award is performance-based and subject to complete forfeiture if a minimum FFO Per Share threshold is not achieved in the year in which the award is granted and is further subject to relative TSR goals over the entire three-year performance period. Furthermore, both the time- and performance-based portions of the equity award have direct alignment with share price movement and dividends paid.
- Ø ***Active Portfolio Strategy is Distinct from Peers.*** Our business includes an active portfolio management strategy. Implementing this strategy requires a broader skill set than those of executives who focus primarily on managing cash flows for a more static investment portfolio. Our active portfolio management strategy distinguishes us from many of the companies in our peer group, resulting in pay that is above the median in order to attract and retain executives with the skill sets that we believe are best suited to implement our strategy and to serve the best long-term interests of our stockholders.
- Ø ***Outperforming TSR.*** As indicated in the chart on page 42, our TSR for the three-year period ending December 31, 2014 outperformed our peer group, the SNL US REIT Office Index and the MSCI US REIT Index.

- Ø ***Rebalanced CEO s Target Compensation Mix (including a Reduction in Target Annual Cash Incentive Levels).*** In order to enhance alignment with long-term stockholder returns, we placed an even greater emphasis on long-term incentive compensation for our CEO for 2014. This rebalancing included, as noted above, reducing the 2014 target annual cash incentive level for our CEO from the \$3,000,000 minimum level provided for in his employment agreement to \$2,450,000 for 2014, which resulted in a lower overall final cash incentive payout opportunity for our CEO.

- Ø ***Base Salaries Remained Flat for Most.*** As noted above, none of our NEOs received a salary increase for 2014, except for Mr. Smart who received a 2014 base salary increase to bring him into parity with two other NEOs and in consideration of his increased responsibilities associated with our significantly increased development programs.

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Compensation Discussion and Analysis

Executive Compensation and Governance Policies

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

The Board and Independence

Lead Independent Director

Majority of Directors are Independent (4 out of 5 Current Directors)

Board Refreshment with Two New Independent Directors Elected in 2014 and One New Independent Director Nominated in 2015

Regular Executive Sessions of Independent Directors

Regular Board and Committee Self-Evaluations

Independent Audit, Executive Compensation and Nominating/Corporate Governance Committees

Stockholder Rights

Stockholder Proxy Access

Majority Voting for Directors in Uncontested Elections

Annual Election of All Directors (i.e., Declassified Board)

Annual Say-On-Pay Voting

Stockholder Right to Call a Special Meeting

No Stockholder Rights Plan

Compensation and Other Governance Practices

Minimum Stock Ownership Guidelines for Executives, Including Provisions for Executives to Hold a Portion of Shares Granted upon Exercise, Payment or Vesting if the Executive does not Satisfy the Applicable Level of Ownership under the Guidelines

Minimum Stock Ownership Guidelines for Non-Employee Directors

Anti-Hedging and Anti-Pledging Policies

Clawback Policy

Related Party Transactions Policy

No Single Trigger Change in Control in any Employment Agreements

No Excise Tax Gross-Ups

No Repricing of Underwater Stock Options

Independent Compensation Consultant

Succession Planning Program

Industry Leading Commitment to Sustainability

Extensive Stockholder Engagement, Including Discussions with Stockholders who Together Own Approximately 60% of our Common Stock in 2014

2014 COMPANY PERFORMANCE

The Company achieved strong financial and operational results and further positioned the Company for continued long-term sustainable growth during 2014. Below is a summary of our key achievements, which were also taken into consideration by the Compensation Committee for purposes of making final 2014 cash incentive award determinations.

Exceptional Total Stockholder Return

We continued to deliver exceptional returns for our stockholders, as evidenced by achieving an absolute one-year TSR of 40.8% in 2014 and an absolute three-year TSR of 96.4% for the period ending December 31, 2014. On a relative basis, our TSR outperformed our peer group, the SNL US REIT Office Index and the MSCI US REIT Index for both of these periods, and placed our TSR in the 94th percentile (rounded) within our peer group for the three-year period ending December 31, 2014.

