



HEALTHCARE REALTY

2019 Corporate Responsibility Report

ENVIRONMENTAL • SOCIAL • GOVERNANCE



Letter from the CEO

I am pleased to introduce Healthcare Realty's inaugural Corporate Responsibility Report, offering an overview of our Environmental, Social and Governance (ESG) initiatives.

Healthcare Realty's steady growth and low business risk profile reflect its focused strategy of investing in high quality medical office and outpatient facilities. With over twenty five years of experience owning and operating outpatient facilities, we have cultivated a distinct portfolio of hospital-centric outpatient facilities that are aligned with leading healthcare providers in attractive demographic markets.

We approach corporate responsibility with the same focus, energy and growth mindset we have applied to the business of owning and operating medical office and outpatient properties. Environmental, social and governance practices are embedded in Healthcare Realty's strategy, philosophy, and operating practices. We aspire to demonstrate our commitment to corporate responsibility in everything we do – in the services and facilities provided to our tenants, as financial stewards of shareholder capital, and as responsible citizens in the communities where we live and work. We continually seek ways to be more efficient, reduce waste, and engage with stakeholders to produce better financial outcomes and minimize our environmental impact.

I would like to acknowledge our dedicated employees who work diligently to create positive experiences for our tenants, deliver meaningful results to our shareholders, and contribute to their communities. Healthcare Realty's success has been achieved through the collaboration of its employees, the cultivation of relationships with respected health systems across the country, and the delivery of integrated real estate services and facilities to leading providers of outpatient care.

I am proud of our strong foundation of sustainability initiatives and look forward to communicating our progress in the years ahead.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Todd Meredith', with a stylized flourish at the end.

Todd Meredith
President and Chief Executive Officer



Who We Are

Healthcare Realty Trust is a real estate investment trust that integrates owning, managing, financing, and developing income-producing real estate properties associated primarily with the delivery of outpatient healthcare services throughout the United States.

Company History

From an initial portfolio of 21 healthcare facilities in 1993, Healthcare Realty now owns 201 medical properties across 26 different states. Over the years, the Company has refined its portfolio primarily toward multi-tenant, on-campus or campus adjacent medical office buildings, which provide stable occupancy, high tenant retention, and steady growth. Through the discerning acquisition and development of healthcare properties, Healthcare Realty's portfolio is well diversified by geography, tenant size, and physician specialty.

Sustainability Commitment

Healthcare Realty believes in incorporating sustainable practices in its high-level strategic planning and day-to-day operations. The Board of Directors and management believe that sustainability principles are fundamental to the Company's long-term growth. Management has identified four key environmental, social and governance or ESG principles that are the core of the Company's sustainability efforts:

- ▶ Delivering consistent long-term growth to shareholders
- ▶ Providing a reliably high level of service to the Company's physician and hospital tenants
- ▶ Offering employees a healthy, enjoyable workplace
- ▶ Serving as a well-regarded member of the communities in which we operate



Environmental

Our tenants and hospital partners expect Healthcare Realty to be a reliable environmental steward. Accordingly, we're committed to developing and operating our facilities in a way that minimizes our impact on the environment. We have identified four key objectives that reduce our environmental impact and complement our business plan:

- ▶ Monitoring and benchmarking utility use
- ▶ Leveraging data and technology to reduce utility consumption and greenhouse gas
- ▶ Adopting sustainable practices when developing or re-developing a property
- ▶ Educating tenants about how they can minimize their environmental impact

Monitoring and benchmarking utility use

Over the last few years, Healthcare Realty has taken several steps to analyze and manage our energy consumption in order to reduce usage and lower costs. We currently benchmark energy and water consumption for 85% of our total portfolio using ENERGY STAR® Portfolio Manager®, the industry standard benchmarking tool.

To gain further insights into our electricity use, Healthcare Realty has installed real-time electricity monitoring equipment and programming at 57 properties to monitor electricity consumption trends and identify opportunities for improvement. In 2015, the Company started with properties that were larger in size and higher in utility consumption, initially adding 14 buildings to the real-time monitoring program the first year, and has continued to add properties every year. The 57 properties currently monitored represent 6 million square feet, or 41% of the Company's total portfolio.

Leveraging data and technology to reduce utility consumption and greenhouse gas

Healthcare Realty leverages its utility data to optimize its operating practices, as well as to identify equipment improvements and upgrades that reduce energy consumption and enhance the experience and comfort of building occupants.

