Hines

2020

Hines European Core Fund ESG Review

Published May 2021.

This report is a snapshot of the Hines European Core Fund as of 31 December 2020.

For a comprehensive disclosure of INREV-compliant sustainability data, please refer to the Hines European Core Fund's full Annual Report audited by Ernst & Young, which is available upon request from Daniel Chang at daniel.chang@hines.com.

Peter Epping
Fund Manager
Senior Managing Director

Simone Pozzato
Deputy Fund Manager
Managing Director

We are pleased to share our fourth annual ESG review for the Hines European Core Fund (HECF).

2020 has been a tumultuous year with COVID-19 taking hold across the world. The pandemic has emphasised the fragility of people's health, the environment and the economic system. At the same time, it has further accelerated the awareness, seriousness and urgency for ESG action. We have pushed forward with the expansion of our ESG efforts with tenants, investors and regulators alike embracing the need for the real estate sector to reduce its environmental impact and create lasting positive change.

The trend toward better performing ESG investing continues unabatedly while new regulation is being introduced to provide more transparency for investors. Our enduring focus on improving environmental performance and transparency has increased even further this year where the urgency of the global environmental challenges becomes ever greater. To this end, we continue to implement new technology to improve our buildings' performance, generate energy and reduce consumption, but also work on many other initiatives as this report lays out. We have also introduced green loans for three of our assets. HECF remains a GRESB standout fund sector leader, and was recognised by the Pension Real Estate Association (PREA) with its inaugural global award for outstanding ESG performance in the open-ended fund sector in March 2021.

Our achievements to date would not have been possible without the strong support of our investors and tenants. It is this shared stakeholder ambition which allows HECF to have an ever more positive impact on the cities and people it serves.

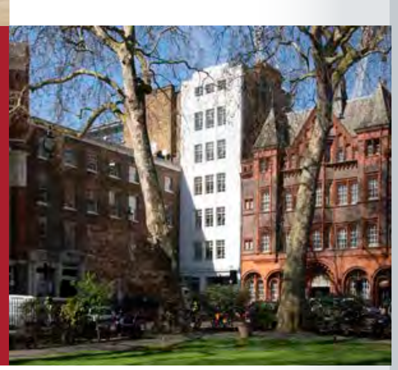
We hope you find this report useful and will be delighted to hear from you if you'd like to discuss any of its content further.

Daniel Chang
Portfolio Manager
Managing Director

In a year where climate change and a global pandemic have drastically impacted our lives, it has become clear that change is required. In this context, the HECF team will continue to address ESG initiatives head-on, focusing on the resilience of our assets and the health and wellbeing of our stakeholders, especially that of our employees, tenants, and communities.

We are very pleased to share with you that in 2020 HECF was awarded by GRESB, the leading Sustainability benchmark, as a European Sector Leader, having achieved this recognition for the last four consecutive years. Particularly this year we are honored to have been acknowledged by GRESB as the highest-ranking Fund globally in the resilience module. Further, HECF continues to provide strong investment returns since inception and we believe this demonstrates the fund's ability to deliver both strong financial and ESG performance. In this report we provide insight into our net zero carbon approach, our social stakeholder engagement programmes and also introduce our initiatives to address climate and transition risks.

ESG is integral to HECF's investment strategy and our aim is to continue to apply the necessary focus and resources to achieve our ambitions. Moreover, we recognise that these ambitions will be moving targets and that we will need to develop and adapt our ESG strategy as we go forward. We hope you enjoy reading about our ESG vision and approach in this report.

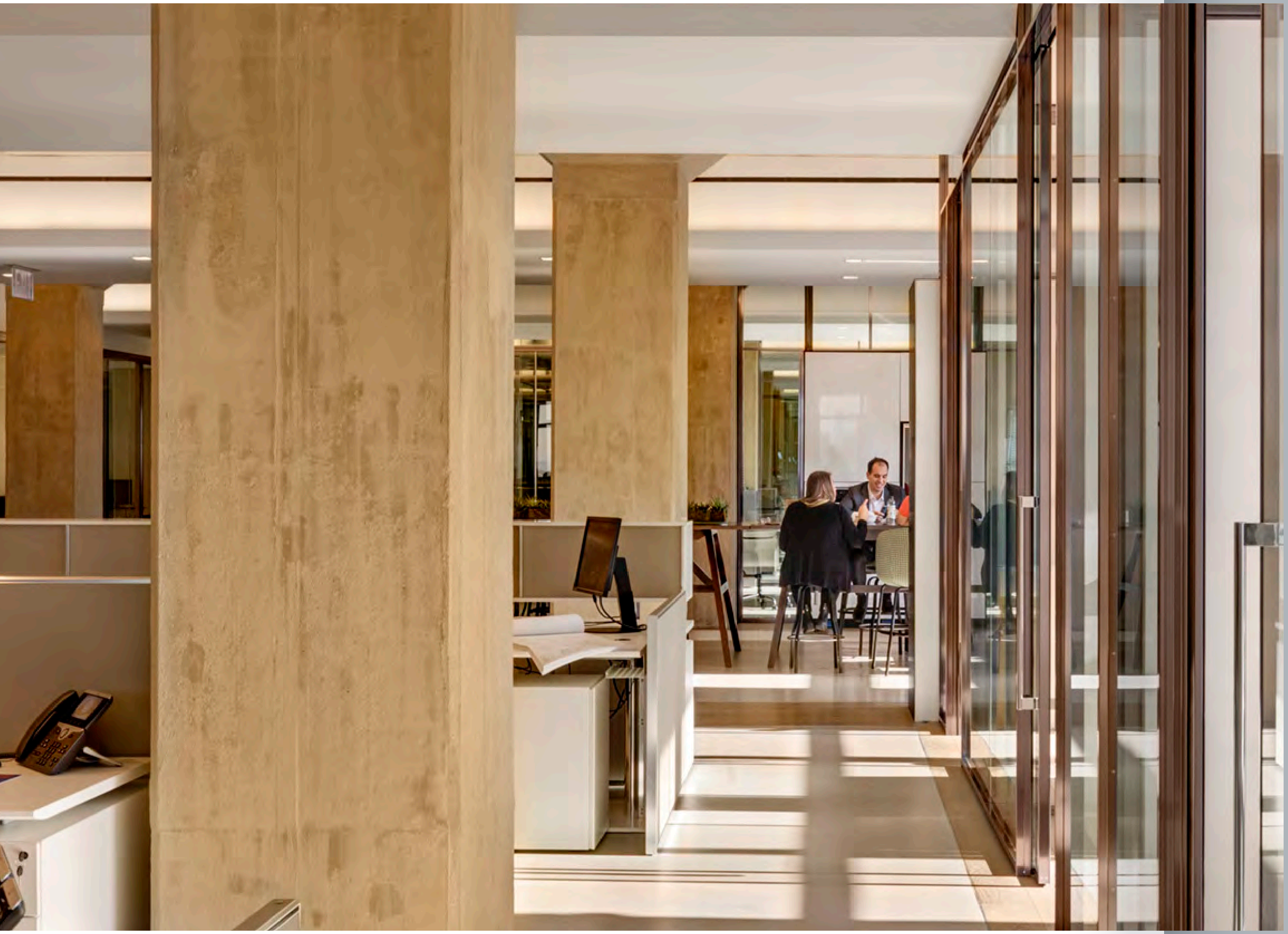


For Hines' full sustainability report, please visit www.hinessustainability.com.

Endnotes are provided on page 51.

ESG at Hines

345 Hudson Street in New York City was built in the early 1900s to house printing presses and was redeveloped into a hub for creative industries and businesses drawn to the large floor plates, flexibility of the lease space and energy of the neighborhood. In close proximity to Hudson River Park, the property has undergone a substantial improvement programme including a lobby upgrade and new roof decks in addition to other tenant and community amenities.



Laura Hines-Pierce and Jeff Hines

Hines is committed to improving the built environment for people and the planet. Since our firm's beginning, we've endeavoured to bring the most responsible, sustainable practices to Hines' projects.

Hines was founded in 1957 as a privately owned, real estate development firm based in Houston, Texas. Over more than six decades, we have expanded our business to include real estate investment and management, and our firm now has a presence in 240 cities and 27 countries across the globe. We have more than 4,787 team members worldwide and €131.1 billion of assets under management[1] including €66.6 billion in assets for which Hines serves as investment manager, and €64.5 billion representing 29 million square meters of assets for which Hines provides third-party property-level services.

Since our beginning, Hines has valued and pioneered sustainability in the built environment. Our founder, Gerald D. Hines, believed in creating long-term value for the people and communities we touch, and that ethos and commitment has driven us to become one of the largest and most respected real estate organisations in the world.

As our firm has evolved and grown, our definition of sustainability has expanded. Our ESG strategy is informed through an ESG task force comprised of a diverse cross section of individuals across the different businesses and geographies at Hines. Through all the work we do at Hines, we endeavour to positively impact people and communities, employ the highest ethical standards, and minimise our footprint — and we strive to be the best investor, partner and employer in our industry.

Please refer to the Hines Sustainability report at www.hinessustainability.com for details on the Hines-wide ESG initiatives and achievements.

Hines responds to the COVID-19 pandemic

2020 was an unprecedented year, with the COVID-19 pandemic having far-reaching impacts across the globe. We responded quickly to support our stakeholders including our people, customers and the communities we operate in.

As we embrace the new normal, the strength of our relationships has never been more meaningful. While this experience has been a wakeup call for society, we will emerge a safer and more resilient world if we all work together on this journey.

As we emerge from the global pandemic and look to build back better, the importance of sustainability will be ever more critical.

We are prioritising health and safety

After the initial lockdowns in early 2020, Hines made a decision to return employees to the workplace gradually, in phases, to balance the needs for employee safety, continued best-in-class service delivery for our tenants, partners, and investors, and the local conditions in each geography. We work closely with our team of external medical advisors, epidemiologists, and security experts, to determine when it is safe to move to each phase of workplace return.

- Safely operating at the workplace: Our teams in the workplace complete daily symptom checks, are provided with COVID-19 testing, and guided through contact tracing and care management by our Human Resources team and dedicated third-party care management providers. We've significantly enhanced the cleaning, density management, diagnostic, and personal protective equipment (PPE) capabilities within our spaces.
- Mental as well as physical health: we've increased our mental health support resources for employees, including targeted support for working parents and team leaders, and are pleased to see continued strong employee sentiment about the mental and physical resources they receive from Hines.

We are focused on community, wellness and our OneHines culture

Hines has always said that employees are our most valued assets, and the challenges presented by the pandemic have only deepened our commitment to being an exceptional workplace that brings out the best in our people. We see 2020 and 2021-to-date as a time when our values are on display like no other. Employee pulse surveys consistently show strong employee morale and confidence in the firm.

