



## TERRENO REALTY CORPORATION CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “Board”) of Terreno Realty Corporation (the “Company”) has adopted the corporate governance guidelines set forth below to assist and guide the Board in the exercise of its responsibilities. These guidelines should be interpreted in accordance with any requirements imposed by applicable federal or state law or regulation, the New York Stock Exchange (the “NYSE”) and the charter (the “Charter”) and bylaws (the “Bylaws”) of the Company in effect from time to time. The Nominating and Corporate Governance Committee will review and reassess the adequacy of these guidelines annually and recommend any proposed changes to the Board for approval from time to time.

### **DIRECTOR QUALIFICATION STANDARDS**

**Director Criteria:** The Board shall consider and approve from time to time the criteria that it deems necessary or advisable for prospective director candidates. The Board shall have full authority to modify such criteria from time to time as it deems necessary or advisable.

The Board has delegated to the Nominating and Corporate Governance Committee the responsibility for developing and recommending to the Board for its consideration and approval such criteria for identifying and recommending prospective nominees for election as directors as the Nominating and Corporate Governance Committee deems necessary or advisable in the context of the current make-up of the Board. The criteria should include such factors as diversity, age, qualities (such as character, professional integrity, independence, judgment and business acumen), skills and experience, industry knowledge and experience, requirements of the NYSE to maintain a minimum number of independent directors, requirements of the Securities and Exchange Commission (the “SEC”) to have persons with financial expertise on the Company’s Audit Committee, the ability of a candidate to devote sufficient time to the affairs of the Company, any actual or potential conflicts of interest, and the extent to which the candidate generally would be a desirable addition to the Board and any committees of the Board.

The Board may, however, rescind this delegation to the Nominating and Corporate Governance Committee and thereafter the Board shall have the responsibility for developing and approving from time to time such criteria for identifying and selecting nominees as it deems necessary or advisable.

**Process For Identifying and Selecting Directors:** The Board has delegated to the Nominating and Corporate Governance Committee the responsibility of identifying suitable candidates for nomination for election as directors (including any candidates nominated to fill vacancies) and assessing their qualifications in light of the policies and principles in these corporate governance guidelines and the committee’s charter. The Nominating and



Corporate Governance Committee will recommend prospective nominees for the Board's consideration and review the prospective nominees' qualifications with the Board. The Board shall retain the ultimate authority to nominate a candidate for election by the stockholders as a director or to fill vacancies. In the event the Company is legally required by contract or otherwise to provide a third party with the ability to nominate a director, the selection and nomination of such director need not be subject to the Nominating and Corporate Governance Committee's review.

**Majority Vote:** A director who fails to receive the required number of votes for re-election in accordance with the Bylaws shall offer to resign, subject to acceptance of the resignation by the Board. The Nominating and Corporate Governance Committee shall make a recommendation to the Board whether to accept or reject such a resignation or take other action. The Board shall consider the recommendation of the Nominating and Corporate Governance Committee, but shall retain the ultimate authority to accept or reject any such resignation. The director whose resignation is under consideration shall abstain from participating in any decision regarding that resignation. The Nominating and Corporate Governance Committee and the Board may consider any factors they deem relevant in deciding whether to make a recommendation to accept a director's resignation, as applicable. The Board shall publicly disclose its decision regarding the resignation within ninety (90) days after the results of the election are certified. If a director's resignation is not accepted, the director will continue to serve until the next annual meeting of stockholders and until the director's successor is elected and qualifies.

Further, the Board shall fill any vacancy resulting from the removal of a director by the Company's stockholders only with a candidate who agrees to tender, promptly following his or her election as a director (or at the discretion of the Nominating and Corporate Governance Committee, a candidate who has tendered in advance), an irrevocable resignation that will be effective upon the failure by the Company's stockholders to approve the director's election at any special meeting of the Company's stockholders held in accordance with the Bylaws at the request of the Company's stockholders before the annual meeting of stockholders next following such director's election for the purpose of approving such director's election.

**Independence:** At least a majority of the directors must meet the independence requirements set forth, from time to time, in the listing standards of the NYSE and any other applicable laws, rules or regulations, including, without limitation, any rules or regulations promulgated by the SEC.

At least annually, the Board will evaluate all relationships between the Company and each director in light of relevant facts and circumstances for the purposes of determining whether a material relationship exists that might signal a potential conflict of interest or that might cause the director to cease to meet the applicable independence requirements or interfere with such director's ability to satisfy his or her duties as a director.



**Limit on Number of Other Boards:** Carrying out the duties and fulfilling the responsibilities of a director require a significant commitment of an individual's time and attention. Non-employee directors that also hold an executive position with another company are limited to serving on the boards of directors of three other public companies. Non-employee directors that do not hold an executive position with another company are limited to serving on the boards of directors of five other public companies. The Chief Executive Officer and the President of the Company are each limited to serving on the boards of directors of two other public companies. Any other officers of the Company are limited to serving on the boards of directors of one other public company. The Chairperson of the Nominating and Corporate Governance Committee may waive these limitations on a case-by-case basis. Each director and officer of the Company has the responsibility to inform the Chairman of the Board and the Chairperson of the Nominating and Corporate Governance Committee prior to accepting invitations to join other boards of directors or any assignment to the audit committee of the board of directors of another company.