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Compensation Discussion and Analysis

The following chart shows the value of a \$100 investment at market close on December 31, 2011 in the Company, the MSCI US REIT Index and the SNL US REIT Office Index, as well as our peer group as a whole (shown based on TSR performance at the 25th, 50th and 75th percentiles for the peer group), over the three-year period ended December 31, 2014 (assuming dividend reinvestment):

Strong 2014 Financial Performance

During 2014, we generated strong year-over-year financial results, which included the following:

FFO⁵ increased 14.7% to \$250.7 million.

FFO per share (as defined in Appendix A) increased 7.1% to \$2.85 (exceeding our budget and initial guidance of \$2.65).

Revenues from continuing operations increased 14.1% to \$521.7 million.

Net operating income⁶ (NOI) increased 8.0% to \$377.5 million.

Same-store cash NOI increased 7.3% to \$276.1 million on a cash basis and increased 6.3% to \$304.6 million on a GAAP basis.

Record Leasing Activity

During 2014, we signed new or renewing leases on approximately 3.2 million square feet of office space resulting in a new Company leasing record. This leasing activity was comprised of approximately 2.3 million square feet in the stabilized portfolio and approximately 835,000 square feet in our in-process development pipeline. At year-end 2014, our stabilized portfolio was 94.4% occupied (an increase of 100 bps over year-end 2013), the highest level since 2008, and 96.3% leased. The average rents on leases executed during 2014 were up 13% on a cash basis and 25% on a GAAP basis.

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See [Appendix A](#) for the definition of FFO and a reconciliation of FFO to our net income available to common stockholders computed in accordance with GAAP.

- ⁶ See [Appendix A](#) for the definition of net operating income or NOI and a reconciliation of net operating income to our net income available to common stockholders computed in accordance with GAAP.

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Compensation Discussion and Analysis

Efficient Execution of Development Projects under Construction and Continued Expansion of Development Pipeline

Heading into 2014, we had seven development projects under construction. As of January 1, 2014, these projects encompassed approximately 2.5 million square feet, had a total estimated investment of \$1.5 billion and the office space was 62% preleased.

In the second half of 2014, we delivered two of these projects ahead of schedule and under budget with an estimated total investment of approximately \$479 million.

- Ø The first project is a LEED gold (targeted), 587,000 square foot, three-building office project located in Sunnyvale, California, that was fully leased and delivered to LinkedIn in the third quarter.
- Ø The second project is a LEED gold certified, 341,000 square foot, two-building office project located in Mountain View, California, that was fully leased and delivered to Synopsys Inc. in the fourth quarter.

During the fourth quarter of 2014, we commenced construction on The Heights at Del Mar, a LEED gold (targeted), three-story, 73,000 square foot office building in the Del Mar submarket of San Diego, California. The project has a total estimated investment of approximately \$45 million.

As of December 31, 2014, we had six development projects under construction that totaled approximately 1.7 million square feet of space and had a total estimated investment of approximately \$1.0 billion. The office space was 82% preleased to technology and media companies, including salesforce.com, Box, Dropbox, Viacom and NeueHouse.

During 2014, we also expanded our future development pipeline with the acquisition of three land sites in San Francisco, California, where we have the opportunity to create substantial incremental value by developing office and retail space, subject to obtaining appropriate approvals and entitlements, including an approximately 680,000 square foot office project in the Mission Bay submarket.

Focus on Value-Add Property Acquisitions

We remained a disciplined buyer of office properties and continued to focus on value-add opportunities in West Coast markets populated by tenants in a variety of industries, including technology, media, healthcare, entertainment and professional services. During 2014, we made two economically attractive acquisitions. In March, we purchased a four-story, LEED gold certified life science building located in the South Lake Union submarket of Seattle, which was only one of five such facilities developed in the Puget Sound Region over the last ten years at that time. In November 2014, we purchased a four-building office project located in the Sunnyvale submarket of Silicon Valley, California. This site is situated on 17 acres of land in the path of tenant expansion and growth. As a result, this site represents both a strong near-term addition to our portfolio and a potential longer-term re-development opportunity. The combined purchase price for these two acquisitions was approximately \$207 million. Both acquisitions were 100% leased and immediately accretive to earnings.