- Culture and employee engagement: we've run extensive virtual programming, ranging from global town halls, to coaching and education sessions led by external experts, to social hours to keep our teams connected.
- Diversity, Equity, and Inclusion: in 2020 we watched and reacted to unspeakable acts of violence in our communities in the US, and our own Hines community reacted with empathy, education, and action. In addition to our public statements, we engaged internal teams in support forums and numerous externally-led learning sessions. We also doubled down on employee volunteerism, firm philanthropy focused on racial justice, and pro-bono community education initiatives that increase the diverse representation of the commercial real estate industry. Our ongoing commitment to these efforts is unwavering.
- We believe that physically gathering together in offices is irreplaceable for transmitting our culture, developing our people, and innovating inclusively as diverse teams. At the same time, we believe that providing flexibility for ongoing partial remote work will help us attract and engage expanded talent pools and help employees achieve work-life balance.
- The next level of wellness in the built environment: our operation and innovation teams are leading the industry in standards and technology for indoor air quality, space design that improves wellness outcomes, and analytically-informed building sustainability. We've partnered with the Mayo Clinic's WELL Living Lab and other partners on research and development for exciting new innovations in ventilation, surface cleaning, and behavioural interventions for controlling the spread of COVID-19.

Hines European Core Fund (HECF)

The Hines European Core Fund is an investment fund sponsored by Hines which acquires and manages a diverse portfolio of real estate assets across Europe. We are committed to taking action on ESG issues to ensure that our buildings meet present day needs and are able to remain resilient into the future.

Werfthaus in Frankfurt is a 14,336 sqm office building with a DGNB Silver rating, 100% renewable electricity for all landlord-controlled areas and some tenant areas. ZiggyTec energy monitoring has also been installed following the acquisition in January 2020.

Eurosquare in Paris, France, is a 15,412 sqm office building, with an HQE Exploitation Sustainability Certificate, 100% renewable electricity for landlord controlled areas and active ESG tenant and community engagement plans.

“ Being a highly ranked fund in terms of ESG credentials has been one of the main criteria for selecting the Hines European Core Fund as one of our preferred investment solutions in Europe.

Our investors value the market leading role of the Hines team on the social and environmental aspects of investing in real estate, but at the same time we see that the requirements for success are evolving rapidly so we will continue to monitor how the fund’s ESG agenda and performance evolve in this fast changing environment."

ROBERT MUILWIJK
SENIOR INVESTMENT MANAGER – CONTINENTAL EUROPE
CBRE GLOBAL INVESTMENT PARTNERS

Hines European Core Fund as of 31 December 2020[1,2]

Asset locations and Hines offices

29 assets

16 cities

9 countries

Amsterdam, Barcelona, Berlin, Copenhagen, Dublin, Edinburgh, Florence, Frankfurt, Hamburg, London, Madrid, Milan, Paris, Stuttgart, Utrecht, Wrocław

Hines office + HECF asset(s)

HECF asset

Total Assets Under Management

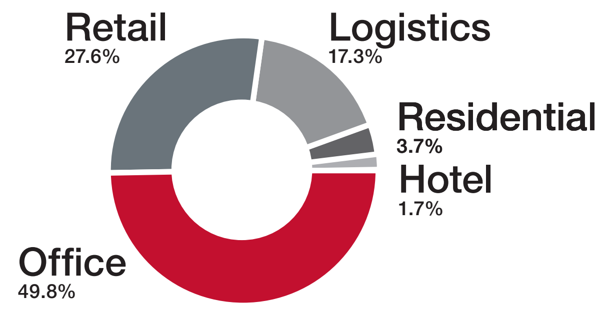
€2.05 B

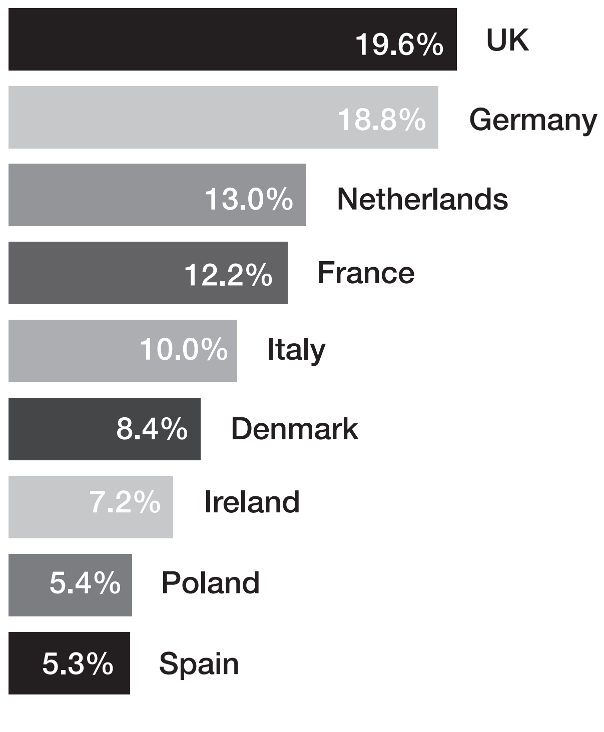
NUMBER OF ASSETS

29

OCCUPANCY

98.1%





Fund Performance as of 31 December 2020

In the year of COVID-19, 2020 has been an exceptional and particularly busy year for HECF. Going into the crisis, the Fund was in good health, with occupancy levels stable at 97.6% as of Q4-2019 and considerable equity reserves available for new investments. By ensuring an active approach to asset management and tenant engagement, occupancy of the portfolio actually increased to 98.1% during 2020. Furthermore, over the course of the year a total of €452m of equity was invested, with key additions to the portfolio including strategic logistics and residential assets.

In terms of fund performance, the negative result on the capital side was off-set by the resilient profile of the income return. Despite the headwinds and lower rent collection rate during 2020 (92.7%) the Fund achieved a 3.2% net income return, demonstrating the solid nature of our tenant base.

No doubt it has been a challenging year for the Fund and for the industry, and our results were impacted by the fact that sector diversification at the beginning of 2020 was not yet there. With our large investment programme in the second half of 2020 though, the portfolio became significantly more diversified and we were able to realise profits and achieve asset management gains with, for example, the profitable sale of our Berlin retail asset and our new retail lease in Milan. While 2020 performance was below par in the MSCI, it's worth noting that the 3-year performance up to the end of 2019 was the best in the peer group (period ending December 2019). This coincided with the exceptional GRESB results, with HECF receiving five out of five stars and being awarded GRESB European Sector Leader for a fourth consecutive year, demonstrating that financial returns and sustainability objectives can go hand in hand.

FUND PERFORMANCE[3, 4]

Fund Returns	12 Months Ended 31.12.2020	3 Years From 31.12.2017	5 Years from 31.12.2015	10 Years from 31.12.2010	Since Inception (Annualised)
Income Return	3.2%	3.2%	3.4%	4.2%	4.9%
Appreciation Return	(5.9)%	1.0%	1.9%	1.8%	(2.5)%
Net Total Return	**(2.7)%**	**4.2%**	**5.3%**	**6.0%**	**2.4%**
MARKET INDICES (net total returns)[5]					
IPD pEPFI Balanced Funds	*-%*	*4.1%*	*4.9%*	*4.3%*	*1.6%*
INREV Index	*0.1%*	*4.7%*	*5.4%*	*5.0%*	*1.6%*

MSCI

From 2017 through 2019 the Fund achieved an average annual return of 8.5%[3] p.a. - outperforming the average benchmark return by 211 bps.

The Hines European Core fund was recognised as one of the best performing funds, achieving the MSCI European Property Investment Award for the best performing pan-European balanced fund.

The MSCI European Property Investment Awards provide an opportunity to recognise and celebrate the top-performing funds across the real estate investment landscape. The award honors the most successful fund for a three-year period and is based on external valuations and auditors' review of accounts. HECF achieved a total return of 8.45%[3] p.a. during 2017-2019, 211 bps above the average return of the benchmark, making it one of the best performing property funds in Europe.

"Climate change is one of the biggest threats our world is facing. To keep global warming to well-below two degrees by the mid-century, everyone has to play a part.

This includes ING. The biggest impact we can make is with our lending portfolio and by financing clients whose activities are aligned with achieving the goals of the Paris Agreement.

We have found a valuable and appreciated partner in Hines, who shares our green values and is steering towards a low carbon portfolio. We look forward to continuing our partnership and to further support Hines in the future."

SIMONE SCHMIDT
MANAGING DIRECTOR, REAL ESTATE FINANCE
ING

Second Green Loan Facility for HECF

In January 2021, HECF secured a green loan facility with ING in Germany. The loan is providing €40 million for Werfthaus, the prime office building in Frankfurt, and €37.5 million for the DNATA logistics park located near the cargo area at Heathrow airport, London. Both assets display better than average energy performance levels as well as sustainability certificates such as DGNB and BREEAM.

Green loans provide financing that link a company's sustainability rating, measured by an external environmental, social and governance (ESG) assessment, to the interest rate of these loans.

The green loan facility has not only enabled us to accelerate our strategy of pursuing sustainable and environmentally responsible real estate investments but also given us the capacity to delivery on our investors' ambitions of growing our portfolio of future-proofed assets where value and returns are aligned with environmental performance.

ESG at HECF

We have focused on sustainability from an early stage and believe it has helped us deliver superior investment and asset management performance, enabling us to become more closely involved in optimising buildings’ operations and lowering utility consumption.

It has also allowed us to address social issues and become closer to our stakeholders including our investors, employees, tenants and communities by engaging with them on issues to deliver enhanced ESG outcomes.

This engagement includes transparent reporting and accountability to ensure our ESG targets are monitored and met.

Noortse Bosch, with 18,132 sqm, is one of the largest office buildings in central Amsterdam. Situated in a prime location in the city centre adjacent to the new North-South metro line, the building enjoys excellent connectivity with local public transport. The building holds a BREEAM In-Use certificate and has converted landlord-controlled energy contracts to renewable sources.

Trikotageparken, a 10,508 sqm, 121 unit residential asset in Copenhagen currently under construction, has been recognised by the Nordic Swan Ecolabel scheme for high levels of sustainability. To qualify for the Ecolabel, the development must meet strict criteria covering every stage of the buildings’ life cycle, including materials used and long-term use.

2006

The Hines European Core Fund launches in June 2006.

2009

HECF obtains energy performance certificates (EPCs) for all of its assets.

In December 2009, HECF formulates its first formal sustainability strategy and begins metering energy consumption.

2011

The French HQE Exploitation certificate is obtained for its Eurosquare asset in St. Ouen, Paris.

2012

Hines publishes its first sustainability report based on the GRI framework.

2013

The Fund obtains one of the first DGNB In-Use certificates in the pilot program phase of the certificate's launch.

2015

In June 2015, HECF obtains one of the first DGNB facility management certificates in the pilot program phase.

The Fund introduces green leases.

Property Management ESG scope included.

2016

HECF launches an Environmental Management System and implements its Sustainability and Stakeholder Engagement policies.

Tenants are introduced to the Hines Green Office Tenant programme and fit-out guide.

GREEN OFFICE

2017

The Fund participates in GRESB and in its very first year is named a Private

Diversified Global Sector Leader by GRESB for its commitment to sustainability.

GRESB REAL ESTATE

HECF sets the target of achieving a 10% reduction in landlord-controlled energy and 12% in carbon emissions by 2020 with 2016 as a baseline.

HECF rolls out an energy monitoring programme.

The Fund issues its first annual ESG Review.

2018

HECF is awarded GRESB Sector Leader for the second year running in its Diversified Office/Retail category.

