Hines

2020

Hines European Core Fund
ESG Review
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.

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.

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 management1 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.

- Safety 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 volunteering, 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.
- 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.

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 MUIJLWIJK
SENIOR INVESTMENT MANAGER – CONTINENTAL EUROPE
CBRE GLOBAL INVESTMENT PARTNERS
Hines European Core Fund as of 31 December 2020

29 assets
16 cities
9 countries

Asset locations and Hines offices

European offices + HECF asset(s)

Total Assets Under Management

€2.05 B

Number of Assets
Occupancy
29
98.1%

Total assets under management breakdown:

- Residential: 3.7%
- Retail: 27.6%
- Logistics: 17.3%
- Office: 40.8%
- Hotel: 17.1%

Geographic breakdown:

- UK: 19.6%
- Germany: 18.8%
- Netherlands: 13.0%
- France: 12.2%
- Italy: 10.0%
- Denmark: 8.4%
- Ireland: 7.2%
- Poland: 5.4%
- Spain: 5.3%

Additional cities and countries:

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.

**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 deliver on our investors’ ambitions of growing our portfolio of future-proofed assets where value and returns are aligned with environmental performance.

**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**

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</thead>
<tbody>
<tr>
<td>Income Return</td>
<td>3.2%</td>
<td>3.2%</td>
<td>3.4%</td>
<td>4.2%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Appreciation Return</td>
<td>(5.9)%</td>
<td>1.0%</td>
<td>1.9%</td>
<td>1.8%</td>
<td>(2.5)%</td>
</tr>
<tr>
<td>Net Total Return</td>
<td>(2.7)%</td>
<td>4.2%</td>
<td>5.3%</td>
<td>6.0%</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

**MARKET INDICES (net total returns)**

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</thead>
<tbody>
<tr>
<td>IPD pEPI Balanced Funds</td>
<td>-%</td>
<td>4.1%</td>
<td>4.9%</td>
<td>4.3%</td>
<td>1.6%</td>
</tr>
<tr>
<td>INREV Index</td>
<td>0.1%</td>
<td>4.7%</td>
<td>5.4%</td>
<td>5.0%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>
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.
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.

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.

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.

2018
HECF is awarded GRESB Sector Leader for the second year running in its peer group in Europe, and first in the Global Diversified Funds category.
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.

2019
The Fund also ranks first globally in the Health & Wellbeing and Resilience modules.

2020
HECF is awarded GRESB Sector Leader for the fourth year running in its Diversified Office/Retail category.

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

Investment Award for the best performing pan-European balanced fund.

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

MSCI

The Fund is recognised as one of the best performing funds, achieving the MSCI European Property

HCF obtains its second green loan with ING.

HECF ESG Working Group established to advance the Fund’s ESG strategy and programme.
2020 goal outcomes

<table>
<thead>
<tr>
<th>Focus area</th>
<th>2020 Objectives/Targets</th>
<th>Progress</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental performance</td>
<td>• Obtain, manage and monitor utility data (including energy, water and waste) on a quarterly basis.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td></td>
<td>• Maintain 100% diversion of waste from landfill for landlord-managed waste.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td></td>
<td>• Progress toward energy reduction target of 10% and emissions target of 8% of landlord-controlled areas by 2020 from a baseline year of 2016.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Net Zero carbon</td>
<td>• Carry out a net zero carbon feasibility study to assess the optional pathway to reduce emissions.</td>
<td>100%</td>
<td>Achieved. Presented and agreed with investors.</td>
</tr>
<tr>
<td>Renewable energy</td>
<td>• Seek to progress towards 100% renewable energy for all landlord-procured electricity.</td>
<td>100%</td>
<td>Achieved. All landlord-procured electricity is now on green tariffs, an improvement of 10%.</td>
</tr>
<tr>
<td>Building certification</td>
<td>• Seek to ensure that all of assets have a valid Energy Performance Certificate or equivalent rating.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td></td>
<td>• Obtain green building certificates across the portfolio (DGNB, BREEAM In Use or Construction).</td>
<td>100%</td>
<td>Achieved. 100% of the portfolio (by net lettable floor area now holds or is on track to obtain a certification following a recent acquisition.</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>• Engage stakeholders to gauge their satisfaction and interest in ESG.</td>
<td>100%</td>
<td>Achieved. Tenant survey conducted in 2019 and stakeholder engagement was undertaken in 2020.</td>
</tr>
<tr>
<td>Tenants</td>
<td>• Engage tenants on ESG matters.</td>
<td>100%</td>
<td>Achieved. Sustainability Fit-Out Guide shared, Hines Green Office/Retail programmes rolled out and green lease clauses continue to be included in tenancy agreements.</td>
</tr>
<tr>
<td>Employees</td>
<td>• Continue to embed ESG objectives within performance reviews for the HECF investment management team.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td></td>
<td>• Deliver an ESG focused training session to the HECF management team and local asset managers.</td>
<td>100%</td>
<td>Achieved. Employee ESG training was provided for the entire HECF investment management team.</td>
</tr>
<tr>
<td>Community</td>
<td>• Continue to fulfils numerous ESG-related community engagement initiatives within the locality of assets, wherever feasible.</td>
<td>100%</td>
<td>Achieved. At the asset level, key initiatives included memberships with Business Improvement Districts, supporting local charities and participation in community events.</td>
</tr>
<tr>
<td>GRESB</td>
<td>• Continue to participate in the GRESB survey.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Climate risk and resilience</td>
<td>• Seek to progress toward alignment with Task Force on Climate-related Financial Disclosures (TCFD) recommendations.</td>
<td>100%</td>
<td>Progressed with recommendations from the TCFD gap analysis towards further alignment.</td>
</tr>
<tr>
<td>Acquisition due diligence</td>
<td>• Continue to complete the Sustainability Acquisition Due Diligence checklist for 100% of new acquisitions.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Asset-level plans</td>
<td>• Maintain Sustainability Assessment and Action Plans (SAAPs) for all assets.</td>
<td>100%</td>
<td>Achieved. 100% of assets have SAAPs in place, which were updated to enhance the process for identification and implementation of opportunities.</td>
</tr>
<tr>
<td></td>
<td>• Continue to incorporate opportunities for improving ESG performance within asset business plans.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
</tbody>
</table>