Strong Execution of Capital Recycling Program

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Capital recycling continues to play an important role in funding our growth. We utilize our capital recycling program to efficiently provide additional capital to fund potential acquisitions, to finance development and redevelopment expenditures, to repay long-term debt and for other general corporate purposes. Our general strategy is to sell non-strategic assets and redeploy some or all of the capital into acquisitions, development and/or re-development where we can leverage our experience and add value to generate higher returns. During 2014 and January 2015 (excluding the portfolio sale of 12 office properties for \$294.7 million that we closed in January 2014 and referenced as part of a larger portfolio sale in our 2014 Proxy Statement), we completed the sale of five additional office properties located in San Diego and Orange County encompassing approximately 422,000 square feet and two non-income producing land sites totaling approximately 29 acres. The total gross proceeds from these dispositions (excluding the 12 office property portfolio sale) were approximately \$164 million.

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Compensation Discussion and Analysis

Exemplary Balance Sheet Management

During 2014, we continued to maintain a strong and flexible balance sheet that enables us to respond quickly to attractive opportunities as they arise. Below is a list of key 2014 achievements:

Completed several financing transactions that lowered our cost of capital, extended our debt maturity and enhanced our liquidity profile, including the following:

- Ø Amended the terms of our credit facility to increase the size from \$500 million to \$600 million, extended the maturity date to 2019 and reduced the interest rate spread and facility fee;
- Ø Raised gross proceeds of \$400 million through the issuance of 15-year unsecured senior notes at a stated rate of 4.25%;
- Ø Raised approximately \$103.1 million through the issuance of common stock under our at-the-market equity offering program at a weighted average price of \$65.49 per share, which compares to the average closing price of a share of the Company's common stock during 2014 of \$61.12; and
- Ø Established a new \$300 million at-the-market equity offering program.

Extended our weighted average debt maturity from approximately 4.5 years at year-end 2013 to approximately 6.0 years at year-end 2014.

Decreased our total debt as a percentage of total market capitalization by 500 bps from 33.2% as of December 31, 2013 to 28.2% as of December 31, 2014, which is amongst the lowest in our peer group.

Maintained a relatively flat debt to EBITDA (earnings before interest, taxes, depreciation and amortization) ratio at year-end of 7.4x during a period of extensive development spending.

Both S&P and Moody's upgraded our credit rating outlook to Positive from Stable.

Continued Attentiveness to Environmental Sustainability

Our commitment to build and operate environmentally sound properties continues to broaden. Our 2014 accomplishments include the following:

Ranked 1st in sustainability performance among 151 North American participants across all asset types by the GRESB.

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

One of only 128 companies selected from approximately 16,000 applicants to receive the Environmental Protection Agency's annual ENERGY STAR Partner of the Year Award for superior energy efficiency practices.

Won NAREIT's 2014 Leader in the Light Award in the Office category.

Increased our LEED certified square footage by an additional 400,000 square feet in 2014, resulting in 39% of the stabilized portfolio being LEED certified as of December 31, 2014.

Increased the percentage of our stabilized portfolio that has earned ENERGY STAR certifications from 53% in 2013 to 56% in 2014.

Pursuing platinum or gold LEED certification for all development projects.

To learn more about the Company's sustainability efforts, please view our 2014 sustainability report on the Company's website, by visiting <http://kilroyrealty.com/sustainability/sustainabilityreport.aspx>.

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Table of Contents**Compensation Discussion and Analysis****COMPENSATION PHILOSOPHY, OBJECTIVES AND KEY FEATURES**

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

To help the Company attract, retain and incentivize talented and experienced individuals in the highly competitive West Coast employment and commercial real estate markets;

To set total compensation to be competitive with companies in our peer group;

To align executive compensation with our Company's corporate strategies, business objectives and the creation of long-term value for our stockholders without encouraging unnecessary or excessive risk taking;

To provide an incentive to achieve key strategic and financial performance measures by linking annual cash incentive award opportunities to the achievement of corporate and operational performance objectives in these areas; and

To provide a majority of target total direct compensation for the NEOs in the form of long-term incentive equity awards.