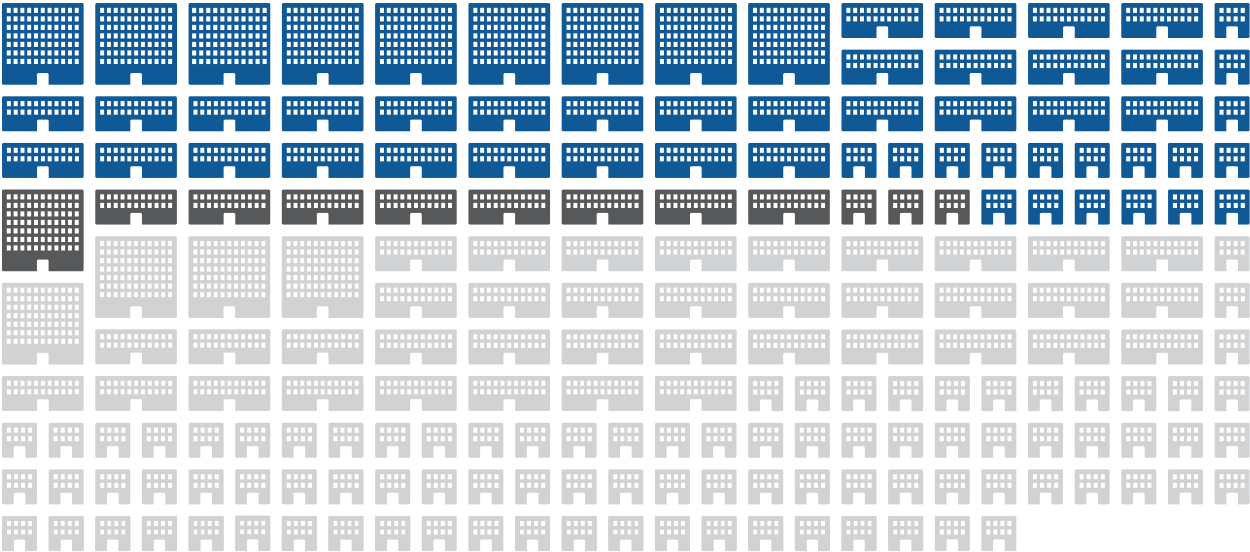
OUR EFFORTS INCLUDE

- Upgrading to high-efficiency lighting at 100% of the properties we manage
- Replacing inefficient HVAC motors and adding variable frequency drives in 80% of the properties we manage
- Expanding real-time electricity monitoring from 14% of our portfolio in 2015 to 47% by the end of 2019

The real-time electricity monitoring program allows us to make changes to our buildings’ heating and cooling schedules daily and immediately see how schedule changes are affecting our electricity usage and costs. Our building

engineers can adjust a property’s HVAC settings to factor in tenant needs and exterior weather conditions and are encouraged to share their experiences and best practices with other engineers across the portfolio. Utility costs represent approximately 25% of a building’s operating expenses, meaning even small improvements in managing electricity usage can reduce occupancy costs and improve operating margins while reducing electricity consumption. For example, our engineers found that staggering the daily start times of a building’s HVAC components by only 15 minutes significantly reduced the peak load requirements, thereby reducing usage and cost. Since installing real-time electricity monitoring at 57 properties over the past four years, Healthcare Realty has seen an average reduction of over 25% in electricity use at those buildings.

Further, through reduced electrical consumption, we saw a 7.2% reduction in weather and occupancy normalized energy use from 2017 to 2018 and a 2.1% reduction from 2016 to 2017. Greenhouse gas (GHG) emissions declined 1.3% from 2017 to 2018 and 4.3% from 2016 to 2017.



6.0M SF (57 properties) currently utilize real-time electricity monitoring
1.1M SF (12 properties) to be added in 2019

ELECTRICITY USE

Real-time electricity monitoring yielded over 25% reduction in electricity use

BASELINE

2018

-25%

With this success, we are expanding real-time monitoring throughout the portfolio and will install the program at 12 additional properties in 2019.