2021 objectives

<table>
<thead>
<tr>
<th>Focus area</th>
<th>2021 Objectives/Targets</th>
<th>Progress</th>
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</thead>
<tbody>
<tr>
<td>Environmental performance</td>
<td>• Obtain, manage and monitor utility data (including energy, water and waste) on a quarterly basis.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td></td>
<td>• Continue to roll-out automatic utilities monitoring technology across existing assets and new acquisitions.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td></td>
<td>• Continue to maintain 100% diversion of waste from landfill for landlord-managed waste.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td></td>
<td>• 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.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Net Zero carbon</td>
<td>• Develop a comprehensive strategy and work towards the fund-level aim of net zero operational carbon emissions (for Scopes 1 and 2) by 2050.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Renewable energy</td>
<td>• Maintain 100% renewable energy for all landlord-procured electricity and support tenants in the transition to procurement of green tariffs wherever possible.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Building certification</td>
<td>• Seek to ensure that 100% of assets have a valid EPC or equivalent rating.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Stakeholder engagement</td>
<td>• Continue to engage stakeholders to gauge their satisfaction and interest in ESG.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Tenants</td>
<td>• Continue to advance tenant engagement on ESG matters.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Employees</td>
<td>• Continue to embed ESG objectives within performance reviews for the HECF investment management team, where appropriate.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td></td>
<td>• Continue to deliver sustainability focused training sessions to the HECF management team, local asset managers and property managers.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Community</td>
<td>• 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.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>GRESB</td>
<td>• 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.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Climate risk and resilience</td>
<td>• Seek to further embed climate change adaptation/resilience related risks, such as transition and physical risks, into wider risk management strategies and acquisition processes.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Acquisition due diligence</td>
<td>• Continue to complete the Sustainability Acquisition Due Diligence checklist for all new acquisitions.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
<tr>
<td>Asset-level plans</td>
<td>• Continue to incorporate opportunities for improving ESG performance within asset business plans and maintain SAAPs for 100% of assets.</td>
<td>100%</td>
<td>Achieved.</td>
</tr>
</tbody>
</table>
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.

“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 transitioned 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.

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**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.

**Ratings of HECF’s 2020 GRESB Peer Group**

- **SECTOR LEADER**
  - **1st** DIVERSIFIED OFFICE/RETAIL | CORE IN EUROPE
  - Out of 47 entries
  - **5 out of 5 stars** 2020

- **RANKED**
  - **1st** GLOBAL RESILIENCE MODULE
  - Out of 411 entries
  - **95 out of 100** (peer group average was 72 out of 100)

- **RANKED**
  - **1st** GLOBAL DIVERSIFIED OFFICE/RETAIL/ NON-LISTED CORE FUND
  - Out of 88 entries
  - **5 out of 5 stars** 2020

**OBTAINED**

- **5 out of 5 stars** 2020

**RECEIVED A SCORE OF**

- **5 out of 5 stars** 2020

**AWARDED**

- **SECTOR LEADER**
  - DIVERSIFIED OFFICE/RETAIL | CORE IN EUROPE
  - Out of 47 entries
  - **5 out of 5 stars** 2020

- **RANKED**
  - GLOBAL RESILIENCE MODULE
  - Out of 411 entries
  - **95 out of 100** (peer group average was 72 out of 100)

- **RANKED**
  - GLOBAL DIVERSIFIED OFFICE/RETAIL/ NON-LISTED CORE FUND
  - Out of 88 entries
  - **5 out of 5 stars** 2020
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 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.

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

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

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.