The Fund also ranks first globally in the Health & Wellbeing and Resilience modules.

The Hines Green Office Retail programme is rolled out for the Fund's retail tenants.

HECF transfers 90% of landlord-controlled energy to renewable energy sources.

2019

HECF is awarded GRESB Sector Leader for the third year running in its peer group in Europe, and first in the Global Diversified Funds category.

The Fund achieves 100% sustainability certification coverage.

The original energy reduction target objectives set in 2017 are surpassed, achieving reductions in landlord-controlled operational energy and carbon emissions of 15.7% and 23.8% respectively.

Formal Sustainability Assessment and Action Plans are rolled out for all properties.

Climate Risk studies are undertaken of the entire portfolio.

2020

HECF is awarded GRESB Sector Leader for the fourth year running in its Diversified Office/Retail - Europe category.

The Fund undertakes an operational net zero carbon feasibility study.

The Fund is recognised as one of the best performing funds, achieving the MSCI European Property Investment Award for the best performing pan-European balanced fund.

MSCI

ZiggyTec is rolled out across the portfolio[6] to monitor energy consumption in real time and support the Fund's reduction targets.

2021

The Hines European Core Fund is awarded the inaugural 2021 PREA Real Estate Investment ESG award in the Open-End Fund category.

ESG AWARDS PREA pension real estate association

HECF obtains its second green loan with ING.

HECF ESG Working Group established to advance the Fund's ESG strategy and programme.

2020 goal outcomes

	Focus area	2020 Objectives/Targets	Progress	Outcome
ENVIRONMENT	Environmental performance	▪ Obtain, manage and monitor utility data (including energy, water and waste) on a quarterly basis.	100%	▪ Achieved. 100% of landlord-managed utility data was tracked.
		▪ Maintain 100% diversion of waste from landfill for landlord-managed waste.	100%	▪ Achieved.
		▪ Progress toward energy reduction target of 10% and emissions target of 8% of landlord-controlled areas by 2020 from a base year of 2016.	100%	▪ Achieved. Energy consumption decreased by 24% on a like-for-like basis and greenhouse gas emissions decreased by 33.7% from a base year of 2016.
	Net Zero carbon	▪ Carry out a net zero carbon feasibility study to assess the optimal pathway to reduce emissions.	100%	▪ Achieved. Presented and agreed with investors.
	Renewable energy	▪ Seek to progress towards 100% renewable energy for all landlord-procured electricity.	100%	▪ Achieved. All landlord-procured electricity is now on green tariffs, an improvement of 10%.
		▪ Increase coverage of on-site renewable energy sources.	100%	▪ Achieved. Solar panels installed at Grafton Lot 1.
	Building certification	▪ Seek to ensure that 100% of assets have a valid Energy Performance Certificate or equivalent rating.	100%	▪ Achieved.
		▪ Obtain green building certificates across the portfolio (DGNB, HQE, BREEAM in Use or Construction).	100%	▪ Achieved. 100% of the portfolio (by net lettable floor area) now holds or is on track to obtain a certification following a recent acquisition.
SOCIAL	Stakeholder engagement	▪ Engage stakeholders to gauge their satisfaction and interest in ESG.	100%	▪ Achieved. Tenant survey conducted in 2019 and stakeholder engagement was undertaken in 2020.
	Tenants	▪ Engage tenants on ESG matters.	100%	▪ Sustainability Fit-Out Guide shared, Hines Green Office/Retail programmes rolled out and green lease clauses continue to be included in tenancy agreements.
	Employees	▪ Continue to embed ESG objectives within performance reviews for the HECF investment management team.	100%	▪ Achieved.
		▪ Deliver an ESG focused training session to the HECF management team and local asset managers.	100%	▪ Achieved. Employee ESG training was provided for the entire HECF investment management team.
	Community	▪ Continue to fulfil numerous ESG-related community engagement initiatives within the locality of assets, wherever feasible.	100%	▪ Achieved. At the asset level, key initiatives included memberships with Business Improvement Districts, supporting local charities and participation in community events.
GOVERNANCE	GRESB	▪ Continue to participate in the GRESB survey.	100%	▪ Achieved 5 stars with a score of 95 out of 100 (peer group average was 72 out of 100) and awarded 'Sector Leader'.
	Climate risk and resilience	▪ Seek to progress toward alignment with Task Force on Climate-related Financial Disclosures (TCFD) recommendations.	100%	▪ Progressed with recommendations from the TCFD gap analysis towards further alignment. ▪ HECF's climate change resilience strategy was bolstered through completion of Net Zero Carbon feasibility study.
	Acquisition due diligence	▪ Continue to complete the Sustainability Acquisitions Due Diligence checklist for 100% of new acquisitions.	100%	▪ Achieved.
	Asset-level plans	▪ Maintain Sustainability Assessment and Action Plans (SAAPs) for all assets.	100%	▪ Achieved. 100% of assets have SAAPs in place, which were updated to enhance the process for identification and implementation of opportunities.
		▪ Continue to incorporate opportunities for improving ESG performance within asset business plans.	100%	▪ For 100% of directly managed assets, asset-level ESG objectives were established and incorporated into asset business plans.

2021 objectives

	Focus area	2021 Objectives/Targets
ENVIRONMENT	Environmental performance	▪ Obtain, manage and monitor utility data (including energy, water and waste) on a quarterly basis. ▪ Continue to roll-out automatic utilities monitoring technology across existing assets and new acquisitions. ▪ Continue to maintain 100% diversion of waste from landfill for landlord-managed waste. ▪ Continue to work towards the new 2030 fund-level science-based greenhouse gas emission intensity and energy intensity targets as set following the latest CRREM guidance.
	Net Zero carbon	▪ Develop a comprehensive strategy and work towards the fund-level aim of net zero operational carbon emissions (for Scope 1 and 2) by 2030 at the latest and advocate for net zero carbon emissions (Scopes 1-3) by 2050.
	Renewable energy	▪ Maintain 100% renewable energy for all landlord-procured electricity and support tenants in the transition to procurement of green tariffs wherever possible. ▪ Continue to review opportunities across the portfolio for the installation of on-site renewable energy supplies, with a particular focus on logistics.
	Building certification	▪ Seek to ensure that 100% of assets have a valid EPC or equivalent rating. ▪ Continue to obtain green building certificates across the portfolio.
SOCIAL	Stakeholder engagement	▪ Continue to engage stakeholders to gauge their satisfaction and interest in ESG.
	Tenants	▪ Continue to advance tenant engagement on ESG matters.
	Employees	▪ Continue to embed ESG objectives within performance reviews for the HECF investment management team, where appropriate. ▪ Continue to deliver sustainability focused training sessions to the HECF management team, local asset managers and property managers.
	Community	▪ Ensure all managed assets continue to complete at least one ESG-related community engagement activity annually and that those activities and financial contributions are tracked in a meaningful way.
GOVERNANCE	GRESB	▪ Continue to participate in the GRESB survey (in July 2021, based on 2020 calendar year) in order to support benchmarking and communication of ESG performance.
	Climate risk and resilience	▪ Continue to progress towards alignment with TCFD recommendations. ▪ Seek to further embed climate change adaptation/resilience related risks, such as transition and physical risks, into wider risk management strategies and acquisition processes.
	Acquisition due diligence	▪ Continue to complete the Sustainability Acquisitions Due Diligence checklist for all new acquisitions.
	Asset-level plans	▪ Continue to incorporate opportunities for improving ESG performance within asset business plans and maintain SAAPs for 100% of assets.

Awarded GRESB Sector Leader for four years running

For an unprecedented fourth year in a row, HECF achieved the highest possible rating of five stars out of five and was awarded Sector Leader within its European Diversified Office/Retail/Non-listed Core category in the GRESB benchmark.

GRESB, the leading Environmental, Social and Governance (ESG) benchmark for real estate and infrastructure investments across the world, named HECF one of the "best of the best" in sustainability leadership across the real estate sector. Sector Leaders are best performers by sector, region and nature of ownership and the Green Star is a rating on absolute performance.

The award demonstrates HECF's ongoing commitment to having a positive societal impact in the communities it operates in and achieving the highest levels of sustainability across a wide range of areas, including energy performance, stakeholder engagement, building certificates, resilience, social risks and opportunities, water use and management.

GRESB®
REAL ESTATE
★ ★ ★ ★ ★
Sector Leader
2017 2018 2019 2020

"With accelerating sustainability risks, accessing standardised and reliable ESG data and benchmarks has never been more important to investors. It's inspiring to witness the collective industry effort from around the world to improve ESG transparency and advance sustainable real assets. You are the leaders of this movement and it's your commitment to ESG integration and reporting that is paving the way for a more sustainable real asset industry."

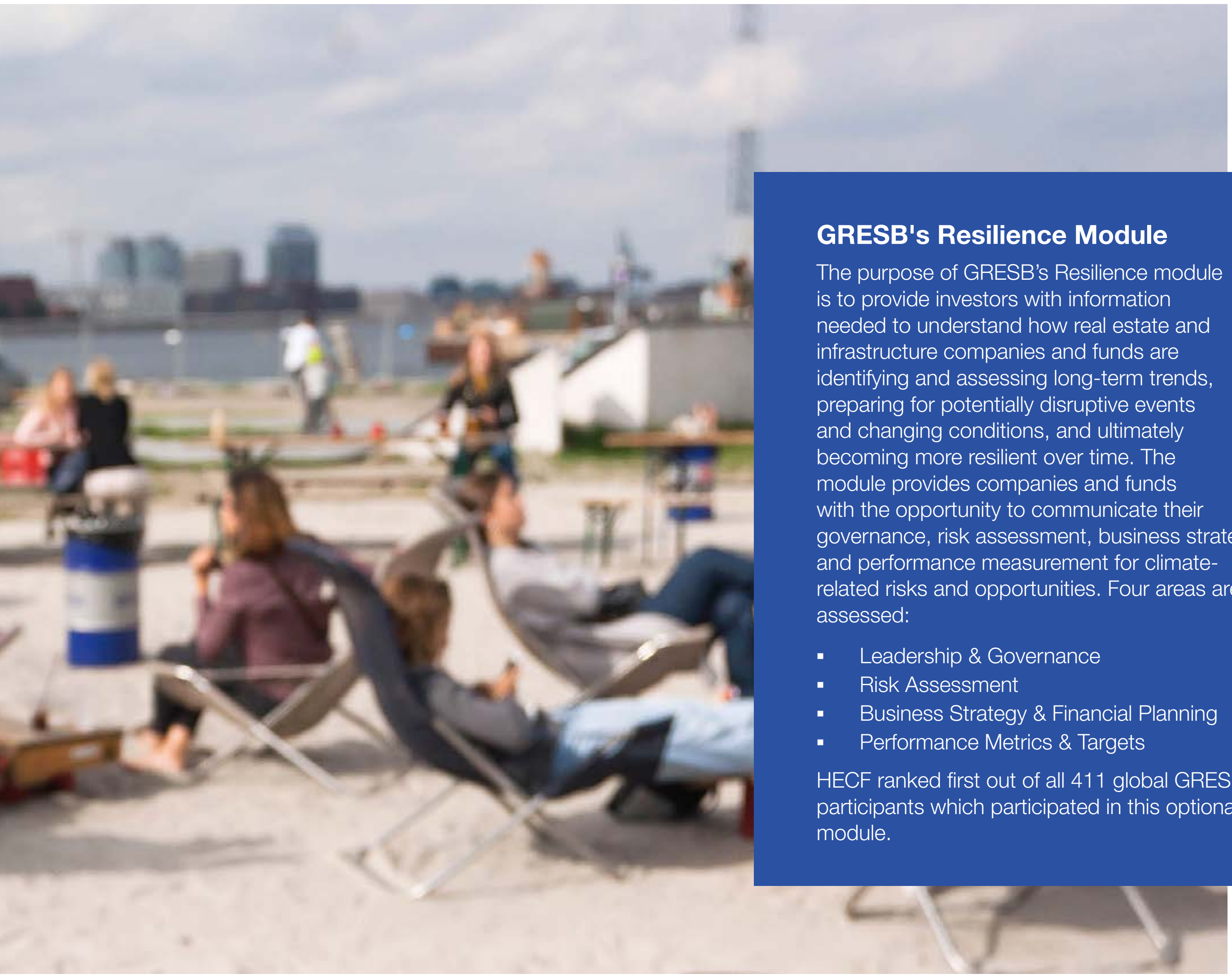
SANDER PAUL VAN TONGEREN
MANAGING DIRECTOR AT GRESB

Caleido is an 18,723 sqm mixed-use building located in Stuttgart, Germany. The image is of the entrance lobby of the DGNB office space in the building. The asset holds a BREEAM In Use certificate and the landlord-controlled electricity has been converted to renewable energy sources.