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

Compensation Element	Primary Objective	Key Features	Page
Base Salary	To recognize ongoing performance of job responsibilities and to provide a regular source of income so employees can focus on day-to-day responsibilities.	Competitive pay, taking into account job scope, position, knowledge, skills and experience.	Page 46
Cash Incentives	To motivate and reward the achievement of annual financial and operational goals and other strategic objectives measured over the year.	Final payouts are awarded to our NEOs under a cash incentive performance measurement framework that is based on specific metrics within five categories.	Page 46
Long-Term Incentives (Equity Awards)	To emphasize long-term performance objectives, align the interests of our NEOs with stockholder interests, encourage the maximization of stockholder value and retain key executives through the performance and vesting periods.	For 2014, approximately 67% of the long-term incentive equity awards granted to our NEOs were subject to performance-based vesting requirements over a three-year performance period and subject to complete forfeiture if a	Page 49

minimum FFO Per Share threshold is not achieved in the year in which the award is granted (without the opportunity to vest in any future year) and is further subject to relative TSR goals over the entire three-year performance period.

WHAT WE PAY AND WHY: EXECUTIVE COMPENSATION ELEMENTS

Base salaries, target annual cash incentive amounts and levels of equity incentive awards granted to our NEOs are reviewed and established by the Compensation Committee on an annual basis. The Compensation Committee does not specifically establish any of these compensation elements at any particular level against peer group data. Rather, the Compensation Committee generally considers the following factors:

The performance of the Company (e.g., TSR, leasing, financial performance, acquisitions, dispositions, development and balance sheet management);

The performance of each NEO;

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Compensation Discussion and Analysis

The contribution of each NEO to our overall results;

Input from our CEO (with respect to our other NEOs);

Additional roles or responsibilities assumed;

Experience and tenure;

Base salary, target annual cash incentive and long-term incentive grant levels for comparable positions at companies in our peer group;

The NEO's employment agreement (if any); and

The relative need to retain the NEO.

Base Salary

Decisions for 2014

The Compensation Committee determined, in its judgment, that each NEO's 2014 base salary level would remain at the same level as in effect for 2013, except that Mr. Smart received a 2014 base salary increase based on the Compensation Committee's assessment of his responsibilities, compensation data for similar positions at companies in our peer group and the Compensation Committee's desire to position his base salary level consistent with the base salary levels for Messrs. Rose and Khouri. The 2014 base salary rate for each of our NEOs was as follows: \$1,225,000 for Mr. Kilroy, \$675,000 for Mr. Hawken and \$500,000 for each of Messrs. Rose, Khouri and Smart.

Cash Incentives

General Description

Our annual cash incentive program provides for the payment of cash incentives to our NEOs based on the performance of our Company and each individual's contribution to the performance of our Company during the year. The Compensation Committee typically establishes a target cash incentive amount for each NEO at the beginning of each year. Following the end of each year, the Compensation Committee typically determines the final cash incentive amount to be awarded to each NEO for the prior year based on actual performance. The Compensation Committee applies a cash incentive performance measurement framework to evaluate and determine the final cash incentive amount to be awarded to each NEO. The framework is described in more detail below.

Cash Incentive Performance Measurement Framework

In response to stockholder feedback, the Compensation Committee refined and formalized its process for evaluating annual cash incentives during 2013 by adopting a cash incentive performance measurement framework. The Compensation Committee applied this framework to its decision-making process for 2014. Under this framework, the Compensation Committee typically sets a target annual cash incentive amount for each NEO at the start of the year. Following the end of the year, the Compensation Committee typically determines the final cash incentive amounts for each NEO, and the final amounts may be more than or less than the targeted amount based on actual performance. The Compensation Committee makes its final cash incentive determinations by assessing the Company's performance results for that year against certain metrics within five key categories (disclosed below) and rating the Company's overall performance as either Extraordinary, Superior, On Target, Below Expectations, or Well Below Expectations. Individual awards, however, may vary based on the Compensation Committee's consideration of each individual NEO's contributions or achievements and awards also may vary based on a greater emphasis on certain categories for a particular year, which may result in bonus variations between executives who are principally responsible for those categories and those who are not. Each performance category and the specific metrics within each such category were selected by the Compensation Committee because the Compensation Committee believes that these measures most accurately reflect the annual performance of the Company and the building of long-term value for our stockholders.

