

Hines European Core Fund
ESG Review



Published June 2022.

This report is a snapshot of the Hines European Core Fund as of 31 December 2021. Unless otherwise noted, all Hines data in this report is as of 31 December 2021.

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

For Hines' global ESG report, please visit www.hines.com/esg/reports.

Endnotes are provided on [page 65](#).



Simone Pozzato
Fund Manager
Managing Director

Welcome to our fifth annual ESG review for the Hines European Core Fund (HECF) as we deep-dive into our strategy, our performance and successes during 2021.

2021 saw accelerated awareness and urgency for climate action which was underlined by COP26 in Glasgow. We emerged from the pandemic with evidence that occupiers, landlords and investors alike, now more than ever, are aligned with their ESG goals. For HECF this meant pushing our ESG efforts into a new, exciting phase of our journey towards carbon neutrality involving asset upgrades, retrofitting carbon playbooks and generating on-site energy.

At Hines, we feel a strong sense of urgency to address carbon emissions across the built environment. We pushed forward with the expansion of our ESG efforts, naming former HECF fund manager Peter Epping as our first ever Global Head of ESG, spearheading a 30-strong team, including the appointment of Daniel Chang as our Head of ESG in Europe.

HECF continued to be a GRESB stand-out performer, maintaining its Overall Global Sector Leader position among Diversified Funds for a record fifth year in a row, with five stars out of five and an unprecedented score of 96/100. We were also honoured to win the 2021 PREA Real Estate Investment Management ESG award in the Open-End Fund category for the second year in a row.

Industry recognition of our ESG efforts equips us with an even stronger sense of purpose and further momentum to reduce our environmental impact working hand-in-hand with occupiers, investors and regulators. Together, our collective focus needs to hone in on addressing carbon emissions, tackling the challenge of embodied carbon, and propelling social equity to create lasting positive change.



Daniel Chang
Head of ESG - Europe
Managing Director

2021 was the year where the urgency to tackle climate risk and social inequity came into focus more than ever and became ubiquitous.

In this report, we at Hines are pleased to share with you the practical steps we have taken towards achieving decarbonisation, including appointing Mike Izzo as Hines' Vice President of Carbon Strategy, producing an Embodied Carbon Guide which was released on Earth Day, and in Europe partnering with ULI in a study focused on accelerating progress to net zero carbon in the real estate sector.

At HECF we were able to further bolster our ESG performance by putting into action our fund specific net zero carbon target. Actions included further optimising our building operations, obtaining and implementing asset level roadmaps to drive ESG improvements, and reviewing opportunities and the feasibility for on-site renewables.