2020 accomplishments

GRESB recognised the strides made by HECF, including 100% Sustainability Certificate coverage across the portfolio, as well as a 24% reduction in energy use and a 33.7% greenhouse gas reduction since 2016, for like-for-like assets. All buildings where the Fund has landlord control have been transferred to 100% renewable energy sources.

HECF also ranked first in several categories, ranking first out of all global 411 GRESB participants which participated in the optional Resilience module, demonstrating the portfolio's ability to future-proof the values of its assets over time. The Fund also ranked first in the Global Diversified Office/Retail/Non-listed Core funds category.



GRESB's Resilience Module

The purpose of GRESB's Resilience module is to provide investors with information needed to understand how real estate and infrastructure companies and funds are identifying and assessing long-term trends, preparing for potentially disruptive events and changing conditions, and ultimately becoming more resilient over time. The module provides companies and funds with the opportunity to communicate their governance, risk assessment, business strategy, and performance measurement for climate-related risks and opportunities. Four areas are assessed:

- Leadership & Governance
- Risk Assessment
- Business Strategy & Financial Planning
- Performance Metrics & Targets

HECF ranked first out of all 411 global GRESB participants which participated in this optional module.

AWARDED

SECTOR LEADER

1st **DIVERSIFIED OFFICE/RETAIL | CORE IN EUROPE**

out of **47** entries

OBTAINED

5 out of **5** stars

★ ★ ★ ★ ★ **2020**

RANKED

1st **GLOBAL RESILIENCE MODULE**

out of **411** entries

RECEIVED A SCORE OF

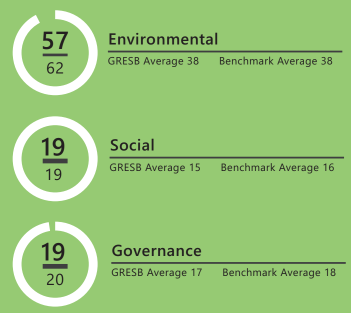
95 out of **100**

(peer group average was 72 out of 100)

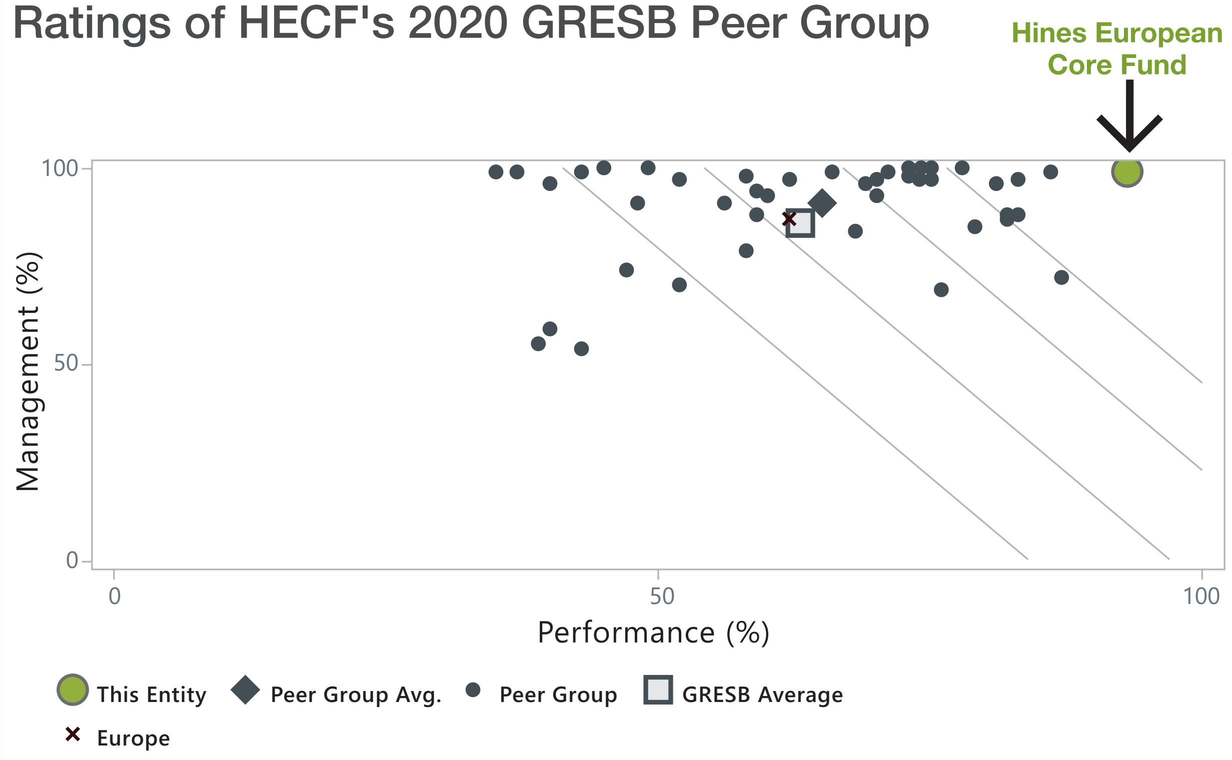
RANKED

1st **GLOBAL DIVERSIFIED OFFICE/RETAIL/ NON-LISTED CORE FUND**

out of **68** entries



Ratings of HECF's 2020 GRESB Peer Group



Best Open-End Fund in PREA's ESG Awards

In March 2021, HECF won the inaugural global 2021 PREA Real Estate Investment ESG award in the Open-End Fund category. The Pension Real Estate Association (PREA) established the awards to recognise PREA members at the forefront of ESG within real estate investing and to provide the industry with examples of best practice, recognising that ESG issues are increasingly central to investment decision making and properly implemented ESG programs help foster a sustainable and responsible future without sacrificing investment performance.

The prize was awarded based on both HECF's GRESB scorecard and an expert panel's rating of the fund's ESG program with a 50% weighting given to each. HECF was one of 59 real estate funds responding to the call for submission across the categories.

ABOUT PREA

Founded in 1979, the Pension Real Estate Association (PREA) is a non-profit trade association for the global institutional real estate investment industry. PREA currently lists over 700 corporate member firms across the United States, Canada, Europe and Asia. Members include public and corporate pension funds, endowments, foundations, Taft-Hartley funds, insurance companies, investment advisory firms, REITs, developers, real estate operating companies and industry service providers.

PREA's mission is to serve its members engaged in institutional real estate investment through the sponsorship of objective forums for education, research initiatives, membership interaction and the exchange of information.

Portland Towers in Copenhagen consists of two former silos, which were converted for multi-tenant office accommodation in 2014. The 12,886 sqm property set new standards for sustainable building design, construction and operation during its BREEAM certification.

Our Net Zero Carbon Approach

Climate change is one of the greatest challenges facing society today, with profound environmental, social and economic impacts being felt across the world.

With the built environment responsible for approximately 40% of global carbon emissions, it has a crucial part to play in the transition to net zero.

We recognise the significant risks that climate change poses and also real estate's role in driving the transition to a low-carbon economy, which is why we are committed to driving forward with the decarbonisation of our buildings. In doing so, we will future-proof our portfolio and deliver value to our investors.

Via Tornabuoni is a 5,287 sqm medieval building located in Florence, Italy. Tenants include Hotel Tridente and luxury retail brands Burberry, Tiffany and Omega. The fully refurbished asset is in progress to obtain a BREEAM In Use certificate and the landlord-controlled electricity has been converted to renewable energy sources.

Our progress so far

HECF has strong foundations to build on as we look to advance towards our net zero carbon goal. Sustainability is central to the Fund's investment strategy and ESG considerations are embedded into our investment process and across the property lifecycle.

We have a longstanding commitment to reducing carbon emissions and driving energy performance improvements across our portfolio. Advancing toward net zero carbon is the natural next step in our energy and carbon reduction efforts. Over the last few years, we have made strong progress in a number of areas which will support our transition to net zero:

Like-for-like landlord-controlled energy consumption and carbon emissions have reduced by 24.0% and 33.7% respectively (from a baseline year of 2016)

New 2030 energy and greenhouse gas emission intensity reduction targets were established. These targets were developed to provide a science-based trajectory in line with the Carbon Risk Real Estate Monitor (CRREM) tool.

Automatic utility monitoring technology (ZiggyTec) has been rolled out across the portfolio[7] to improve data coverage, quality and monitoring capabilities

Every one of our directly managed buildings, where HECF has landlord control over electricity, are on 100% renewable electricity contracts

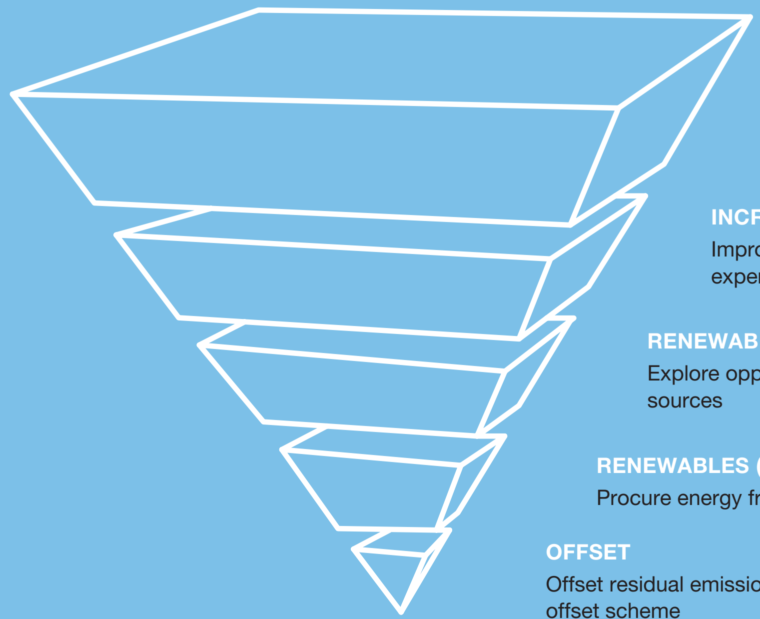
100% of the portfolio (by net lettable floor area) now holds or is on track to obtain a Green Building Certificate

Advancing our approach

In 2020, we commissioned an initial feasibility study to determine the optimal pathway to transition our portfolio towards net zero carbon. It revealed the scale of the challenge but also the opportunities available in moving towards net zero carbon.