Adopting sustainable practices when developing or re-developing a property

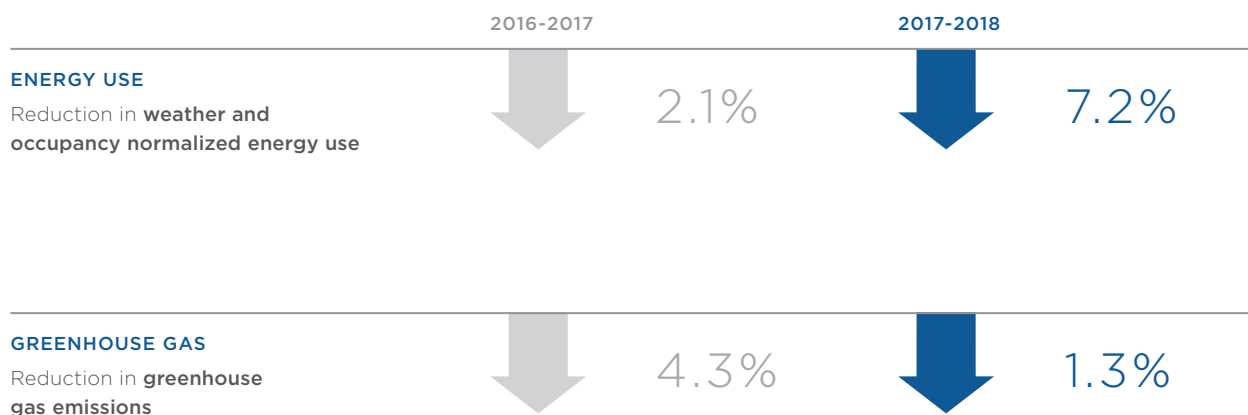
As part of our commitment to reduce our environmental impact, Healthcare Realty has adopted the practice of incorporating sustainable design and building materials when we develop and re-develop medical office buildings. Our internal development team works with architects and contractors to implement sustainable practices at all of the properties we develop or redevelop. Healthcare Realty currently has four buildings totaling 569,000 square feet with a Leadership in Energy and Environmental Design or LEED certification, including two that we developed. The Company is currently developing a 151,000 square foot medical office building in Seattle that was designed and is being constructed with LEED standards. We expect to apply for LEED certification upon completion of the building in late 2019.

Educating tenants about how they can minimize their environmental impact

We are committed to helping our tenants save money and reduce their environmental impact. We offer and encourage recycling options at our properties. Each building has a dedicated online tenant portal that offers a variety of tools and resources. In addition to communicating critical building information such as operating hours, security contacts, service requests, and emergency notification information, the portal has a section that offers sustainability tips and resources to engage and educate tenants including optimizing the energy settings on equipment, using digital formats whenever possible as well as recycled materials, for example.

We currently **benchmark energy and water consumption** for 85% of our total portfolio using ENERGY STAR® Portfolio Manager®

85%
OF TOTAL PORTFOLIO





Social

Healthcare Realty recognizes that supporting and engaging with its tenants, employees, and communities are important factors for long-term success. Strengthening those relationships are vital to our effort to deliver enduring growth to investors. As we continue to implement our sustainability plan, we seek to build those relationships with our commitment to:

- ▶ Promoting health and wellness in our buildings, most of which are located on a hospital campus
- ▶ Ensuring the safety and wellbeing of our tenants and employees
- ▶ Supporting employees through professional training, education and service
- ▶ Contributing to our not-for-profit hospital partners' charitable foundations
- ▶ Committing to be responsible community members

Promoting health and wellness in our buildings, most of which are located on a hospital campus

While Healthcare Realty is a real estate company, our portfolio – comprised primarily of medical office buildings – is tied closely to the delivery of health care, both through our location, primarily on hospital campuses, and our physician and hospital tenants. We are not directly involved with delivering clinical services, but we can and do provide a healthy setting for the medical professionals and patients in our buildings.

For example, we are focused on ensuring a high level of air quality in our properties. Our maintenance engineers administer an extensive preventative maintenance program on building systems that supply air to tenants. In addition, we provide tools to our engineers, such as infrared cameras and moisture meters, to detect water infiltration which can cause indoor air quality (IAQ) problems. If we

receive any IAQ concerns from tenants, there is a policy and protocol for our team to follow: the engineer will investigate the IAQ concern and correct any issues using a prepared checklist. Providing the training and tools to our on-site engineers has improved the IAQ throughout our portfolio.

