

## **Terreno Realty Corporation 2021 Sustainability Letter**

### **Introduction: Impact and Excellence rather than Points and Virtue Signaling**

Terreno Realty Corporation (NYSE: TRNO) is committed to excellence in Environmental, Social and Governance (“ESG”) performance. We measure ourselves based on the real-world impact of our culture and actions rather than only a points-based approach that is commonplace in this early stage of measuring ESG performance. What does that mean?

### **A Real-World Example**

Consider two industrial buildings: One, a new “sustainably-developed” LEED-certified warehouse 25 miles from the urban core of a major metropolitan area on greenfield land (that is, land upon which commercial development has not previously occurred). The other, a 40-year-old warehouse adaptively reused close to the urban core, maybe even adjacent to public transportation. In most cases the newly-developed warehouse would score better in ESG benchmarking. On closer examination common sense tells us that the new warehouse uses more newly created concrete (which by some estimates creates 8% of global carbon emissions), steel (another 8% of emissions) and asphalt (a significant emitter of carbon-based chemicals which in warmer climates may increase PM2.5 air pollution via the secondary aerosol effect). Further, the new building typically turns natural open space or agricultural land into a largely impermeable surface contributing harmfully to heat islands and runoff of water potentially carrying pollutants and biological contaminants that can spoil local watersheds. Lastly, the location of the new warehouse farther from the end consumer adds to vehicle miles traveled and concomitant emissions.

The Terreno solution is to focus our investments on existing buildings and previously developed land close to customers. In fact, our buildings are the closest to end consumers based on surrounding population density versus our public industrial REIT peers. So, in the real world we believe sustainability is maximized by limiting new development in greenfield locations and using (and reusing) those facilities and locations that help limit the use of carbon emitting building materials, reduce vehicle miles traveled, and limit the destruction of greenfield land.

The greenest, most sustainable, building is often the one not built.

### **Environmental**

We contribute positively to the environment by owning and operating facilities in infill locations close to population centers thereby minimizing vehicle miles traveled and the concomitant use of fuel and production of airborne particulate matter pollution. We do not develop buildings in greenfield locations. Sustainability for us means operating, redeveloping and repurposing existing facilities in infill locations. During redevelopment of our facilities, we recycle where possible the building materials from existing buildings seeking to reduce construction waste. We focus on modern design solutions to reduce the impact on the environment. For example, when re-leasing and redeveloping, we reduce our carbon footprint by upgrading existing facilities with energy efficient lighting and heating, and water saving solutions.

Many of our properties are in historical manufacturing sites and we remove hazardous materials and clean up those sites that have environmental contaminants. This improves the health conditions for on-site workers and provides a positive impact on the surrounding community.

#### Recent Environmental Highlights:

- Issued \$100 million of Green Bonds that will be used for recently completed and future green buildings that will be LEED, BREEAM or Energy Star certified. Proceeds are also for projects that improve energy efficiency, sustainable water and wastewater management and renewable energy;
- Commenced a rooftop solar initiative with an initial goal of producing rooftop solar energy on at least 5% of our total rooftop area by year end 2024;
- Continued our energy efficient lighting program with more than 70% of our portfolio containing energy efficient lighting and are committed to upgrading the lighting across the portfolio as we gain access to units during vacancy periods;
- Partnered with Measurabl to begin tracking carbon emissions and utility usage across our portfolio;
- Became a GRESB member and participated in the GRESB Real Estate Assessment for the first time in 2021; and
- Formed an ESG committee that includes all three of our Executive Vice Presidents and incorporated ESG goals within our annual and long-term business plans.

#### Recent Green Building Certifications Update:

- LEED Certified (basic) 274,000 square feet of newly-developed buildings built on former landfill site; and
- Commenced LEED certification on an additional 1,159,000 square feet of newly-developed buildings built on former landfill and industrial land sites.