To support progress towards our goal we are in the process of developing our roadmap which will set out our strategy including targets, milestones and reporting metrics. Our roadmap will follow the energy hierarchy and, in doing so, aims to deliver highly-energy efficient buildings that are, where feasible, fully powered from on-site and/or off-site renewable energy sources.

We also intend to develop asset-specific pathways and roadmaps to determine the specific interventions required to meet net zero carbon standards at each building, aligned to their business plan.



MINIMISE DEMAND
Optimisation of current building performance to reduce overall demand (e.g. reviewing half-hourly consumption data; running plant and equipment more efficiently)

INCREASE EFFICIENCY
Improve energy efficiency through major and minor capital expenditure works (e.g. replacing HVAC equipment, glazing)

RENEWABLES (ON-SITE)
Explore opportunities for installing on-site renewable energy sources

RENEWABLES (OFF-SITE)
Procure energy from off-site renewable sources

OFFSET
Offset residual emissions as a final step using a recognised and reputable offset scheme

125 Princes Street is a 3,567 sqm mixed-use, seven-storey retail and office building in the centre of Edinburgh, UK. Tenants include Urban Outfitters and the Royal Institute of Chartered Surveyors. The building has obtained a BREEAM In Use certificate and the landlord-controlled electricity has been converted to renewable energy sources.

Looking ahead - our next steps

We are focused on developing a comprehensive net zero carbon roadmap to support our progress. Reaching our target will require collaboration across the business and integration across all stages of decision making.

Our roadmap will continue to evolve over time and will be updated to align with emerging knowledge and industry best practice. The next decade of climate action is critical and we look forward to working with our key stakeholders to progress towards a net zero future together.

Environmental performance data[7,8,9]

Scope and methodology

HECF reports on environmental data where it has ‘operational control’ and where it acts as the landlord and is responsible for procuring utilities and/or waste management services for 2019 and 2020.

For electricity, this typically includes consumption in common areas and/or as part of a shared service (i.e. operation of central plant). Electricity procured directly by the tenant for any directly managed assets is excluded from the environmental data reported. For gas, district heating and water, reported data typically covers consumption across the whole building. The following assets fall within the scope of the reported like-for-like data:

Office: Eurosquare, Domkaskaden, Marienbogen, Atlas House, Noortse Bosch, Werthaus and Portland Towers

Retail: Via Torino and Schlossstrasse

Mixed-Use: Caleido, Princes Street and Chatham & King

Data has been adjusted to account for variables such as occupancy and external weather, and is reported on a like-for-like basis. Consumption figures in 2020 have not been adjusted to account for the impact of the COVID-19 pandemic.

2020 performance

Energy: Overall portfolio energy use has decreased from 2019 to 2020 by 15% on a like-for-like basis; electricity decreased by 23%, fuel consumption and district heating consumption decreased by 8% and 6% respectively.

Greenhouse gas (GHG) emissions: Like-for-like GHG emissions decreased by 18%.

Water: Like-for-like water consumption decreased by 27%.

Waste: Like-for-like total waste generated decreased by 24% and 100% of portfolio waste reported was diverted from landfill.

Our new targets

HECF has reduced landlord-controlled energy consumption by 24.0% on a like-for-like basis between the 2016 baseline and 2020, which was significantly ahead of the 10% reduction target set. In addition, GHG emissions decreased by 33.7% in the same period, ahead of the 8% reduction target.

Both of these targets were achieved and surpassed in just two years (at 31 December 2018), which was 50% of the planned time frame.

TARGET	BASELINE YEAR	TARGET YEAR	PERFORMANCE TO DATE (TO 31.12.20)[10, 11, 12]
8% reduction in landlord-controlled greenhouse gas emissions within the like-for-like portfolio	2016	2020	(33.7%)
10% reduction in landlord-controlled energy consumption wiithin the like-for-like portfolio	2016	2020	(24.0%)

New energy and greenhouse gas emission reduction targets were established for 2030 to supersede the 2020 targets. The 2030 targets were set using the Carbon Risk Real Estate Monitor tool and a ‘location-based’ approach as defined in the GHG Protocol. Performance against these science-based GHG emission intensity and energy intensity targets is summarised in the following table.

TARGET	REDUCTION REQUIRED TO ACHIEVE 2030 TARGET FROM A 2018 BASELINE YEAR[13, 14]	PROGRESS TOWARDS TARGET TO DATE (TO 30.12.20)[15, 16]	REDUCTION REMAINING TO ACHIEVE 2030 TARGET[15]
GHG gas emission intensity reduction target (‘location-based’ approach from a 2018 baseline year)	34%	(26%)	8%
Energy intensity reduction target (from a 2018 baseline year)	38%	(25%)	12%

Like-for-like 2016 - 2020

▼ **33.7%**

Reduction in green house gas emissions from the baseline of 2016, significantly outperforming the initial 8% reduction target originally set for 2020

Like-for-like 2019 - 2020

Energy consumption

▼ **15%** Energy consumption — **MWh** equivalent of: **168 homes per year**

Greenhouse gas emissions

▼ **18%** GHG emissions — **CO_2** equivalent of: **148 automobiles per year**

Water

▼ **27%** Water consumption — **m³** equivalent of: **5.9 Olympic swimming pools per year**

Waste

▼ **24%** Total waste generated — **tonnes** equivalent of: **12.7 truckloads per year**

Asset certifications

KØBMAGERGADE PORTFOLIO
Copenhagen, Denmark
Retail, Office
BREEAM®
In-Use Certificate

PORTLAND TOWERS
Copenhagen, Denmark
Office
BREEAM®
Construction/Fit-out Certificate

EUROSQUARE
St. Ouen, Paris, France
Office
HQE
In Use Certificate

DOMKASKADEN
Hamburg, Germany
Office
DGNB
In Use Certificate

MARIENBOGEN
Frankfurt, Germany
Office
DGNB
In Use Certificate

WERFTHAUS
Frankfurt, Germany
Office
DGNB
In Use Certificate

VIA CRESPI
Milan, Italy
Office
HQE
Construction

VIA TORINO
Milan, Italy
Retail, Office
BREEAM®
In Use Certificate

VIA TORNABUONI
Florence, Italy
Retail, Hotel
BREEAM®
Recertification of In Use Certificate scheduled after completion of works

ONLINE RETAILER DISTRIBUTION CENTRE
Wrocław, Poland
Logistics
BREEAM®
Construction Certificate

ARCS 10
Barcelona, Spain
Retail
BREEAM®
In Use Certificate

GRAN VIA 44
Madrid, Spain
Retail
BREEAM®
In Use Certificate

DNATA
Heathrow, London, UK
Logistics
BREEAM®
Construction Certificate

JLP ENFIELD
London, UK
Logistics
BREEAM®
Construction Certificate

THE MINT
Edinburgh, UK
Office, Retail
BREEAM®
Construction Certificate

ST. HONORE
Paris, France
Retail
BREEAM®
In Use Certificate

CALEIDO
Stuttgart, Germany
Office
DGNB
Construction/ Fit-out Certificate

CHATHAM & KING
Dublin, Ireland
Office, Retail
BREEAM®
In Use Certificate

GRAFTON COLLECTION
Dublin, Ireland
Retail
BREEAM®
In Use Certificate

NOORTSE BOSCH
Amsterdam, Netherlands
Office, Retail
BREEAM®
In Use Certificate

HEMA
Utrecht, Netherlands
Logistics
BREEAM®
In Use Certificate

VILLAVERDE
Madrid, Spain
Logistics
BREEAM®
In Use Certificate

ATLAS HOUSE
London, UK
Office
BREEAM®
In Use Certificate

PRINCES STREET
Edinburgh, UK
Office, Retail
BREEAM®
In Use Certificate

15 SUFFOLK STREET
London, UK
Office
BREEAM®
In Use Certificate

New assets. Certificates are in the process of being obtained.

MAXMOR HOUSE
Greater London, UK
Logistics
Targeting BREEAM in Use in 2021

7 SOHO SQUARE
London, UK
Office
Targeting BREEAM In Use in 2021

PONTKADE PHASE 3[16]
Amsterdam, Netherlands
Residential
Under construction

TRIKOTAGEPARKEN[17]
Copenhagen, Denmark
Residential
Under construction
Targeting Nordic Swan Ecolabel in Construction

19 BREEAM certified buildings

14 In-Use
5 Construction

4 DGNB certified buildings

2 Gold In-Use
1 Gold Construction
1 Silver In-Use

2 HQE certified buildings

1 In-Use
1 Construction

100% renewable energy

Every one of our directly managed buildings, 15[17] in all, where HECF has landlord control over electricity, are on 100% renewable electricity contracts. Further, there are two additional buildings where the Fund does not manage the energy contracts, which are also on renewable electricity contracts.

5

Five buildings have on site renewable energy systems: solar panels generating electricity at Maxmor House, the Grafton Collection and Villaverde, and solar thermal panels providing hot water at Caleido, Via Crespi and Villaverde.

Spotlight on Logistics

"During the past year, the role of warehouse has burst to the fore, to serve as an ad hoc hybrid of post-office, retail store, workplace and emergency depot. Now is the time to seize the opportunity to take a more holistic approach to all the components of ESG, and consider how they can be applied to all of the situations the sector faces."

Logan Smith
Head of Logistics & Industrial - Europe at Hines

ONLINE RETAILER DISTR. CENTRE
Wroclaw, Poland
Logistics

BREEAM®
Construction Certificate

DNATA
Heathrow, London, UK
Logistics

BREEAM®
Construction Certificate

HEMA
Utrecht, Netherlands
Logistics

BREEAM®
In Use Certificate

JLP ENFIELD
London, UK
Logistics

BREEAM®
Construction

MAXMOR
Dartford, UK
Logistics

Targeting BREEAM In Use Certificate in 2021

VILLAVERDE
Madrid, Spain
Logistics

BREEAM®
In Use Certificate

Sustainability Acquisition Checklists

Governance of ESG-related risks is embedded from the earliest stage of our investment life cycle. As part of the acquisition due diligence process, we assess current performance and improvement opportunities through our Sustainability Acquisition Checklist.

Sustainability Assessment and Action Plans

Once we acquire an asset, we put in place a Sustainability Assessment and Action Plan to drive further asset-level improvements and ensure the management of ESG-related risks. An important part of this is engaging with our customers to work together to improve the performance of the building and the impact it has.