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Compensation Discussion and Analysis

The Compensation Committee does not apply specific weighting to performance categories and final cash incentive amounts are determined based on a holistic assessment of results achieved. The Compensation Committee believes this approach reflects an appropriate balance between applying objective quantitative criteria to determine NEO bonuses, on the one hand, and a desire to keep management focused on strategic decisions that are in the long-term best interests of our stockholders, on the other hand. Our business strategy requires active management of our property portfolio, and the Compensation Committee believes that a rigid bonus formula could undermine opportunistic decisions that could be in stockholders' best long-term interests. Changes in our strategy or our portfolio through activities such as acquisitions and dispositions can significantly alter budgets or objectives that are set early in the year.

Decisions for 2014

The 2014 target cash incentive amount for each NEO was determined by the Compensation Committee in January 2014. The Compensation Committee determined that each NEO's 2014 target cash incentive level would remain the same as the NEO's target cash incentive level for 2013, except that our CEO's 2014 target level was reduced from \$3,000,000 to \$2,450,000 in order to place a greater emphasis on long-term incentives and enhance alignment with long-term stockholder returns. Accordingly, the 2014 target cash incentive for our CEO and for Mr. Hawken was 200% of the executive's 2014 base salary, and the 2014 target cash incentive for each of the other NEOs was 100% of the executive's 2014 base salary.

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In January 2015, the Compensation Committee reviewed the Company's 2014 performance and applied the cash incentive performance measurement framework to evaluate and determine the final cash incentive amount to be awarded to each NEO. The following chart shows the performance categories, key metrics, any applicable budgets or goals considered by the Compensation Committee, and the actual results considered by the Compensation Committee under the cash incentive performance measurement framework for 2014:

Performance Category**2014 Metrics and Performance**

Operations

FFO increased 14.7% over 2013 to \$251 million;

FFO per share increased 7.1% over 2013 to \$2.85 (exceeding our budget and initial guidance of \$2.65);¹

Total revenues increased 6.3% over 2013 to \$529 million (exceeding our budget of \$500 million);

Revenues from continuing operations increased 14.1% over 2013 to \$521.7 million;

NOI increased 8.0% over 2013 to \$377.5 million;

Same-store cash NOI increased 7.3% over 2013 to \$276.1 million on a cash basis and increased 6.3% over 2013 to \$304.6 million on a GAAP basis;

Occupancy in our stabilized portfolio rose to 94.4% (exceeding our budget of 93.5%);

Leased 3.2 million square feet of office space resulting in a new Company leasing record; and

Broadened our commitment to build and operate environmentally sound properties as further discussed under Continued Attentiveness to Environmental Sustainability above.

Development

Delivered two projects totaling approximately \$479 million of estimated investment representing approximately 928,342 square feet that are fully leased to LinkedIn and Synopsys ahead of schedule and under budget, as further discussed under Efficient Execution of Development Projects under Construction and Continued Expansion of Development Pipeline above.

Acquisitions

Acquired two projects that were 100% leased, immediately accretive to earnings and include future value creation opportunities, as further discussed under Focus on Value-Add Property Acquisitions above.

Dispositions

Sold five office properties and two non-income producing land sites located in San Diego and in Orange County (which closed in January 2015) as further discussed under Strong Execution of Capital Recycling Program above.

Balance Sheet Management

Completed several financing transactions that lowered our cost of capital, extended our debt maturity and enhanced our liquidity profile as further discussed under Exemplary Balance Sheet Management above.

Extended our weighted average debt maturity from approximately 4.5 years at year-end 2013 to approximately 6.0 years at year-end 2014.

Decreased our total debt as a percentage of total market capitalization by 500 bps from 33.2% as of December 31, 2013 to 28.2% as of December 31, 2014, which is among the lowest in our peer group.