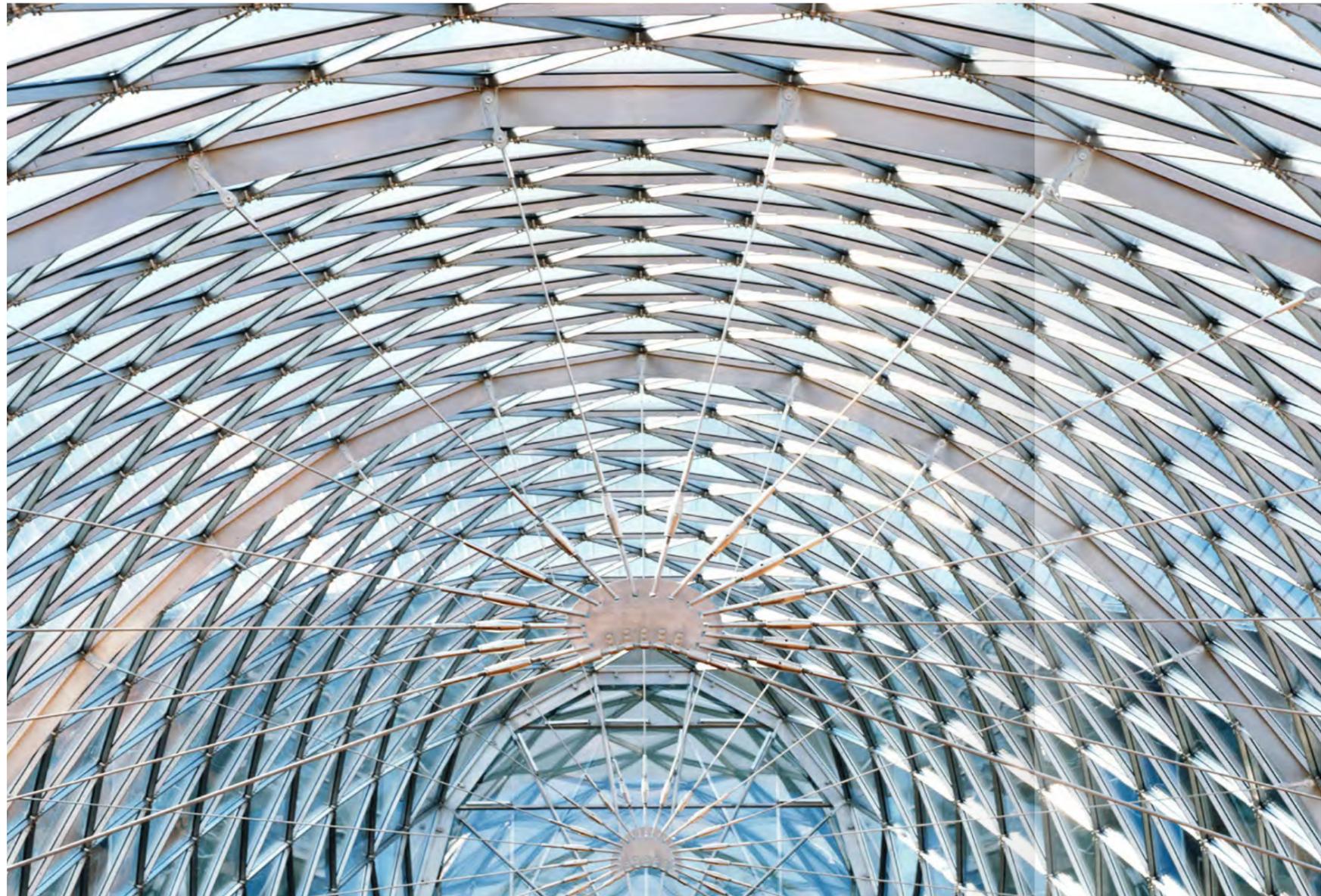
In terms of bolstering governance, we obtained an ISO 14001 certification for the Environmental Management System framework that is in place for Hines Europe Investment Management.

At Hines and HECF, we are committed to continuing to push ourselves even further and build on our ESG initiatives in order to deliver increased value to our investors, occupiers, people and communities.

About Hines

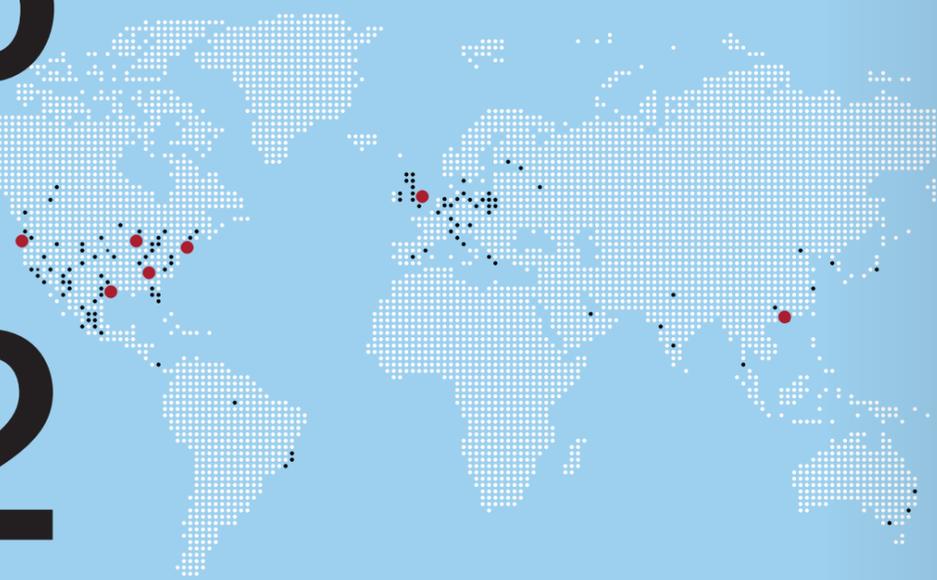
Our vision at Hines is to be the best real estate investor, partner, and manager in the world. We work to benefit people and communities by investing in, developing, and managing buildings that create a vibrant sense of place and minimise our environmental footprint.