Climate Risk Assessment

To ensure we future-proof all of our buildings in the portfolio we monitor and actively mitigate climate-related risk. All assets within the HECF portfolio have been recently assessed for their physical climate risk exposure, looking ahead to the 2030 - 2040 timeframe under the RCP 8.5%[18] scenario. The assessment utilised a data-driven Climate Risk Scoring Methodology through 'Four Twenty Seven'.

DNATA, Heathrow, London

There are 12 electric vehicle charging stations on site at DNATA to support the transition to electric mobility.

DNATA is also actively engaged in supporting the local community around the facility. It participates in various initiatives including being enrolled in the local apprenticeship scheme to provide employment opportunities, supporting the Ashford Youth Centre's Gold Duke of Edinburgh Scheme, organising collections for Stanwell Foodbank and supporting Charity Aviation Action.

JLP Enfield, Greater London

JLP Enfield achieved a BREEAM New Construction Very Good rating to certify the environmental credentials of its design. To support the energy-efficient design, a number of features are in place including all lighting being LEDs with sensors in place and efficient HVAC equipment.

Water efficiency is a key focus of the design. Rain water harvesting is in place, which is recycled and used for the toilets on site.

Maxmor

There is an on-site solar photovoltaic system installed at Maxmor, generating over 1,000 kWp, resulting in the site being a net exporter of electricity.

Community, People and Tenants

"Human experience and connections have proven to be vitally important and underpin all that we do. This is why well located, high quality destinations that are human centric, technology enabled, environmentally conscious and authentically woven into their social, civic and business communities will thrive well into the future."

Ronen Journo
Head of Management Services & Operations - Europe at Hines

A focus on people and the human impact of the built environment is integral to Hines. We have an enduring commitment to improving the built environment and contributing to the communities where we operate. We aim to create buildings that help people and places thrive, which is only possible through the efforts and determination of our teams across the company.

Now more than ever, creating value means providing safe, healthy places and communities for people to live, work, play and stay.

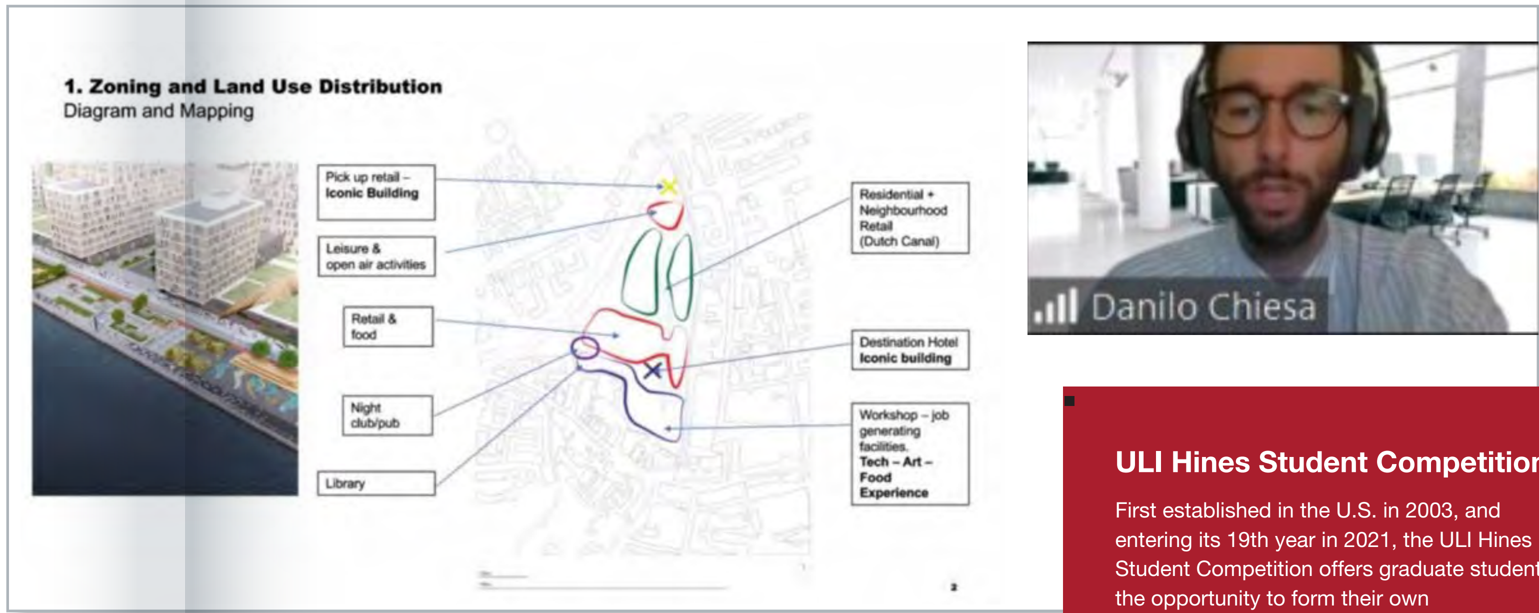
Highlights from 2020

Supporting the European Food Banks Federation

At the end of 2020, HECF made a donation equal to the costs saved on business travel and in-person meetings due to the pandemic to the European Food Banks Federation (FEBA).

FEBA is a non-profit organisation based in Brussels and the only social network in Europe totally focused on the reduction of food poverty through the fight against food waste. In supporting FEBA's activities, HECF hopes to contribute to the development of food banks throughout Europe and be able to re-distribute more meals to more deprived people.

Danilo Chiesa, student at the Politecnico di Milano, presenting the winning concept



2020 ULI Hines Student Competition Europe

The inaugural ULI Hines Student Competition Europe took place on 18 June 2020, due to the circumstances, in a virtual setting.

Working in teams of four, students were set the task of preparing a plan for a redevelopment of a fictional city centre location. It was a challenge which tested their understanding of the core components of real estate finance, investment and development, as well as social and environmental issues that impact decisions around land-use and sustainable development.

The competition was won by four students from Politecnico di Milano who beat off stiff competition from other teams from higher-education establishments across Europe, including the University of Cambridge, Technological University Dublin, London Business School, Polytechnic University of Milan, INSEAD graduate business school and the Technical University of Madrid.

The winners received a one year ULI membership and a fast-track to the Hines internship program.

ULI Hines Student Competition

First established in the U.S. in 2003, and entering its 19th year in 2021, the ULI Hines Student Competition offers graduate students the opportunity to form their own multidisciplinary teams and engage in a challenging exercise in responsible land use.

The competition is part of a joint ongoing effort to raise interest among young professionals, including MBA students, in creating better communities, improving development patterns, and increasing awareness of the need for multidisciplinary solutions to development and design challenges.

Gerald D. Hines created the competition with a generous endowment after he received the ULI Prize for Visionaries in Urban Development in 2002.

HECF in the community

Local partnerships

Hines has a track record of contributing to the improvement of the communities where we do business. HECF actively engages with a number of Business Improvement Districts (BIDs) to support improving the communities where our buildings are located.

Cultural enrichment

The Københavns City Centre (KCC) BID focuses on making central Copenhagen a lively place, providing frameworks for running business and creating cultural experiences. Representing over 250 members, KCC's goal is to develop neighbourhoods and the overall experience so that the city continues to be attractive for customers, businesses, culture and residents.

Community concerns

The Heart of London BID allows HECF to participate in securing the long-term wellbeing of the area.

Employment

The Cheapside BID enables the Fund to take part in a local employment programme that organised skills training for more than 120 people.

Health and wellbeing

Belonging to the Cheapside BID enables HECF to support green initiatives, such as celebrating Air Quality Day and lunchtime e-bike events.

Safer local communities

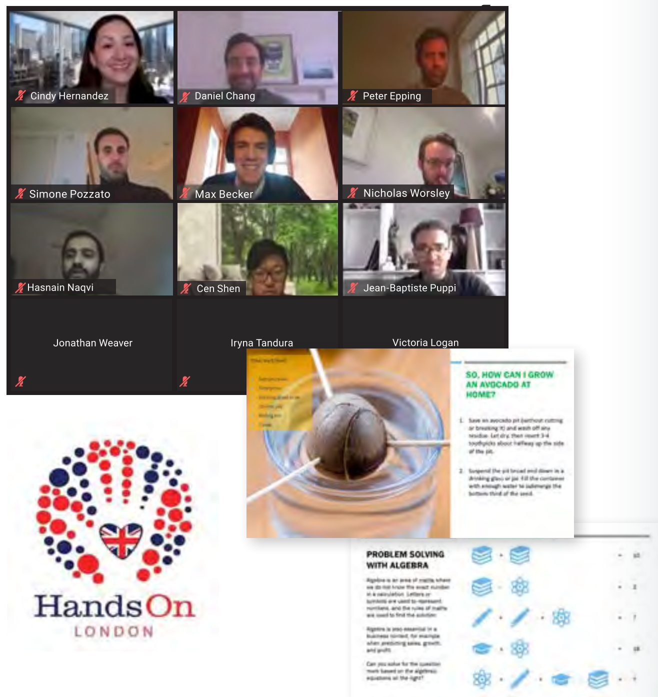
As a part of the We Are Dublin Town BID, HECF helps to make Dublin a safer place to work, shop and live.

STEM booklets for school children

In December 2020, the HECF management team and other members of Hines' investment management team worked with HandsOn London, a UK charity providing volunteering opportunities across London, to produce STEM educational activity booklets for the sustainable food charity Good Food Matters.

Held during lockdown in London, a HandsOn London session was hosted via Zoom. The team created two booklets with hands-on activities for children including making a plastic bottle thermometer, building bridges using everyday materials, science experiments, learning morse code, maths puzzles and more. It was good fun and the team enjoyed the opportunity to flex their creative muscles.

The booklets were distributed through the charity as a fun resource to children from low income families who rarely have access to this type of resource. We hope the children had as much fun doing the activities as we had creating the booklets!



Our tenants

Hines Green Office Tenant Programme

The Hines GREEN OFFICE Tenant Programme is a voluntary scheme to encourage sustainability. It is designed to help tenants improve how they operate their spaces and have a positive impact on the environment, health and wellbeing of employees.

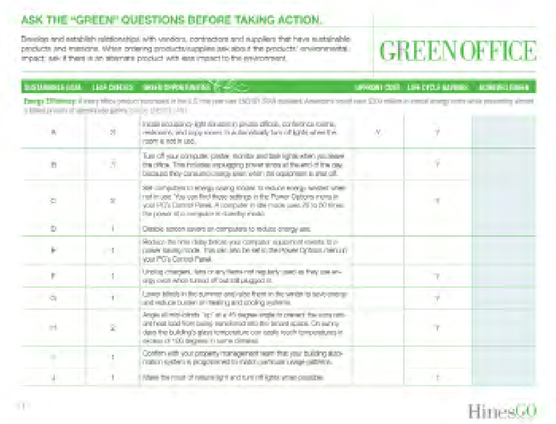
It aims to help tenants and their employees set sustainability-related goals and improve performance in their leased spaces as well as in the building.

HECF has shared the programme guide with tenants and laid on training sessions so it can be adopted and implemented successfully.

