

Terreno Realty Corporation Sustainability Letter

April 14, 2023

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 simply 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. This is because points-based ESG benchmarking tends to focus on Operational Carbon. Missing from much analysis is Embodied Carbon; the carbon created during the manufacturing and transport of building materials and construction practices used. By some estimates embodied carbon accounts for half of total carbon emissions of global new construction. On closer examination common sense tells us that the greenfield 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 greenfield 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 new 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 believe 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 the 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, water saving solutions, and when possible, replacing existing roofs with white or reflective roofing materials.

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

Recent Environmental Highlights:

- Entered into agreements to host rooftop solar projects in our Washington, D.C., Los Angeles, and Northern New Jersey/New York markets. We expect the projects to become operational starting in 2024, helping us achieve our goal of producing rooftop solar energy on at least 5% of the total rooftop area of our portfolio by year-end 2024, up from 1% today;
- Increased our energy efficient lighting program with more than 74% of our portfolio containing energy efficient lighting as of December 31, 2022 and are committed to upgrading the lighting across the portfolio as we gain access to units during vacancy periods;
- Increased the number of white or reflective surface roofs to approximately 80% of our portfolio as of December 31, 2022;
- Increased our GRESB Real Estate Assessment score from 35 to 56 during 2022;
- Continued partnership with Measurabl to track carbon emissions and utility usage across our portfolio, increasing property utility tracking from 35% to 63% during 2022; and
- Continued updating our standard form of lease to incorporate utility tracking and incent tenants to participate in building efficiency upgrades.

Roster of ESG Focused Tenants Include:

- EV charging stations (Zeem Solutions) and EV vehicle showrooms and maintenance facilities (Tesla);
- Green energy equipment distribution;
- Recycling and sortation operations;

- Transit oriented tenants whose operations offset individual vehicle miles such as bus, bike, and e-scooter (Lyft/Lime/Ford);
- Life and wellness including distribution of outdoor recreation equipment (REI); and
- Vocational training for adults with disabilities.

Recent Green Building Certifications Update:

- Received LEED Certification for 624,000 square feet of newly-developed buildings built on former landfill and industrial land sites; and
- Commenced LEED certification on an additional 843,000 square feet of newly-developed or under development buildings built on former landfill and urban infill industrial land sites.

Property Name	No. of Bldgs.	Location	Gross Carrying Value (in 000s)	Square Footage	LEED Certification Received/Estimated
Countyline #24 & #25 ⁽¹⁾	2	Hialeah, FL	\$50,100	274,000	Dec '21/Jan '22
Countyline #26 ⁽¹⁾	1	Hialeah, FL	41,200	221,000	Apr '22
73rd Street ⁽¹⁾	2	Miami, FL	20,300	129,000	Aug '22
Countyline #27 & #28 ⁽¹⁾	2	Hialeah, FL	77,400	402,000	1H23
Countyline #29 & #30 ⁽¹⁾	2	Hialeah, FL	78,500	407,000	2H23
147th Street ⁽¹⁾	1	Hawthorne, CA	18,100	34,000	2H24
Total	10		\$285,600	1,467,000	

(1) Gross carrying value as of 12/31/22 except for 147th Street (total expected investment) which is under redevelopment.

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. We have a dedicated ESG Committee to provide oversight to our ESG strategy with a focus on environmental stewardship and employee engagement. Our ESG Committee is led by our executive vice presidents and comprises employees at all levels of the Company. The Committee reports to the board of directors and a portion of the variable compensation for all employees is tied to ESG objectives. ESG goals are incorporated within our annual and long-term business plans, and the achievement of ESG initiatives impacts annual bonuses.

Through the Committee and its initiatives, our employees are encouraged to make healthy lifestyle decisions that can ultimately benefit the Company by reducing insurance claims and boosting productivity. Employees are eligible for a monthly wellness reimbursement allowance to further a healthy work-life balance, and we encourage regular engagement in volunteer work through paid time off to participate in charitable activities. We support our employees' efforts to 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, and 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 current seven independent directors, two self-identify as women and three 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 facilitate job creation in the surrounding communities. In fact, approximately 20% of our portfolio is located within economic opportunity zones.

Respect for human rights is a fundamental value of Terreno Realty Corporation. Our policy is to 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:

- Provide an employee wellness reimbursement benefit to 100% of full-time employees;
- 100% of full-time employees eligible to receive restricted stock;
- Became a Founding Patron of the Pension Real Estate Association (“PREA”) Foundation. The PREA Foundation works to advance diversity and inclusion in the institutional real estate industry. We will sponsor internships associated with the PREA Foundation in 2024 and 2025;
- Co-Founders personally matched a portion of employee charitable giving to humanitarian relief in Ukraine, adding to the existing Company match;
- Committed \$150,000 over three years to support All Within My Hands' Work Force Education program through the Metallica Scholars Initiative. Metallica Scholars is a major workforce education initiative that provides direct support to community colleges to enhance their career and technical education programs. One of Terreno's co-founders also committed \$75,000 over three years;
- Continued partnership with Worklink to provide work and meaningful community inclusion for people with disabilities;
- Engaged with third parties to host required employee training on ethics and cyber-security;
- Performed annual employee satisfaction survey to engage with staff and better understand critical issues within the business. Enhanced employee training to include topics in response to employee survey results;
- All employees participated in annual performance reviews and received feedback from managers;
- Hosted three employee volunteer days;
- Donated \$48,000 in 2022 to food banks in the markets where we own property; and

- Co-Founder donated to Cal State East Bay, recognized by the Wall Street Journal as a Top 10 college in the west for diversity, to fund the Student Investment Fund which gives students hands-on experience investing in Bay Area companies, the returns from which are used to fund scholarships for first generation college students. 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.

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 our 2022 annual meeting of stockholders was elected by at least 74% of the votes cast at such annual meeting. We have opted out of anti-takeover provisions and stockholder rights plans and we will not opt back in to 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 our stockholders interests. 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. For 2022, approximately 81% of our chief executive officer and president's direct compensation was at-risk variable incentive equity.

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. Each of our chief executive officer, president, other executive officers and non-employee directors are in compliance with their respective minimum stock ownership requirement. 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:

- Tied for #1 among all REITs for Corporate Governance in the annual Green Street report on Executive Compensation and Corporate Governance; and
- Expanded our board of directors diversity with the appointment of two new board members during 2022.