<table>
<thead>
<tr>
<th>TARGET</th>
<th>BASELINE YEAR</th>
<th>TARGET YEAR</th>
<th>PERFORMANCE TO DATE (TO 31.12.20)** **</th>
</tr>
</thead>
<tbody>
<tr>
<td>8% reduction in landlord-controlled greenhouse gas emissions within the like-for-like portfolio</td>
<td>2016</td>
<td>2020</td>
<td>(33.7%)</td>
</tr>
<tr>
<td>10% reduction in landlord-controlled energy consumption within the like-for-like portfolio</td>
<td>2016</td>
<td>2020</td>
<td>(24.0%)</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>TARGET</th>
<th>REDUCTION REQUIRED TO ACHIEVE 2030 TARGET FROM A 2018 BASELINE YEAR** **</th>
<th>PROGRESS TOWARDS TARGET TO DATE (TO 31.12.20)** **</th>
<th>REDUCTION REMAINING TO ACHIEVE 2030 TARGET** **</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG gas emission intensity reduction target (‘location-based’ approach from a 2018 baseline year)</td>
<td>34%</td>
<td>(26%)</td>
<td>8%</td>
</tr>
<tr>
<td>Energy intensity reduction target (from a 2018 baseline year)</td>
<td>38%</td>
<td>(25%)</td>
<td>12%</td>
</tr>
</tbody>
</table>

Like-for-like 2016 - 2020

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

<table>
<thead>
<tr>
<th>Like-for-like 2019 - 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy consumption</td>
</tr>
<tr>
<td>▼ 15% ** ** MWh equivalent of: 168 homes per year</td>
</tr>
<tr>
<td>Greenhouse gas emissions</td>
</tr>
<tr>
<td>▼ 18% ** ** CO₂ equivalent of: 148 automobiles per year</td>
</tr>
<tr>
<td>Water</td>
</tr>
<tr>
<td>▼ 27% ** ** m³ equivalent of: 5.9 Olympic swimming pools per year</td>
</tr>
<tr>
<td>Waste</td>
</tr>
<tr>
<td>▼ 24% ** ** tonnes equivalent of: 12.7 truckloads per year</td>
</tr>
</tbody>
</table>
Asset certifications

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

<table>
<thead>
<tr>
<th>Building</th>
<th>Location</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>MAXMOR HOUSE</td>
<td>Greater London, UK</td>
<td>Logistics</td>
</tr>
<tr>
<td>7 SOHO SQUARE</td>
<td>London, UK</td>
<td>Office</td>
</tr>
<tr>
<td>PONTNADE PHASE 3®</td>
<td>Amsterdam, Netherlands</td>
<td>Residential</td>
</tr>
<tr>
<td>TRIKOTAGEPARKEN11</td>
<td>Copenhagen, Denmark</td>
<td>Residential</td>
</tr>
</tbody>
</table>

Every one of our directly managed buildings, 1517 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.

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.

Five buildings with HQE certification.

Five buildings with BREEAM certification.

Four buildings with DGNB certification.
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.*

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% scenario. The assessment utilised a data-driven Climate Risk Scoring Methodology through ‘Four Twenty Seven’.

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.

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.
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.
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.

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.
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.

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!

HECF in the community

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 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!

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-owne 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, 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, 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.

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.

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

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, 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, 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 catch 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, 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.

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.
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.

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 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

Our Firm

240 cities where Hines is located (exclusive of facilities management)

442 cities with facilities management assignments

27 countries

TOTAL ASSETS UNDER MANAGEMENT

€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 spirit 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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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 as 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 the sustainability data, please refer to the Hines European Core Fund’s full Annual Report audited by Ernst & Young. This is available upon request.

**Compliance and Methodology**

**Reporting standard - INREV compliance**

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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 conditions (through reference to ‘heating degree days’). Only gas, district heating (and, for one asset, electricity) and related GHGs 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 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. Statements presented concerning investment opportunities may not be applicable to particular investors. Liability for all statements and information contained in this document is, to the extent permissible by law, excluded.

**Disclaimer**

The statements in this document are based on information which we consider to be reliable. This document does not, however, purport to be comprehensive or free from error, omission or misstatement. We reserve the right to alter any opinion or evaluation expressed herein without notice. Statements presented concerning investment opportunities may not be applicable to particular investors. Liability for all statements and information contained in this document is, to the extent permissible by law, excluded.

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**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 UAM 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 Total Net 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 (FRI) asset where A&R 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 Schlosshuis, Werfthaas and Portford Towers. These sites were excluded as they were either sold or purchased post-period through the period.
8. Degree-day information has been sourced from www.degreedays.net using the closest weather station to each asset.
9. Normalisation 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 emissions target ‘like-for-like’ portfolio namely, Caleidos, Princes Street and Atlas House. This portfolio excludes buildings that have been bought or sold or subjected to major refurbishment during the reporting period (2018 to 2020, namely: Torres, Metropool, Schlosshuis, Noortse Bosch, Chatham & King, Werfthaas, Portford Towers) and/or where occupancy has increased more than 25% (namely: Eurosquare, Dornaleanden and Malertoren)."