DZ Bank, Berlin



285

cities where Hines is located (exclusive of facilities management)



442

cities with facilities management assignments

28

countries

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



TOTAL ASSETS UNDER MANAGEMENT¹

€80.7B



DEVELOPMENTS WORLDWIDE

198 956

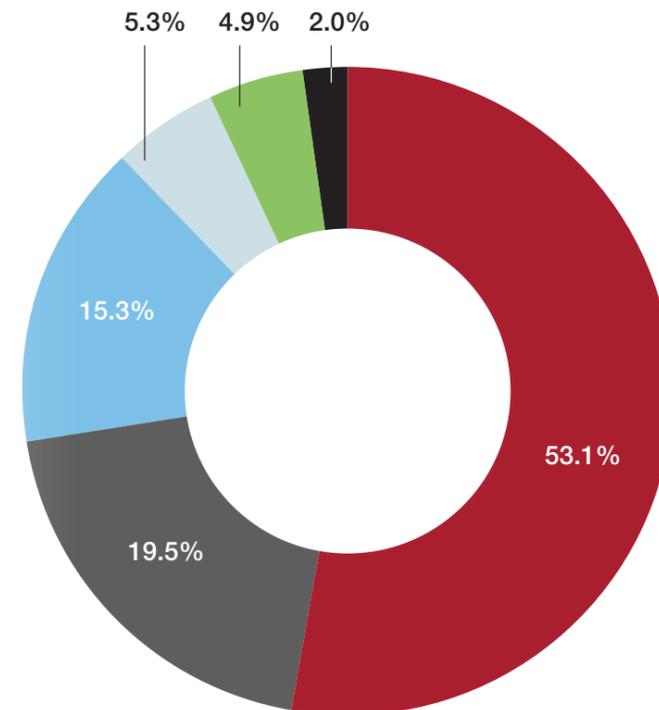
projects currently underway, 9.6M sqm completed projects, 26.M sqm



PROPERTY AND ASSET MANAGEMENT

669

properties, 21.4M sqm



Hines current AUM by sector

- Office 53.1%
- Residential 19.5%
- Mixed-Use 15.3%
- Retail 5.3%
- Industrial/Logistics 4.9%
- Other 2.0%

ESG at Hines

345 Hudson, New York



Hines understands the built environment's contribution to climate change. As a global real estate investment, development and management company, we know we are part of the climate problem - and we are committed to being part of the solution.

We have been taking steps to meet the climate crisis head-on through initiatives to track and reduce carbon across our business lines and move toward net zero carbon emissions.

We are also committed to leveraging our real estate expertise and partnerships to address the social inequalities caused by climate change and promote human health and well-being in the built environment and beyond. We believe sustainably built and efficiently operated buildings add tremendous value to communities, and we are more focused than ever on investing in, developing and managing places and spaces that help people thrive.

Hines' New Comprehensive ESG Strategy

From Sustainability to ESG

In mid-2021, Hines rolled out an enhanced firm-wide ESG strategy. This was the culmination of the work done by an ESG working group together with an independent consultancy, focused on identifying key ESG priorities and commitments for the firm.

Their methodology included:

- Identifying ESG topics for Hines consideration
- Prioritising these topics based on our ESG Working Group's preliminary commitments
- Aligning topics with existing industry and ESG frameworks to elevate best practices
- Engaging Hines leaders to understand internal priorities and perspectives related to ESG
- Creating a balanced ESG scorecard to reflect topic relevance and impact to key stakeholders