**Term and Age Limits:** The Board does not believe that arbitrary limits on the number of consecutive terms a director may serve or on the directors' ages are appropriate in light of the substantial benefits resulting from a sustained focus on the Company's business, strategy and industry over a significant period of time. Each individual's performance will be assessed by the Nominating and Corporate Governance Committee in light of relevant factors in connection with assessments of candidates for nomination to be directors.

## **DIRECTOR RESPONSIBILITIES**

**Role of Directors:** The business and affairs of the Company are managed under the direction of the Board. The Board has delegated to the officers of the Company the authority and responsibility for managing the Company's everyday affairs. The Board has an oversight role and is not expected to perform or duplicate the tasks of the Company's Chief Executive Officer or senior management.

**Attendance at Meetings:** Each director is expected to attend regularly scheduled meetings of the Board and any committee on which he or she serves and to participate in telephone conference meetings or other special meetings of the Board and any committee on which he or she serves, and to have reviewed, prior to the meetings, all materials provided by the Company relating to matters to be considered at the meetings. Directors are encouraged to attend annual meetings of the Company's stockholders. A director who is unable to attend a meeting should notify the Chairman of the Board or the Chairperson of the appropriate committee, as applicable, in advance of such meeting.

**Time Commitment; Agenda:** Directors are expected to spend the time needed and to meet as frequently as the Board deems necessary or appropriate to discharge their responsibilities. The full Board will schedule at least four regular meetings per year, with additional meetings held as necessary. The Chairman of the Board shall set the agenda for the meetings of the Board. The agenda for each committee meeting shall be determined as set forth in the charter for such committee. Any director may suggest agenda items and is



expected to raise at meetings other matters that such director considers worthy of discussion.

## **BOARD STRUCTURE**

**Size of Board:** The Charter and Bylaws provide that a majority of the entire Board may establish, increase or decrease the number of directors at any regular meeting or at any special meeting, and the Bylaws provide that the number thereof shall never be less than the minimum number required by the Maryland General Corporation Law (which minimum number is currently one), nor more than 11. The Board, together with the Nominating and Corporate Governance Committee, will periodically review the appropriate size of the Board and may increase or decrease its size subject to the limitations of the Bylaws.

**Board Leadership:** The Board will periodically appoint a Chairman of the Board, who may either be independent or a management director, including the Company's Chief Executive Officer.

**Lead Director:** The Board will be responsible for selecting a Lead Director annually from among the independent directors, based on its assessment of the specific needs of the role of Lead Director and the relevant circumstances at the time of selection. Each Lead Director will generally serve for two years, unless otherwise decided by the Board. The duties of the Lead Director will include chairing the executive sessions of the non-employee directors; facilitating communications and resolving conflicts, if any, between the non-employee directors, other directors and the management of the Company; and consulting with and providing counsel to the Company's Chief Executive Officer as needed or requested. In performing these duties, the Lead Director is expected to consult with the Chairpersons of the appropriate Board committees and solicit their participation in order to avoid diluting the authority or responsibility of the Board committees and their Chairpersons.

**Committees:** The Board intends at all times to have an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee and the Board may appoint other committees, including an Executive Committee. Each of these standing committees will have a written charter that sets forth the responsibilities of such committee and the qualifications for committee membership. The Board may from time to time establish additional committees as it deems necessary or appropriate. The Nominating and Corporate Governance Committee shall recommend to the Board directors for appointment to each committee of the Board.

**Executive Sessions:** The non-employee directors will meet at regularly scheduled executive sessions without management participation. The Lead Director will preside at these meetings. In order that interested parties may be able to make their concerns known to the non-employee directors, the Company will also disclose a method for such parties to communicate directly and confidentially with the Lead Director or with the non-employee directors as a group.



## **DIRECTOR ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS**

In carrying out their duties, each director shall be entitled to rely on any information, opinion, report or statement, including any financial statement or other financial data, prepared or presented by an officer or employee of the Company whom the director reasonably believes to be reliable and competent in the matters presented, by a lawyer, certified public accountant or other person, as to a matter which the director reasonably believes to be within the person's professional or expert competence, or by a committee of the Board on which the director does not serve, as to a matter within its designated authority, if the director reasonably believes the committee to merit confidence. The Board, and each committee thereof, shall have the authority to request that any officer or employee of the Company, the Company's outside legal counsel, the Company's independent auditor or any other professional retained by the Company render advice to the Company, attend a meeting of the Board, or such committee, or meet with any directors or advisors to the Board. The Board or any committee thereof shall also have the authority to engage legal, accounting or other advisors to provide it with advice and information in connection with carrying out its or their responsibilities.