Maintained a relatively flat debt to EBITDA (earnings before interest, taxes, depreciation and amortization) ratio at year-end of 7.4x during a period of extensive development spending.

Both S&P and Moody's upgraded our credit rating outlook to Positive from Stable.

- ¹ FFO per share is defined in [Appendix A](#). FFO Per Share is also used as a performance metric under the performance-based component of our NEO equity awards. The Compensation Committee believes it is nevertheless appropriate to take FFO per share into account in our cash incentive measurement framework because it is a key metric for the Company, frequently used by investors to assess REIT performance and is only one of many measures (disclosed above) used to assess performance under the framework.

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The Compensation Committee's rating system (i.e., Extraordinary, Superior, On Target, Below Expectations, or Well Below Expectations) based on both the metrics and performance results discussed in the chart above and the Company's TSR performance for the year. The rating assigned could range from Extraordinary (for which NEO bonuses could approximate 150% of the targeted levels) to Well Below Expectations (in which case, no cash incentives would be paid). As noted above, the Compensation Committee did not apply specific weightings to performance categories or metrics and final performance determinations were based on a holistic assessment by the Compensation Committee of results achieved.

Based on its review of the metrics above and its assessment of the Company's performance against those metrics, as well as its assessment of the Company's TSR for 2014, the Compensation Committee determined that the Company's overall performance for 2014 was Extraordinary for purposes of awarding the 2014 cash incentives. Accordingly, the Compensation Committee approved 2014 cash incentive amounts for each NEO at or above their respective target annual incentive amount. The Compensation Committee believed that operational, development and balance sheet management activities played a more prominent role in the Company's 2014 operating results and it set the 2014 annual cash incentives for the NEOs based on the Compensation Committee's assessment of each NEO's performance, relative contribution to and responsibility for each of the performance categories and metrics.

The target and actual cash incentive amount determined by the Compensation Committee for each NEO for 2014 is set forth in the chart below.

Named Executive	2014 Target Cash Incentive Amount	2014 Actual Cash Incentive Amount
John Kilroy	\$ 2,450,000	\$ 3,700,000
Jeffrey Hawken	\$ 1,350,000	\$ 1,600,000
Tyler Rose	\$ 500,000	\$ 750,000
Eli Khouri	\$ 500,000	\$ 500,000
Justin Smart	\$ 500,000	\$ 750,000

Long-Term Incentives***General Description***

Our long-term incentives are structured as equity awards, with a value directly linked to our stock price, to further align our executives' interests with those of our stockholders. Equity awards are typically granted to our NEOs at the beginning of each year. In addition to these annual awards, we occasionally make grants of equity awards at other times at the discretion of the Compensation Committee, including, but not limited to, in connection with hiring or promoting executive officers or in other special circumstances where a mid-cycle grant is warranted. However, no such other equity awards were granted in 2014.

Decisions for 2014

After considering the views expressed by stockholders, the results of the Say-on-Pay vote at our 2013 annual meeting of stockholders and input from Mercer, the Compensation Committee's independent compensation consultant, the Compensation Committee completely overhauled its approach for determining annual equity awards beginning with the awards granted to the NEOs in January 2014. While the Compensation Committee's approach in prior years was to award equity awards annually based primarily on the prior year's performance, starting in January 2014, such annual awards are intended to incentivize performance for the year in which the awards are granted and subsequent years. Accordingly, equity award grant levels are now set with a greater emphasis on the levels for equity awards granted to similarly situated executives at companies in our peer group, and performance-based vesting requirements and value tied to our stock price incentivize performance for the year in which the awards are granted and subsequent years. This revised approach is intended to establish annual equity award levels that are more predictable and in-line with our peer group. The Compensation Committee, however, retains the flexibility to

consider Company and individual performance during the prior year and any other factors it considers appropriate in setting these annual grant levels.