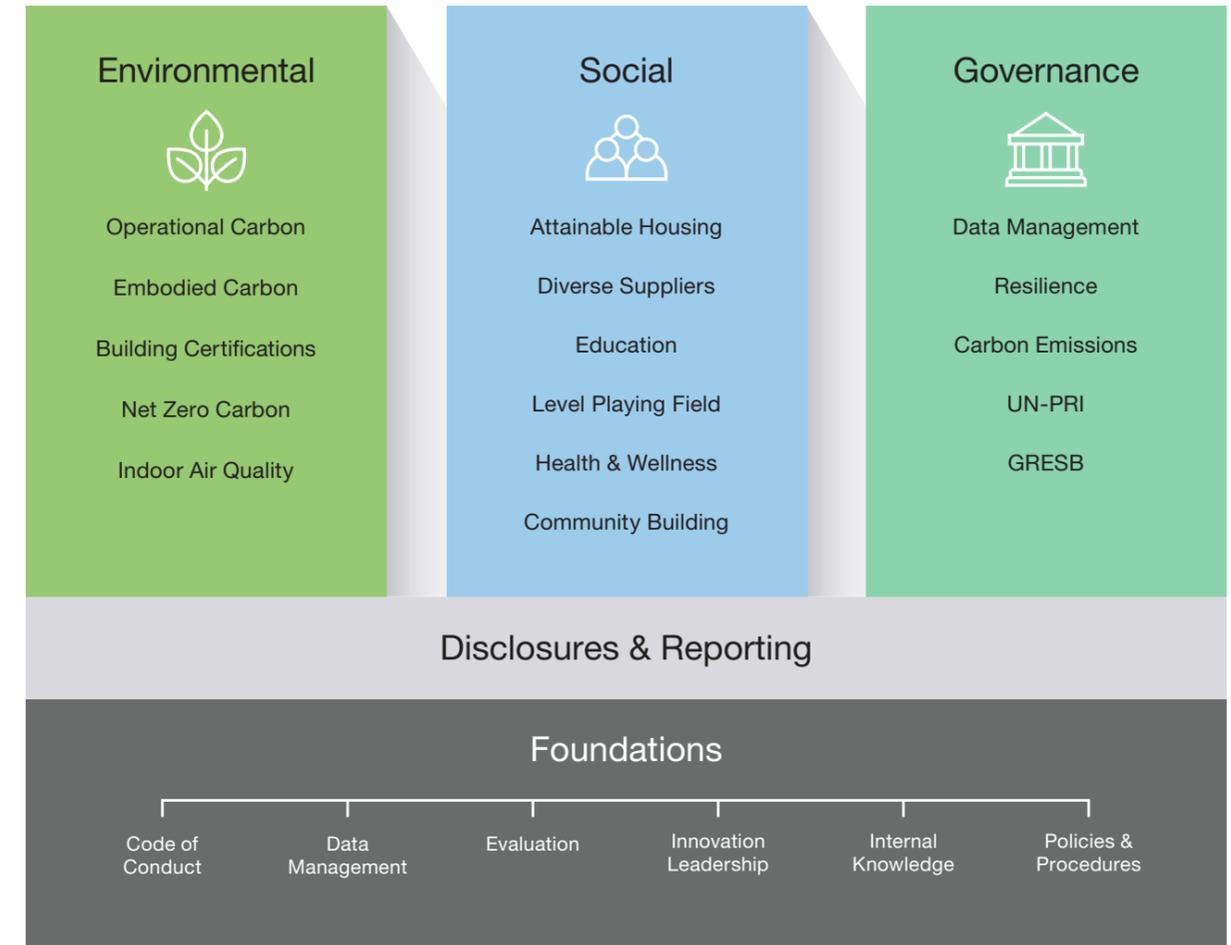
The result of this assessment is a long-term plan for approaching ESG at Hines that is grounded by a strategic framework. At the foundation are the global policies, practices, and processes we adhere to across the firm to ensure Hines meets market requirements and industry best practices. Our disclosures and external reporting commitments are intended to provide transparency to our stakeholders and demonstrate progress over time. The three ESG pillars cover 16 focus areas through which we strive to solve the pressing challenges the world is facing and align with progressive investor and client goals.

The strategy leverages the strength of the Hines regions to prioritise ESG issues and set goals that are relevant and actionable in their local markets and reflect their resources and product offerings. Each regional CEO has appointed an ESG leader with a passion for the work to drive the ESG strategy and ensure regional goals align with and support firm goals.

ESG Reporting and Disclosures

Within our disclosure practice, we have made significant efforts to align to the United Nations Principles for Responsible Investment (PRI) and the Global Real Estate Sustainability Benchmark (GRESB), while assessing the Task Force on Climate-related Financial Disclosure (TCFD) and the United Nations Sustainable Development Goals (SDGs) for future disclosure.

HINES' ESG STRATEGIC FRAMEWORK



Environmental

- **Operational Carbon Reduction Through Design:** Reduce operational carbon through design
- **Embodied Carbon:** Reduce embodied carbon through our design and construction process
- **Building Certifications:** Leverage green and healthy building certifications
- **Net Zero Carbon:** Define Net Zero Carbon for Hines and set benchmarks for progress
- **Indoor Air Quality:** Conduct indoor air quality (IAQ) research that furthers our innovation and enhances our buildings

Social

- **Attainable Housing:** Support project teams by recording our performance, tracking future attainable housing projects, and identifying best practices and successes
- **Diverse Suppliers:** Track and expand diversity of suppliers
- **Education:** Raise awareness of and access to real estate careers through education
- **Level Playing Field:** Enhance our people practices by adopting workplace policies that achieve greater equality, retention and representation
- **Health & Wellness:** Enhance employee health and wellness programmes
- **Community Building:** Expand and enhance Hines' philanthropic and employee volunteering activities

Governance

- **Data Management:** Expand and enhance ESG data management
- **Resilience:** Track and leverage climate resilience data to inform investment decisions
- **Carbon Emissions:** Assess Hines' carbon emissions and create a management and mitigation plan
- **United Nations Principles for Responsible Investment:** Became a PRI signatory in 2021
- **GRESB:** Increase new fund participation in GRESB and strive for five stars



“Hines is deeply committed to ensuring ESG leadership and innovation are at the heart of our entire business.”