The Fund has also been working on the Hines GREEN RETAIL Tenant Programme guide to engage positively with retail tenants and assist them with sustainability goals.

HinesGO GREEN OFFICE

HinesGR GREEN RETAIL



Christmas toy drive at Eurosquare, Paris

A tenants' Christmas toy drive for the benefit of the Secours Poulaire Francais, a charity that distributes new toys to the children of families in difficulty, was held in early December 2020 at the HECF-owned Eurosquare building in St. Ouen, Paris.

The much loved and well-attended annual event was held with a slight difference this year, putting everyone's health and safety first and following the COVID-19 protocols in place at the building. In addition to dropping toys off at the building, the charity partnered with an online retailer so that tenants, including those working from home, were able to make a donation to this worthy cause.

The toy drive was a great success and sure to guarantee some children a very happy Christmas. We thank the tenants of Eurosquare for their generosity!

Q&A with the team behind the Hines European Core Fund's ESG achievements

2020 has been a challenging year for the HECF, as it has for real estate everywhere. Our dedicated teams of experts rose to overcome any obstacles and continued to seek out opportunities to improve our ESG initiatives. We asked some of our ESG champions to comment on these initiatives.

Luis Jaime de Antonio is a Director of Asset Management in our Barcelona office

Luis, how has COVID-19 impacted your delivery of property/facility management and health, safety and wellbeing considerations?

COVID-19 has been a challenge on construction sites as social distancing needs to be adhered to at all times. For example, planning is key to ensure contractors are staggered during the days on site, to avert the amalgamation of large groups of people at any one time.

In addition, the role of health and safety officers on site has become more prominent and facility managers have upped the ante in terms of an increasing focus on wellbeing with more stringent cleaning regimes introduced to ensure all sites remain COVID-19 compliant and secure.

One positive is that digital technology has supported these efforts. One example is calling an elevator using QR codes via your mobile phone, ensuring less touch points on the site itself.

Ulrike Dreykluft is a Technical Operations Manager working from our Berlin office

Ulrike, in your opinion, what is the role of real estate in placemaking and community?

By developing and operating buildings we create spaces with a specific purpose such as office, retail or living. Furthermore our goal is to create areas which provide a purpose – to local workers, consumers and visitors alike.

This includes all public spaces, indoor and outdoor. This approach is also part of our ESG strategy.

Domkaskaden in Hamburg is a fantastic example where the management team has worked continuously to create purposeful spaces for tenants, visitors and the wider community. Some of the efforts focus on the specifics of the building, such as efficient and sustainable operation (energy and waste management, efficient lighting, green energy). But the approach goes further. Domkaskaden is also part of a Business Improvement District (BID) HECF partners with to actively contribute to improving the quality of the public spaces with a safe, clean and well-managed district to draw occupiers and visitors alike. Therefore Domkaskaden continues to attract companies and operators keen to place their business in an environment where people and talent want to be.

Colin Kelly is a Director of Technical Operations operating across Europe out of our Dublin office

Colin, what role do you see technology and innovation taking in sustainable asset and property management?

Technology and innovation play a critical role in helping our asset and property teams understand how our assets operate. Only when we have this understanding, can changes be made to improve operational efficiency and increase sustainable practices.

An illustration of this is the use of the latest sensor-driven technology within which we can extract and measure utility data in real-time, enabling HECF to monitor energy levels across its portfolio in a sustainable and cost-effective way.

Alexandra Nikitine is a Director Asset Management in our Paris office

Alexandra, how are you working to actively reduce carbon emissions and energy consumption in the HECF portfolio?

We are committed to reducing energy consumption and carbon emissions across our portfolio. While regulation has come in, which is a good thing, we are ahead of the curve as ESG has always been embedded into Hines' strategy and ethos. By way of example, we have a clear action plan for the 15,400 sqm office at Eurosquare in Paris to reduce consumption by 5% year-on-year but we intend to do much more. By 2030, our aim is to reduce consumption

by 40%. To do this, we are carrying out a number of measures including renovation, installing LEDs, maintaining and improving the HVAC equipment and working hand in glove with our property and facility managers on site to positively change occupiers' habits to reduce emissions.

Fiona Hipkiss is Chief Compliance Officer based in our London office

Fiona, how do you see regulation influencing the industry with ESG performance?

The spotlight on ESG from investors, occupiers, employees and wider society means that regulation in this area is expected to catapult up the agenda, and rightly so.

With the increasing investor focus on ESG, it is interesting to see the evolving European regulatory agenda including the Sustainable Finance Disclosure Regulation. Disclosure and transparency will be important to drive progress, with the regulation aiming to put a framework in place to allow consumers to compare apples to apples and therefore prevent greenwashing.

Of course there is a risk, as with most regulation, that firms look to tick boxes without meaningful change. However, at Hines and our European Core Fund we have always felt a responsibility to the future and are committed to ESG management because we believe it supports investment performance and society at large.

Ivan Harrison is a Director of Asset Management in our London office and manages HECF's UK assets

Ivan, how can we improve our social impact in a business context while still meeting our financial obligations?

Hines UK, through its new ESG committee headed up by Alexandra Gumuchian, has this year become a member of Social Enterprise UK, a leading authority and the largest network of social enterprises in the UK. Social Enterprise UK promotes non-for-profit, community engaging, social and environmental focused organisations. We recognise the growing importance of ESG to our investors, but also to Hines as an organisation and its employees.

Social Enterprise UK
Certified Member

We have targeted spending £100,000 in 2021 through social enterprises – through the services we adopt in our Hines London head office, and through the procurement of services at the properties we manage. This represents 0.5% of our operational spend per annum, so a conservative target for the first year, but one that we will build on in future years.

Disclosure

The UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are a collection of 17 interlinked global goals designed to be a blueprint to achieve a better and more sustainable future for all. They aim to address the global challenges we face today including poverty, climate change and environmental degradation. We support the ambitious vision of the SDGs and are committed to playing our part to help deliver the goals. We have mapped the focus of our ESG strategy to the UN SDGs to identify the ways in which we can contribute to their achievement. In doing so, we have identified 10 goals as the most material for our business and where we can make the greatest contribution.

We are committed to designing and managing buildings that support and enhance occupiers' health and wellbeing. We ensure this through obtaining in-use sustainability certificates for our buildings and including health and wellbeing requirements in our property management agreements. In addition, the health, safety and wellbeing of all Hines employees is of paramount important to us. Hines employees are our most valuable asset, and we do our best to provide a work environment and career experience that supports them and enables them to thrive.

Offering educational opportunities for our industry's future leaders is a focus for Hines. As part of our work with the Urban Land Institute (ULI), we pledged an endowment to establish the ULI Hines Student Competition in 2002. The competition aims to raise interest among young people in creating better communities, improving development patterns, and increasing awareness of the need for multidisciplinary solutions to development and design challenges. We also have a number of programmes, resources, and educational opportunities to help support our employees at all stages of their career growth.

We are dedicated to attracting, developing and promoting a talented and diverse workforce. Our 'OneHines' initiative supports an inclusive culture in which all Hines employees feel valued and have equal opportunity to achieve their maximum potential. We believe a more diverse company is a better company. We have therefore made a concerted effort to increase gender diversity in our workforce and have set goals for continued improvement. Hines also partners with various organisations to help promote women in business including the Forté Foundation and the ULI Women's Leadership Initiative.

We are committed to procuring 100% renewable electricity across all landlord-controlled contracts in our portfolio. In addition, we are engaging with our tenants to support their transition to renewable contracts. We are also actively exploring opportunities to incorporate on-site renewable energy generation and low carbon technologies in our buildings.

We have a comprehensive set of procedures in place to promote labour rights and ensure safe and secure working environments. These are underpinned by our Human Rights policy and the Hines Code of Conduct which outlines our requirements to conduct business in accordance with the highest of ethical standards.

Our ESG strategy drives innovation at Hines, providing a platform for us to engage and collaborate with like-minded partners. Our focus on sustainable building design and operation means we are committed to adopting and deploying technologies that assist in future-proofing our portfolio.

We aim for our buildings to contribute to the fabric of sustainable cities and communities. At Hines, we strive to improve the built environment for people by creating, managing, and investing in buildings that enhance the communities in which we operate. We achieve this in a number of ways including actively participating in Business Improvement Districts (BIDs), providing spaces in and around our buildings that support local communities and supporting a number of local charity initiatives.

Responsible consumption and production underpins our approach to developing and operating buildings. We are committed to operating buildings efficiently and have a comprehensive set of ESG requirements. We also work with our tenants to reduce the environmental impact of our buildings and provide support through the Hines Green Office and Green Retail guides as well as in our Sustainability Fit-Out guide.

We are committed to playing our part and reducing the carbon footprint of our portfolio. The Fund has set ambitious energy and carbon reduction intensity targets. In order to better understand and adapt to the impacts of climate change, we have also carried out a portfolio climate risk assessment which has been used to embed climate resilience into our wider risk management strategy and processes.

Collaboration is critical in achieving the SDGs and is central to maximising the impact of our ESG strategy. We have a Stakeholder Engagement policy in place and aim to work closely with our key stakeholders including our occupiers, supply chain partners, local communities and investors to deliver enhanced ESG outcomes. To support this, we also participate in a number of industry bodies and initiatives such as GRESB and the WELL Living Lab aimed at fostering collaboration and positively influencing the real estate industry towards a sustainable future.

Task Force on Climate Related Financial Disclosure (TCFD)

HECF is working to implement the recommendations of the TCFD to better understand and manage the Fund's climate-related risks and opportunities, and to ultimately disclose them to investors in a transparent manner. In 2019, we completed a gap analysis to identify alignment with TCFD, and throughout 2020 progressed to improve alignment.

As policy guidance around assessing and disclosing the material financial impacts of climate-related issues develop, HECF will further integrate these best practices into reporting and decision-making processes to further increase alignment with TCFD. We are developing our approach around the four sections as framed by TCFD recommendations: Governance, Strategy, Risk Management, and Metrics and Targets.

To inform our approach, all assets within our portfolio have been assessed for physical climate risk exposure, looking ahead to the 2030 – 2040 timeframe under the RCP 8.5 scenario. As part of the assessment, risk levels were scored for six climate hazards comprising of 21 underlying risk indicators.

HECF has also assessed climate-related transition risks using low carbon transition scenario analysis through CRREM to identify those assets most exposed to "stranding risks" in both 2°C and 1.5°C policy scenarios from 2020 to 2050. HECF's 2030 science-based GHG emissions and energy intensity targets and the fund-level aim of net zero operational carbon emissions contribute to the mitigation and management of identified transition risks.