We are also engaging with tenants to improve health and fitness. Beginning with our own corporate headquarters, which we purchased in late 2018, we are working to implement a Fitwel program to encourage employees and tenants to adopt healthier habits. Using our online tenant portal and other tenant communication, we will educate tenants about the Fitwel program and how their employees can improve their overall wellness. As we implement a Fitwel program at our headquarters, we also plan to expand the Fitwel program to additional properties in our medical office portfolio in an effort to expand our impact on health and wellness for employees and tenants across the portfolio.



Ensuring the safety and wellbeing of our tenants and employees

Commitment to the safety and wellbeing of our tenants and employees was evident during a notable natural disaster. In August 2017, Hurricane Harvey brought catastrophic flooding and up to 50 inches of rain to some areas of Houston. One of our properties – Greenpark Medical Office Building – is near the Texas Medical Center on Brays Bayou and houses over 30 tenants, including an outpatient surgery center, full-service bank and reproductive endocrinologist.

As Hurricane Harvey approached, our onsite management team worked diligently to prepare the building and parking garage. The building engineer secured commitments from our janitorial company and a building contractor to work at Greenpark before accepting work at other properties. Days before the storm, we communicated regularly with our tenants via an online Tenant Center about our plans to prepare and secure the building.

HURRICANE HARVEY RECOVERY

Healthcare Realty's onsite operations team served food to cleanup workers and tenant staff members in the aftermath of Hurricane Harvey.



Hurricane Harvey made landfall on a Sunday. As a result of the hurricane and subsequent flooding, our property sustained water damage on the first floor, impacting access and tenant operations. After completing a thorough assessment of the property and its mechanical systems, our on-site management team communicated with both hospital and physician tenants, sending numerous instant alerts and texts, so that they in turn could communicate with their staff and patients.

Securing commitments from the contractor and janitorial firm to work at Greenpark immediately after the storm made a significant difference in our ability to quickly reopen the building and garage. Most employees of both firms had suffered storm damage at their own homes. Yet, they showed up to work with us every day and remained on-site, knowing that we would provide hot meals, clean water and a lot of appreciation. Our management team prepared breakfast, lunch and dinner each day for the people working in the building and sent them home with leftovers and bottled water each day.

As a result of their preparation and hard work, our management team completely reopened the building on the following Thursday, while buildings around us were closed for up to two weeks. Our tenants greatly appreciated our efforts so that they could reopen their offices and resume caring for patients, and our operations team was able to use the experience to update and improve Healthcare Realty's disaster response plans for use throughout the portfolio.

Supporting employees through professional training, education and service

For many years, Healthcare Realty has supported the continuing education of its employees. The Company funds the costs of training materials and professional certification for our personnel, including accountants, maintenance engineers, property managers, and IT professionals. In addition, Healthcare Realty will pay up to \$3,000 annually in tuition reimbursement for any employee pursuing higher education. To date, a dozen employees have taken advantage of this benefit to obtain four master's and six bachelor's degrees.

Furthermore, the Company encourages employee community service and is implementing an employee charitable contribution matching program.

Contributing to our not-for-profit hospital partners' charitable foundations

Part of our business strategy is to establish lasting relationships with healthcare systems, especially not-for-profit health systems, to increase the long-term value and growth of our portfolio. Our not-for-profit hospital partners provide substantial benefits to the communities they serve, and we seek to support them in their efforts to deliver top-quality health care. Over the past two years, we have donated nearly \$100,000 to these hospital partners, helping those organizations deliver patient care and conduct clinical research.

Committing to be responsible community members

In addition to supporting our hospital partners financially, we strive to work with them to serve as a valuable member of the communities in which we operate. For example, when Healthcare Realty sought to develop a new medical office building in Honolulu, Hawaii, we understood the importance of engaging with the local community throughout the process. We hired a local public relations firm to bring an authentic perspective to the project and to help us better understand Honolulu's culture. We met in person with community leaders including the mayor's office, city council members, state representatives, and several neighborhood community boards to explain the project, as well as gather feedback from the community. We continued that public dialogue through several presentations with neighborhood groups to provide updates on the project's progress. Along with Native Hawaiian cultural practitioners, we participated in a naming ceremony for the building that emphasized our connection to the community and the family values important to Hawaiian culture. The building's name, Hale Pawa'a, comes from the Hawaiian words for "canoe enclosure." In the 18th century, Hawaiian monarchs stored their outrigger canoes in enclosures on the present location of Hale Pawa'a; our choice of the building name honors the rich cultural history of the area. Today, our building offers vital healthcare services to the community.