PETER EPPING
Global Head of ESG

European ESG League Seeks to Drive ESG Implementation

Hines formed the European ESG League in October 2021 to integrate and coordinate ESG initiatives across our European platform teams. It is made up of nominated representatives from each of our European country teams, and includes asset, development, ESG and communication managers.



The group's projects for 2022 include the production of an upgraded green lease clause and an updated ESG acquisition due diligence checklist.

In 2021 it discussed a range of topics including:

- an update on the Hines global ESG strategy
- an overview of the organisation's carbon commitment study
- Germany country-specific ESG strategy
- COP26 takeaways
- an introduction to the Hines European logistics solar playbook
- an overview of the NABERS sustainability certification scheme

The group meets roughly every six weeks to work towards aligning and setting ESG priorities, sharing experiences and supporting the organisation in setting best practices.

Ronald Banus, Hines Netherlands; Cristiano Brambilla, Hines Italy; Hannah Brown, Hines Europe; Daniel Chang, Hines Europe; Danilo Chiesa, Hines Italy; Elena Clavijo, Hines Spain; Matthew Drane, Hines Europe; Ulrike Dreykluft, Hines Germany; Alice Durand-Buffet, Hines France; Julie Helweg, Hines Nordics; Vangelis Mantzavinos, Hines Greece; Karen Nielsen, Hines Nordics; Robbie Pitman, Hines UK; Claire Pomroy, Hines Ireland; Hugo Pywell, Hines UK; Mickey Scott, Hines UK; Luke Treasure, Hines Spain; Thijs van Dorssen, Hines Netherlands.

Hines Named Global ESG Firm of the Year

Hines was awarded four awards at the prestigious 2021 Global PERE Awards. The company was named ESG Firm of the Year: Global and won an additional three regional awards as Firm of the Year in Germany, France and Southern Europe.



ESG Firm of the Year: Global

These accolades are testament to Hines' commitment to ESG issues following the launch of our ambitious new ESG strategy in June 2021, which included creating a dedicated ESG team.

Among several other efforts, the PERE Global ESG Firm of the Year award recognises that five out of nine investment entities submitted to GRESB earned Sector Leader status, that an Embodied Carbon Reduction Guide was developed, and that the firm became a Signatory to the UN Principles for Responsible Investment.

“Our firm-wide commitment to ESG starts with our executive leadership and extends to Hines regions across the globe.”