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Compensation Discussion and Analysis

Moreover, as part of our comprehensive changes to our executive compensation program, we increased the component of equity awards subject to performance-based vesting for our NEOs such that approximately two-thirds of the equity awards granted to the NEOs in January 2014 were subject to performance-based vesting requirements over a three-year performance period, as opposed to 50% of the equity awards granted to the NEOs in 2013 being subject to performance-based vesting requirements. This approach to performance-based vesting was further modified in 2014, to accomplish the following overall design objectives:

Align overall reward opportunity with actual performance delivered, including the potential to forfeit 100% of the targeted awards, as well as having an opportunity for above-target reward outcomes for very strong performance;

Require achievement of pre-defined operating goals (i.e., FFO Per Share) that are the result of management behavior within a time frame that is not subject to excessive degrees of variability due to our active portfolio management strategy (i.e., one-year FFO Per Share measurement cycle); and

Require longer-term sustained performance of the Company's share price relative to other office REIT competitors (i.e., relative TSR measurement against the SNL US REIT Office Index set of companies over a three-year period).

As illustrated below, the 2014 performance-based long-term incentive program has both upside potential for the NEOs if performance exceeds target levels, and downside potential for the NEOs if performance falls short of target levels. In **Step 1** below, the initial hurdle was the achievement of pre-defined FFO Per Share goals for 2014. To the extent that the FFO Per Share hurdle was achieved in Step 1, then, in **Step 2** we will measure our TSR versus companies in the SNL US REIT Office Index (our TSR Percentile Ranking) each year in the three-year performance period. Conversely, if the minimum FFO Per Share hurdle is not achieved in Step 1, then the analysis stops there and 100% of the performance-based awards are forfeited with no opportunity to vest in a future year. In **Step 3**, the awards that are eligible to vest in **Step 1** are subject to modification (up or down) based on our TSR Percentile Ranking for the three-year measurement period. The Compensation Committee's perspective is that the relative TSR measure further enhances the link between executives' and stockholders' interests over a multi-year performance period.

Each NEO's January 2014 RSU award was expressed by the Compensation Committee as a dollar value that was converted into a number of RSUs (a target number of RSUs in the case of performance-based vesting RSUs) by reference to the fair market value of the Company's common stock as of the date of grant. The Compensation Committee determined, in its judgment, that the dollar value for each NEO award granted in 2014 would be the same as the NEO's award amount for 2013, except that in order to enhance alignment with long-term stockholder returns, we reduced our CEO's target annual cash incentive for 2014 as noted above and increased the grant date dollar value of his equity award from \$3,000,000 to \$4,500,000 for 2014. Approximately two-thirds of each NEO's total equity award is subject to both time-based and performance-based vesting requirements, where the executive can earn between 0% and 200% of the target number of shares awarded based upon the

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achievement of the FFO Per Share and relative TSR Percentile Ranking metrics referenced above and subject to a three-year cliff vesting requirement. Approximately one-third of each NEO's total equity award is subject to a time-based vesting schedule, vesting ratably in annual installments over the four-year period following the date of grant, assuming continued service of the particular executive.

The maximum payout of this time-based component of the award is 100% of the number of shares subject to only time-based vesting.

The performance-based portion of the equity award vests on a three-year cliff basis on the first date on which the Compensation Committee determines that the performance vesting conditions have been achieved by the Company following December 31, 2016. The number of performance-based RSUs that vest on that date will be determined by (1) multiplying the target number of units subject to the award by a percentage (the Applicable FFO Per Share Percentage), between 0% and 150%, determined based on the Company's FFO Per Share for 2014 (as shown in the below Table A), and (2) multiplying that result by a percentage (the Applicable TSR Percentage), between 66.6666% and 133.3333%, based on the Company's TSR Percentile Ranking (as shown in the below Table B) for the three-year period 2014-2016. However, if a pre-established threshold level of FFO Per Share for 2014 of \$2.50 had not been achieved, then the entire performance-based portion of the equity award would have been forfeited (i.e., the Applicable FFO Per Share Percentage would have been 0%) with no opportunity to vest in a future year.