Governance

The foundation to our sustainability efforts is responsible corporate governance. We aim to ensure that our policies and practices promote diversity, ethics, and responsibility. In addition, the Board of Directors and senior management are actively engaged in assessing and managing risk, whether as a result of natural disasters, cyber-attacks, or improper actions, throughout the portfolio and the Company.

HEALTHCARE REALTY IS COMMITTED TO

- ▶ Fostering, cultivating, and preserving a culture of diversity, inclusion, and equality
- ▶ Applying a professional code of business conduct and ethical behavior
- ▶ Executing a robust risk management program
- ▶ Implementing shareholder friendly policies and procedures

Fostering, cultivating, and preserving a culture of diversity, inclusion, and equality

Healthcare Realty is committed to fostering, cultivating, and preserving a culture of diversity and inclusion. As an example, the Company's board included a female director at inception in 1993 who served for over fifteen years. More recently, in 2015 and 2016, two female hospital CEOs joined the board of directors.

Women comprise 41% of all Healthcare Realty employees, and 56% excluding our predominately-male maintenance engineering group. Thirteen of our 35 Company officers are female, or nearly 40%. In addition, a quarter of Healthcare Realty's employees represent a diverse range of ethnicities.

HEALTHCARE REALTY'S DIVERSITY INITIATIVES ARE APPLICABLE, BUT NOT LIMITED, TO OUR PRACTICES AND POLICIES ON

- Recruitment and selection
- Compensation and benefits
- Professional development and training
- Promotions, transfers, and professional growth
- Social and recreational programs

WE FOCUS ON DEVELOPING A WORK ENVIRONMENT BUILT ON GENDER AND DIVERSITY EQUITY THAT ENCOURAGES AND ENFORCES

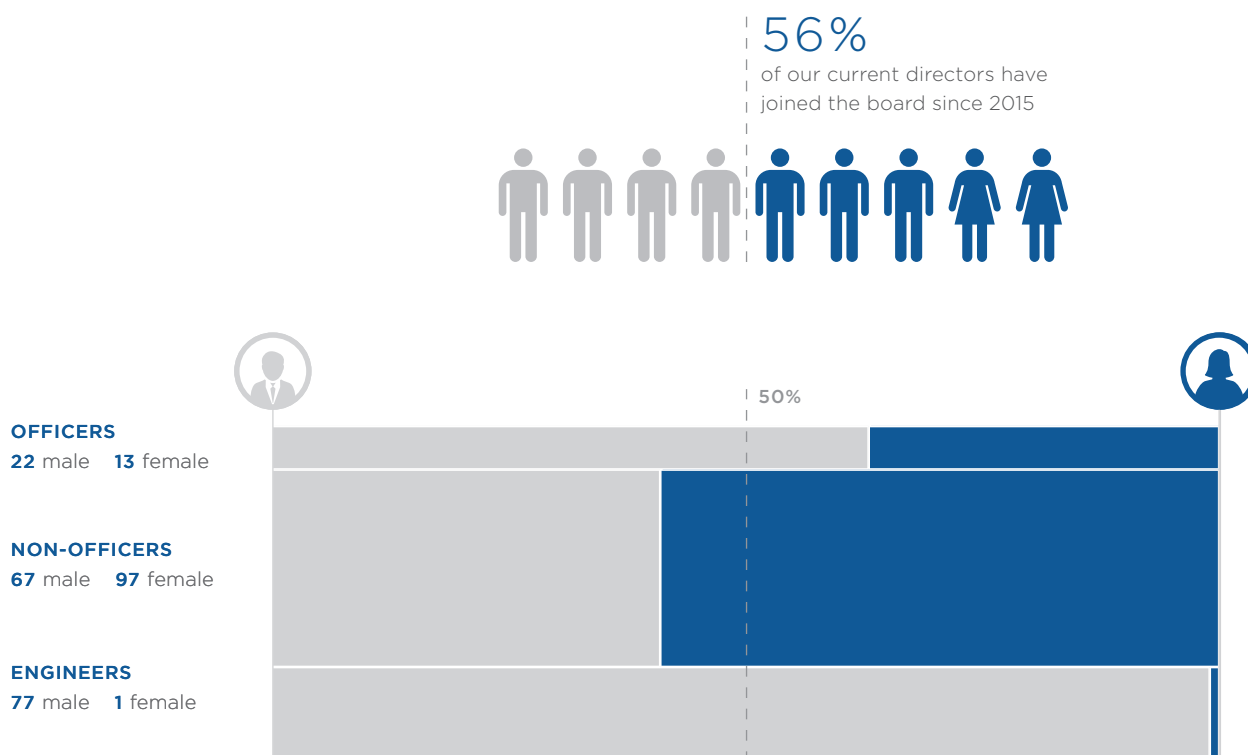
- Respectful communication and cooperation between all employees
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives
- Work/life balance through flexible work schedules to accommodate employees' varying needs
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for the diversity