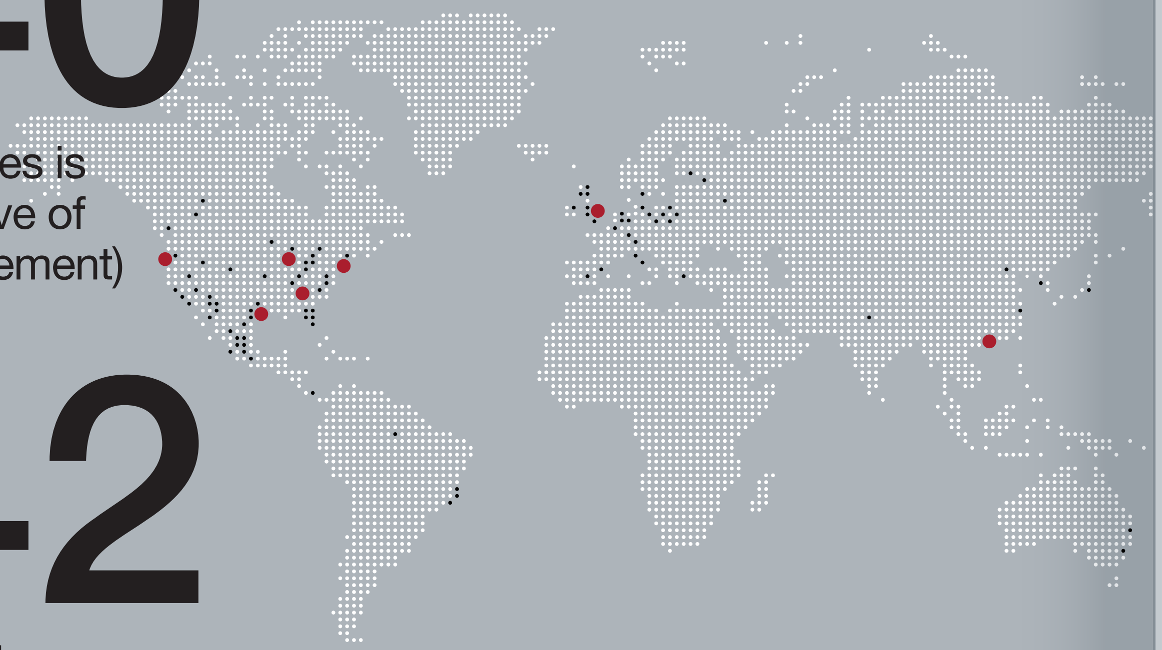
Acquisition decisions are informed by climate resilience considerations included in the due diligence process. These are used to inform business and ESG plans during asset management. On an ongoing basis, climate-related issues are reviewed and monitored through asset risk assessments, technical/energy audits and asset-level Sustainability Assessment and Action Plans (SAAPs).

Evolving our approach in line with emerging industry best practice is crucial to ensure the sustained oversight and suitable management of exposure to material risks, in conjunction with identifying opportunities, across the investment life cycle and delivering resilient long-term returns.

Our Firm

240

cities where Hines is located (exclusive of facilities management)



442

cities with facilities management assignments

27

countries

Australia	Finland	Ireland	Panama	United Arab Emirates
Austria	France	Italy	Poland	United Kingdom
Brazil	Germany	Japan	Russia	United States
Canada	Greece	Luxembourg	Singapore	
China	Hong Kong	Mexico	South Korea	
Denmark	India	Netherlands	Spain	

TOTAL ASSETS UNDER MANAGEMENT[19]

€131.1 B

€66.6 B

for which Hines serves as an investment manager, including non-real estate assets

€64.5 B

for which Hines provides third-party property-level services

DEVELOPMENTS WORLDWIDE

181

projects currently underway, 8.1 M sqm

920

completed projects, 25.2 M sqm

PROPERTY AND ASSET MANAGEMENT

622

properties, 23.9 M sqm

The Hines Guiding Principles

1
The Hines standard represents the global real estate benchmark for value creation, integrity, service, and quality for all clients.

2
All Hines products and services are of the highest standard as appropriate for the mission.

3
The Hines employee is the greatest example of the Hines standard and the company's most valuable asset.

4
Hines is committed to fostering an inclusive culture where diversity is respected and valued.

5
We will continually strive to be the industry leader in sustainability and the premier real estate company in the world.

Operating with Integrity

Hines is dedicated to conducting business in accordance with the highest ethical standards and to following the letter and sprit of the laws and regulations applicable to our business.

We encourage and expect our employees, shareholders, and business partners to report conduct they believe to be unethical or in violation of the law, our code of conduct, or Hines policies and principles.

EthicsPoint enables individuals to anonymously and confidentially report actual or suspected violations by phone 1-866-384-4277 or online, at ethicspoint.com.

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COMPLIANCE AND METHODOLOGY

Reporting standard - INREV compliance

The HECF sustainability strategy and key environmental performance data (e.g. energy and water consumption) in this report have been compiled in line with the INREV Sustainability Reporting Guidelines. As permitted by the guidelines, environmental data is developed and presented in line with GRESB.

HECF has reported environmental data where it has 'operational control' and where, acting as landlord, it was responsible for procuring utilities and/or waste management services. This scope applies to 'directly managed' (multi-let) assets, where HECF has the authority to introduce and implement operating policies. The reporting process has been supported by the sustainability consultancy firm EVORA, using a proprietary sustainability software tool, SIERA. HECF also commissioned Ernst & Young S.A. (EY), who undertook a limited assurance engagement of reported environmental data.

This report is a snapshot of the Hines European Core Fund as of 31 December 2020. For a comprehensive disclosure of INREV compliant sustainability data, please refer to the Hines European Core Fund's full Annual Report audited by Ernst & Young. This is available upon request from Daniel Chang at daniel.chang@hines.com.

Methodology

Like-for-like energy, water and greenhouse gas (GHG) emissions performance compares consumption and emissions data of assets held in both 2019 and 2020, excluding any assets held for less than 24 months, or assets that underwent major refurbishment during this time. Like-for-like performance data have been normalised to remove the impact of external factors on consumption, where relevant. Normalisation for external factors has considered occupancy changes and weather patterns (through reference to 'heating degree days'). Only gas, district heating (and, for one asset, electricity) and related GHG were normalised for degree days. Degree-day information has been sourced from www.degreedays.net using the closest weather station to each asset.

Normalisation adjustments for occupancy and weather patterns are standard practice in sustainability reporting; however, we acknowledge that a linear approach – including the one applied here – does not reflect the true relationship between these external factors and building operation. Clearly, all buildings and tenants are different and blanket assumptions such as those applied here have a limited ability to reflect all such nuances. In future, we intend to engage directly with this sector-wide issue and to explore a more sophisticated approach for reporting. To pursue this goal, we will complete our own internal investigations and engage with external parties and industry associations, as appropriate.

SUSTAINABLE FINANCE DISCLOSURES REGULATION (SFDR)

The HECF PPM has been updated to ensure compliance with article 6 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, namely by setting out (1) how sustainability risks are integrated into Hines investment decision-making in respect of HECF and (2) the likely impact of sustainability risks on the returns of HECF.

ENDNOTES

1 Includes both the global Hines organization as well as RIA AUM as of 31 December 2020.

2 Portfolio country and sector allocations based on gross asset value.

3 Income and Appreciation Returns are compounded separately and therefore, at times, do not sum exactly to the Net Total Return. Past performance cannot guarantee future results.

4 Income Returns are calculated at year-end based on the Modified Dietz Methodology. Past performance cannot guarantee future results.

5 Both market indices represent fund level returns of a peer group of core funds investing across Europe. The INREV index is annualized based on quarterly performance.

6 Except for one full repairing and insuring lease (RR) asset where AMR Technology was already in place.

7 Like-for-like data and intensity analysis compares the performance of assets held in 2019 and 2020, excluding any assets held for less than 24 months, or assets that underwent major refurbishment. For this reporting year three assets were excluded from the like-for-like portfolio, these were Schlossstrasse, Werfthaus and Portland Towers. These sites were excluded as they were either sold or purchased part-way through the period.

8 Like-for-like and intensity analysis data have been normalized to remove the impact of external factors on consumption, as relevant. Normalization for external factors has considered occupancy changes and weather patterns (and therefore heat demand).

Occupancy: Energy and water consumption and GHG emissions have been uplifted or lowered by the relative percentage difference in occupancy between the two reporting years, where relevant.

Weather patterns: Energy consumed for space heating (i.e. gas/district heating and for one asset electricity) and related GHG emissions have been uplifted or lowered through the application the 'average number of degree days over the past 5-years' to 'number of degree days in the reporting year' ratio (in each reporting year). Degree day information has been sourced from www.degreedays.net using the closest weather station to each asset.

9 Normalization adjustments for occupancy and weather patterns are standard practice in sustainability reporting; however, we acknowledge that a linear approach - including the ones applied - here do not reflect the true relationship between these external factors and building operation. Clearly, all buildings and tenants are different and blanket assumptions such as those applied here are limited in their ability to reflect all such nuances.

10 There are three buildings within the HECF energy and greenhouse gas emission target 'like for like' portfolio (namely Caleido, Princes Street, and Atlas House). This portfolio excludes buildings that have been bought, sold or subjected to major refurbishment during the reporting period (2016 to 2020, namely Torino, Metropolitan, Schlossstrasse, Noortse Bosch, Chatham & King, Werfthaus, Portland Towers) and/or where occupancy has fluctuated more than 25% (namely Eurosquare, Domkaskaden and Marienbogen).

11 Adjustments to consumption data have been made to account for variables such as occupancy changes and/ or external weather conditions (degree days). Occupancy has been adjusted based on percentage point of difference in occupancy between 2016 and 2020. Gas and district heating data has been adjusted for degree days.

12 Consumption figures in 2020 have not been adjusted to account for the impact of the COVID-19 pandemic.

13 These targets were developed in line with the Carbon Risk Real Estate Monitor (CRREM) tool. This tool seeks to convert internationally agreed climate change mitigation goals (e.g. Paris Agreement) into a portfolio-level energy and emission intensity reduction trajectory through to 2050 and to provide interim targets (i.e. 2030). In defining the trajectory, the CRREM tool takes into consideration the relative reduction potential of different building types and locations. As a result, changes to the fund composition through building acquisitions and disposals will trigger a recalculation of the energy reduction trajectory to 2050, as well as the interim targets. The above targets have been recalculated in 2021 to account for changes in the fund composition (namely the disposal of Schlossstrasse) and to align with the latest carbon intensity target data released by CRREM in August of 2020.

14 The current scope of these targets are buildings where the Fund procures energy for at least shared services (common parts and central plant), if not the entire building. These targets are based on whole building data and thus assets need to have been held for a sufficient period of time to enable the collection of landlord and tenant data before they can be incorporated, typically 24 months. There are nine assets included in the above figures (namely Atlas House, Caleido, Chatham & King, Domkaskaden, Eurosquare, Marienbogen, Noortse Bosch, Princes Street and Via Torino).

15 Consumption figures in 2020 have not been adjusted to account for the impact of the COVID-19 pandemic.

16 Pontkade Phase 3 and Trikotageparken are two residential forward-funding projects currently under construction which HECF has commited to acquire upon completion in Q3 2022 and Q4 2021 respectiively.

17 Base building electricity where directly controlled by the landlord. Atlas House and Princes Street have contracted 100% renewable electricity from October 2020.

18 Representative Concentration Pathway (RCP) 8.5 corresponds to a high greenhouse gas emissions pathway that does not include any specific climate mitigation target, referred to as the 'business as usual' scenario. Iti s assoicated with an eventual 4 degree C or greater temperature rise scenario..

19 Includes both the global Hines organisation as ell as RIA AUM as of 31 December 2020.

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