The following tables set forth the FFO Per Share and TSR Percentile Ranking levels used to determine the Applicable FFO Per Share Percentage and the Applicable TSR Percentage, respectively, for the 2014 awards:

Table A**Table B**

Applicable FFO Per Share		Applicable TSR Percentage (To Be Multiplied By The Applicable FFO Per Share Percentage)	
FFO Per Share for 2014	Percentage	TSR Percentile Ranking (2014-2016)	Share Percentage
\$2.80 or greater	150%	80 th percentile or greater	133.3333%
\$2.65	100%	40 th percentile or greater, but equal to	
\$2.50	50%	or less than 60 th percentile	100%
Less than \$2.50	0%	20 th percentile or lower	66.6667%

In each case, the payout percentage is determined by linear interpolation for actual performance between the levels set forth in the tables above. Please see the discussion under **Named Executive Officer Compensation Tables Description of Plan-Based Awards Performance-Based RSUs** on page 66 below for more information on determining FFO Per Share, TSR Percentile Ranking and the Applicable FFO Per Share Percentage and Applicable TSR Percentage for purposes of these awards.

The Compensation Committee believes that these equity awards further link the interests of our executives with those of our stockholders (as the ultimate value of the award depends on our stock price since the award is denominated in shares of our common stock), as well as create a significant performance incentive over a long-term performance period (as vesting of the performance units depends on our 2014 FFO Per Share performance and our TSR Percentile Ranking over the three-year period 2014-2016) and a long-term retention incentive (as the entire award is subject to three-year cliff vesting). FFO Per Share was selected as a performance metric for these awards because it is a financial measure commonly used by analysts and investors to evaluate a REIT's operating performance and overall management of its property portfolio. The TSR Percentile Ranking measure was included to further enhance executives' interests and potential rewards with stock price performance, on a relative basis, over the three-year performance period.

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The following table sets forth the dollar value of the time-based and performance-based equity awards granted by the Company to each NEO in January 2014:

Named Executive	January 2014 Annual Equity Awards		Total Equity Award
	Time-Based Equity Component ⁽¹⁾⁽²⁾	Performance-Based Equity Component ⁽¹⁾⁽³⁾	
John Kilroy	\$ 1,500,000	\$ 3,000,000	\$ 4,500,000
Jeffrey Hawken	\$ 567,000	\$ 1,133,000	\$ 1,700,000
Tyler Rose	\$ 333,000	\$ 667,000	\$ 1,000,000
Eli Khouri	\$ 250,000	\$ 450,000	\$ 700,000
Justin Smart	\$ 250,000	\$ 450,000	\$ 700,000

(1) These amounts are the values approved by the Compensation Committee in January 2014 and converted into the corresponding number of RSUs (the number of units at the target level of performance in the case of the performance-based RSUs) based on the closing price of the Company's common stock on the date of grant of the awards and rounded to the nearest whole share. For the accounting fair value of these awards as reflected in the Summary Compensation Table, please refer to Value of 2014 Equity Awards below, as well as footnote (2) to the Summary Compensation Table.

(2) The time-based equity component vests in installments over four years and the maximum payout is 100%.

(3) The performance-based equity component is subject to three-year cliff vesting and performance over that three-year period. Between 0% and 200% of the performance-based portion of the equity award could become eligible to vest based on actual performance as described above.

The amounts in the table above differ from the aggregate Stock Award amounts that appear as 2014 compensation for the NEOs in the Summary Compensation Table because our stock price increased after the Compensation Committee approved the awards and before the accounting fair values were determined for the awards. Please see the discussion below under Value of 2014 Equity Awards.

The 2014 equity awards were granted in the form of RSUs, payable on a one-for-one basis in shares of our common stock. The NEOs do not have the right to vote or dispose of the units awarded in 2014, but do have the right to receive dividend equivalents (in cash or stock) based on the amount of dividends (if any) paid by the Company during the term of the award on a number of shares equal to the number of outstanding and unpaid units then subject to the award. Dividend equivalents on the RSUs awarded in 2014 are subject to the same vesting (including, as to the performance-based RSUs, applicable performance-based vesting conditions), payment and other terms and conditions as the original RSUs to which they relate.

In January 2015, the Compensation Committee determined that the Company's actual FFO for 2014 on a per-share basis,