Applying a professional code of business conduct and ethical behavior

Healthcare Realty has a code of business conduct and ethics that covers a wide range of business practices and procedures including compliance with laws, rules and regulations, record keeping, conflicts of interest and related party transactions, confidentiality, insider trading, corporate opportunities, competition and fair dealing, discrimination and harassment, health and safety, protection and proper use of company assets, accounting and related matters, and payments to government personnel. This code of conduct sets out basic principles to guide our employees, officers, and directors of our organization, who must certify annually that they have reviewed the code of conduct.

Executing a robust risk management program

Healthcare Realty's board and executive management regularly assess risk throughout the Company and portfolio. An assessment of the Company's risk regarding cybersecurity led to the implementation of an annual training module for employees to identify and protect themselves from cyber-related risks.



With properties located in areas prone to natural disasters (hurricanes, floods, tornadoes, earthquakes, and fires), the board and management have taken numerous steps to address the issue of property resiliency and disaster preparedness. In addition, when a property is being redeveloped or a major building system is being replaced, our team undertakes those projects with an eye toward hardening the building against natural disasters (e.g., locating critical building systems out of flood-prone areas).

Having the vast majority of our portfolio next to acute-care hospitals greatly mitigates the risk to our properties because hospitals and our adjacent medical office buildings house critical patient services and are prioritized by first responders in the event of a disaster. As an example, in October 2017, as wildfires raged through Santa Rosa, California, local firefighters built a protective water barrier around Sutter Health's Santa Rosa Hospital campus. Our facility is adjacent to the hospital, so despite the fire's proximity to our building, we suffered only minimal damage. Throughout the crisis, our property management team maintained close communication with the hospital's command center and local authorities.

Implementing shareholder friendly policies and procedures

As best practices for corporate governance continue to evolve, Healthcare Realty remains committed to implementing shareholder friendly policies. For each of the past several years, we have engaged our leading shareholders to discuss corporate governance issues. Some of the shareholder policies that we have implemented include:

- Since 2015, all board members are elected annually. In addition, in February 2019, our board approved a resolution that prohibits the Company, which is incorporated in Maryland, from classifying or "staggering" the board without shareholder approval. Known as the "Maryland Unsolicited Takeover Act" or "MUTA," many Maryland-domiciled REITs have adopted this policy.
- Also in February 2019, our board adopted an amendment to the Company's bylaws to implement "proxy access" allowing eligible stockholders to include their own nominees for director in the Company's proxy materials along with the Board-nominated candidates.
- Our board includes an independent lead director, who presides over executive sessions of the independent directors. In addition, since 2016 we have separated the CEO and board chairman roles.
- Our board actively refreshes its perspective through recruitment of new members. Five of our nine current directors have joined the board since 2015. Another new director has been nominated for election at the May 2019 annual meeting, at which point two thirds of the board will have joined the last four years.
- Healthcare Realty holds an annual "say-on-pay" vote by shareholders on the compensation of our named executive officers. Since 2012, annual votes have been above 96% in favor of our overall executive compensation program.
- Overall executive compensation is heavily weighted toward performance-based cash incentives and restricted stock, using pre-defined operating metrics and relative total shareholder return as the drivers of incentive awards. In 2018, 75% of named executive officers' compensation was based on meeting performance targets.
- Healthcare Realty also maintains stock ownership guidelines to align the interests of the board, executive management, and shareholders.

Our proxy report includes additional information on corporate governance, corporate conduct, business ethics, and compensation.

Rendering of Seattle development
to be LEED certified



Looking Ahead

At Healthcare Realty, we are committed to being responsible corporate citizens and running a company that is built to last. With a focus on the future, we plan to benefit our stakeholders today as well as over the long term by taking care of our tenants, our employees, and our portfolio and by reducing our overall impact on the environment. We will work towards meeting our goals and commitments through our ongoing efforts to improve the sustainability of our operations through prudent environmental, social, and governance practices and initiatives.