LAURA HINES-PIERCE
Co-CEO

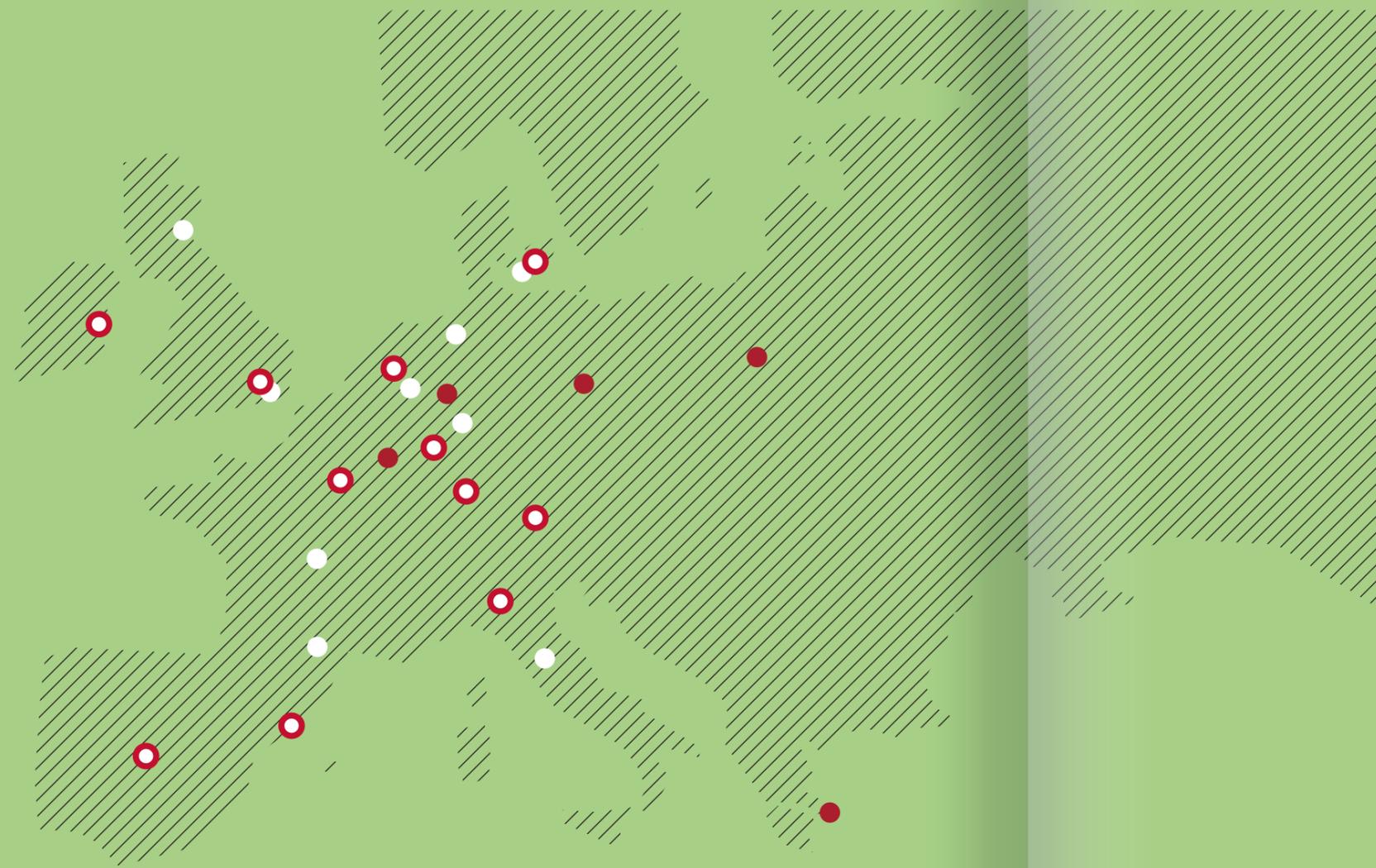
Hines European Core Fund (HECF)

Noortse Bosch, Amsterdam



HECF is a Luxembourg-domiciled investment fund sponsored by Hines. It pursues core acquisitions and manages a diversified portfolio across Europe.

Since inception in July 2006, the Fund has acquired 41 assets, and sold six. Today it has investments in 16 cities in nine European countries: Germany, United Kingdom, Denmark, the Netherlands, France, Ireland, Spain, Italy and Poland.



35 investments
16 cities
9 countries

Amsterdam, Barcelona, Cologne, Copenhagen, Dublin, Edinburgh, Florence, Frankfurt, Hamburg, London, Madrid, Milan, Paris, Stuttgart, Utrecht, Wroclaw

● Hines office + HECF asset(s)
 ● HECF asset

Total Assets Under Management

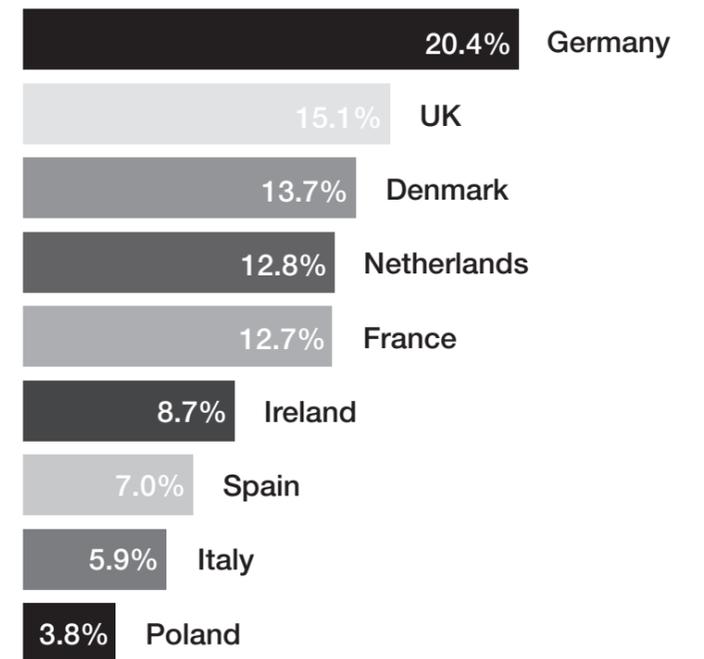
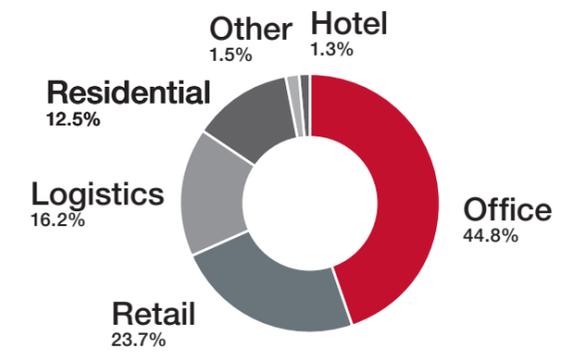
€2.85 B