Property Name	No. of Bldgs.	Location	Gross Carrying Value (in 000s)	Square Footage	LEED Certification Received/Estimated
Countyline #24 & #25 <sup>(1)</sup>	2	Hialeah, FL	\$50,100	274,000	Dec '21/Jan '22
Countyline #26 <sup>(1)</sup>	1	Hialeah, FL	41,200	221,000	1H22
Countyline #27 & #28 <sup>(1)</sup>	2	Hialeah, FL	68,700	402,000	2H22
73rd Street <sup>(1)</sup>	2	Miami, FL	20,100	129,000	2H22
Countyline #29 & #30 <sup>(1)</sup>	2	Hialeah, FL	73,200	407,000	2H22
<b>Total</b>	<b>9</b>		<b>\$253,300</b>	<b>1,433,000</b>	

*(1) Gross carrying value as of 12/31/21 except for 73rd Street (total expected investment) which is under redevelopment, and Countyline #29 and #30 (purchase price) which were acquired in 2022.*

## **Social Responsibility**

We recognize that our success is linked to the talent and expertise of our people. We invest in our employees and are committed to growing individual skills and leadership qualities across our business. Our employees are encouraged to make healthy lifestyle decisions that can ultimately benefit the Company by reducing insurance claims and boosting productivity. We provide a monthly employee wellness reimbursement allowance. We encourage our employees to engage in volunteer work and provide paid time off to participate in charitable activities. We support our employees who give back to their communities and match a portion of employee and non-employee director donations to qualifying nonprofit organizations.

We value diversity and have increased our board and employee diversity in terms of gender, underrepresented community identification, national origin and work experience. As an equal opportunity employer, we promote a consistent message of diversity and inclusion and reward our employees based on merit and their contributions. Of our six independent directors, two are women and two self-identify as members of an underrepresented community.

Our properties are often located in traditionally under-served urban infill locations, and we transform these locations into highly functional industrial properties that help create jobs. In fact, approximately 20% of our portfolio is located within economic opportunity zones. Since our inception in 2010, we have invested more than \$175 million in capital improvements in our portfolio that improve the operating efficiency of our assets as well as improve employee health and productivity.

Respect for human rights is a fundamental value of Terreno Realty Corporation. We comply with all applicable human rights and labor rights laws. We expect our vendors and suppliers to adhere to these laws and encourage them to adopt similar policies within their own businesses.

### **Recent Social Responsibility Highlights:**

- Commenced employee wellness reimbursement benefit;
- Co-Founders personally matched a portion of employee charitable giving to food banks during the pandemic, adding to the existing company match;
- Co-Founder personally donated to Cal State East Bay, recognized by the Wall Street Journal as a Top 10 college in the west for diversity, to fund a new program called the Student Investment Fund which is focused on giving students hands-on experience investing in Bay Area companies, including an elective course in accounting and finance. Cal State East Bay has a diverse student body with approximately 73% of students identifying as people of color and approximately 60% are first generation college students;
- Partnered with Worklink to provide work and meaningful community inclusion for people with disabilities; and
- Donated to each local food bank where we own property.

## **Governance**

We are committed to strong corporate governance and transparency for our stockholders. Our independent directors stand for election every year, and each of the members of our board of directors standing for re-election at the 2022 annual meeting was elected by at least 92% of the votes cast at our 2021 annual meeting. We have opted out of anti-takeover provisions and stockholder rights plans, and we will not opt back into those provisions without stockholder approval. Our directors and employees comply with a comprehensive code of business conduct and ethics that encourages honesty, accountability and mutual respect and offers communication channels for handling ethical issues.

Our long-term incentive compensation is fully aligned with stockholders. Performance shares are tied to three-year total stockholder return exceeding the MSCI U.S. REIT Index and FTSE NAREIT Equity Industrial Index. We do not have an annual cash bonus plan for our chief executive officer or president and their long-term incentive compensation is paid solely in stock.

We believe that our executives and directors should own a meaningful equity interest in the Company to more closely align the interests of our executive officers and our stockholders. We require minimum stock ownership by our Chief Executive Officer, President, executive officers and non-employee directors and in fact, our employees and directors own well in excess of \$100 million of our common shares. Further, our code of business conduct and ethics prohibits new investment and other trading in the member companies of the FTSE NAREIT Equity Industrial Index.

### **Recent Governance Highlights:**

- Ranked #1 among all REITs for Corporate Governance in the annual Green Street report on Executive Compensation and Corporate Governance.