## **DIRECTOR COMPENSATION**

The form and amount of compensation for non-employee directors will be reviewed periodically, but at least annually, by the Compensation Committee, which shall make recommendations to the Board based on such review. The Board shall retain the ultimate authority to determine the form and amount of non-employee director compensation.

The Company's executive officers shall not receive additional compensation for their service as directors.

A compensation consultant may report from time to time to the Compensation Committee on the status of Board compensation in relation to other companies of comparable size and the Company's competitors.

## **DIRECTOR ORIENTATION AND CONTINUING EDUCATION**

The Company will provide an orientation to each new director. The orientation will include presentations by members of senior management designed to familiarize the new director with the Company's business and strategic plans, key policies and practices, principal officers and management structure, auditing and compliance processes and its code of business conduct and ethics and these corporate governance guidelines.

Directors are expected to remain well informed about issues currently affecting the Company, the industry and the economy as a whole. The Company shall make available to directors, at the Company's cost, educational programs, seminars and/or conferences regarding director responsibilities and other matters related to service on the Board.



## **SUCCESSION PLAN**

The Board shall be responsible for developing and reviewing annually a Chief Executive Officer succession plan.

## **ANNUAL PERFORMANCE EVALUATION OF THE BOARD AND COMMITTEES**

The Board will conduct a self-evaluation at least annually for the purpose of determining whether it and its committees are functioning effectively, and each committee of the Board will conduct a self-evaluation at least annually for the purpose of determining whether it is functioning effectively. These evaluations will consider the performance of the Board or the committee, as the case may be, as a unit.

The Nominating and Corporate Governance Committee will oversee the evaluation process.

## **RELATED PERSON TRANSACTION APPROVAL AND DISCLOSURE POLICY**

All related person transactions must be reviewed and approved by the Board in advance of the Company or any of its subsidiaries entering into the transaction; provided that, if the Company or any of its subsidiaries enters into a transaction without recognizing that such transaction constitutes a related person transaction, this approval requirement will be satisfied if such transaction is ratified by the Board after the Company recognizes that such transaction constituted a related person transaction. The term “related person transaction” shall refer to a transaction required to be disclosed by the Company pursuant to Item 404 of Regulation S-K (or any successor provision) promulgated by the SEC.

This policy will be in addition to, and not in substitution of, any other policy of the Company relating to conflict of interest transactions, including the “Conflict of Interest” section of the Company’s code of business conduct and ethics, as amended from time to time.

## **STOCK OWNERSHIP GUIDELINES**

**For Non-Employee Directors.** Non-employee directors are encouraged to hold significant equity interests in the Company. The Board expects each non-employee director to own or to acquire, within four years of first becoming a director or within four years from the date hereof, whichever is later, shares of common stock of the Company having a market value of at least \$200,000. The Board recognizes that exceptions to this policy may be necessary or appropriate in individual cases, and the Chief Executive Officer or the President of the Company may approve such exceptions from time to time as he or she deems appropriate.

**For Senior Officers of the Company.** Senior officers of the Company are encouraged to hold significant equity interests in the Company. The Board expects each senior officer of the Company to own or to acquire, within five years of appointment to such officer position or within five years from the date hereof, whichever is later, shares of common stock of the Company having a market value of a multiple of his or her base salary as indicated below:



- Chief Executive Officer; President 5.0x
- Other Executive Officers 3.0x
- Senior Vice Presidents 1.0x

The Board recognizes that exceptions to this policy may be necessary or appropriate in individual cases, and the Chief Executive Officer or the President of the Company, or with respect to ownership by the President, the Chief Executive Officer, or with respect to ownership by the Chief Executive Officer, the President, may approve such exceptions from time to time as he or she deems appropriate.

### **MISCELLANEOUS**

In the future, the Company will not adopt a stockholder rights plan, unless the Company's stockholders approve in advance the adoption of a plan or, if adopted by the Board, the Company will submit the stockholder rights plan to its stockholders for a ratification vote within 12 months of adoption or the plan will terminate.

The Board believes that the management should be responsible for communications with the press, media and other outside parties made on behalf of the Company, though individual directors may, at the request of management or of the Board, communicate with outside parties on behalf of the Company.

These guidelines are not intended to modify, extinguish or in any other manner limit the indemnification, exculpation and similar rights available to the directors of the Company under applicable law and/or the Charter and/or the Bylaws.

Although these corporate governance guidelines have been approved by the Board, it is expected that these guidelines will evolve over time as customary practice and legal requirements change. In particular, guidelines that encompass legal, regulatory or exchange requirements as they currently exist will be deemed to be modified as and to the extent such legal, regulatory or exchange requirements are modified. In addition, the guidelines may also be amended by the Board at any time as it deems appropriate. The Nominating and Corporation Governance Committee shall review and assess the adequacy of these corporate governance guidelines on at least an annual basis and recommend any proposed changes to the Board for approval.