NUMBER OF ASSETS

35

OCCUPANCY

96.7%



As of 31 December 2021.



Marianella, Dublin

“At Bouwinvest, we have put ESG at our core to ensure stable long-term returns for our pension fund investors. We need those partners who share our conviction, strive for the highest targets and focus on innovation in this field. HECF shares our views and has consistently shown strong ESG results. I am convinced they will continue to innovate and improve their ESG performance and have a positive impact on our built environment and communities.”

JASPER PETIT
 Director European Investments
 Bouwinvest Real Estate Investors



Fund Performance as of 31.12.2021

In spite of the ongoing disruption caused by COVID-19 and wider global affairs, 2020/2021 have been transformational for the Fund, growing AUM from €1.6BN to €2.9BN and expanding the portfolio with assets that are expected to perform well in a post-pandemic world. Indeed, in 2021 alone the Fund acquired eight new assets worth €619M across the residential, office and logistics sectors, reflecting Fund management's long-standing goal of increasing portfolio diversification.

In 2021, the Fund recorded a 10.8% net total return, comprising an income return of 3.0% and a strong capital return of 7.8%, mainly driven by valuation gains in the logistics and residential sectors with offices and retail assets remaining largely stable. In parallel, HECF continued to progress on its ESG objectives, achieving a score of 96/100 in the 2021 GRESB survey, thereby

confirming its global sector leadership for the fifth year in a row. In addition, HECF was chosen as the winner of the PREA Open-End Fund ESG award for the second year in a row.

Looking ahead, the Fund intends to remain focused on investing in well-located residential and logistics assets with strong rental growth potential and will continue to monitor the office allocation in seeking to provide best-in-class, sustainable places of work that are attractive to current and future occupiers. The team's ESG focus will increasingly be centred around the transition to net zero carbon for which formal commitments have already been included in the Fund PPM, together with commitments of together with further Article 8 ESG targets, as required by the Sustainable Finance Disclosure Regulation (SFDR) directives.

FUND PERFORMANCE

Fund Returns ^{2,3}	12 Months Ended 31.12.2021	3 Years From 31.12.2018	5 Years from 31.12.2016	10 Years from 31.12.2011	Since Inception (Annualised)
Income Return	3.0%	3.0%	3.3%	3.5%	4.7%
Appreciation Return	7.8%	2.0%	3.2%	2.4%	(1.8)%
Net Total Return	10.8%	5.0%	6.4%	5.9%	3.0%
MARKET INDICES (net total returns) ⁴					
IPD pEPFI Balanced Funds ⁵	9.2%	5.2%	5.7%	5.0%	2.1%
INREV Index ⁶	8.9%	5.0%	5.7%	5.6%	2.6%

Past performance does not guarantee future results.

ESG at HECF

View from South Dock, Amsterdam



We have prioritised ESG at HECF since the early stages of the fund and believe it has helped us to successfully position our portfolio against the CRREM pathway and its trajectory to becoming net zero carbon.

Our approach is holistic, and a key part of it is to address social issues in a meaningful way with our various stakeholders – particularly our investors, employees, tenants and communities. At each of our assets we engage and seek to align with our tenants and the neighbouring communities on ESG issues of relevance.

The Fund's adoption of market recognised governance frameworks and benchmarks, such as UNSDGs, TCFD, CRREM and GRESB help to ensure we hold ourselves accountable on disclosing our ambitious objectives and reporting our progress against them.

Note: In the ESG at HECF section, "we," "our" and "us" refer to HECF.

2006

The Hines European Core Fund launches in June 2006.



2009

HECF obtains energy performance certificates (EPCs) for all of its assets ahead of it becoming a requirement.

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

2012

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

2013

Eurosquare obtains HECF's first in-use sustainability certificate, HQE Exploitation.

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



2015

The Fund introduces green leases.

An ESG scope for Property Management is 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.



2017

Hines hires its first Director of Diversity & Inclusion.

Hines becomes founding Alliance Member of Well Living Lab.

The Fund participates in GRESB and in its first year is named a Private Diversified Global Sector Leader by GRESB.

HECF rolls out an energy monitoring programme.

The Fund issues its first annual ESG Review.



GRESB
REAL ESTATE
sector leader
2017, 2018, 2019, 2020, 2021

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.



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.

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

2020

Gerald D. Hines passes away at age 95 leaving a legacy of architectural excellence, superior engineering and integrity in the built environment.

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

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



HECF's Board approves the Fund's net zero commitment and supporting decarbonisation roadmap.

2022

Hines is named Global ESG Firm of the Year in PERE's inaugural ESG awards.

2021

Hines releases new ESG Strategic Framework to further ESG focus and commitments across investments, properties, communities and stakeholders.

Hines becomes a signatory to the UN principles for Responsible Investment (PRI).

HECF is awarded Overall GRESB Sector Leader for the fifth year in a row.

HECF is awarded the inaugural 2021 PREA Real Estate Investment ESG award in the Open-End Fund category.



HECF is awarded the 2022 PREA Real Estate Investment ESG award in the Open-End Fund category, achieving this accolade for the second consecutive year.

HECF becomes an Article 8 Fund under the Sustainable Finance Disclosure Regulation (SFDR).



ESG Firm of the Year: Global



2021 Objectives/Targets

	Focus area	2021 Objectives/Targets	Progress	Outcome	2022 Objectives/ Targets
ENVIRONMENT	ENVIRONMENTAL PERFORMANCE	<ul style="list-style-type: none"> Obtain, manage and monitor utility data (including energy, water and waste) on a quarterly basis. Maintain 100% diversion of waste from landfill for landlord-managed waste. 	100%	<ul style="list-style-type: none"> Achieved – 100% of landlord-managed utility data was tracked. Achieved – 100% of landlord-managed waste was diverted from landfill. 	<ul style="list-style-type: none"> 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.
	NET ZERO CARBON	<ul style="list-style-type: none"> 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. Continue to work towards the new 2030 fund level science-based greenhouse gas emission intensity and energy intensity targets. 	100%	<ul style="list-style-type: none"> The Fund's Board formally approved the net zero commitment in Nov. 2021. A portfolio decarbonisation roadmap was developed and is supported by asset-level measures including net zero carbon pathways and an enhanced scope for property and facility management, which are in the process of being rolled out. Strong progress has been made against the 2030 targets: <ul style="list-style-type: none"> Energy intensity has reduced by 16% (against the 2030 target of 28%) GHG intensity has reduced by 15% (against the 2030 target of 30%) 	<ul style="list-style-type: none"> Continue to progress with the implementation of the Fund's net zero carbon strategy. Obtain asset-level net zero carbon roadmaps for all assets where we have landlord control. Implement an enhanced utility Monitoring & Targeting programme. Continue to progress against the 2030 fund level science-based greenhouse gas emission intensity and energy intensity targets set using CRREM.
	RENEWABLE ENERGY	<ul style="list-style-type: none"> Seek to progress towards 100% renewable energy for all landlord procured electricity. 	100%	<ul style="list-style-type: none"> Achieved - all landlord-procured electricity is now on green tariffs; or is in the process of being transition following recent acquisition. 	<ul style="list-style-type: none"> Maintain 100% renewable energy for all landlord procured electricity and support tenants in the transition to procurement of green tariffs wherever possible. Make efforts to engage with tenants to encourage them convert to green tariffs for their leased spaces.
		<ul style="list-style-type: none"> Continue to review opportunities across the portfolio for the installation of on-site renewable energy systems, with a particular focus on logistics. 	100%	<ul style="list-style-type: none"> Hines developed a Solar Logistics guide to outline key considerations to successfully progress the installation of PV systems. The Fund's new acquisition Mariandalsvej includes a rooftop solar array. 	<ul style="list-style-type: none"> Continue to review opportunities across the portfolio for the installation of on-site renewable energy systems.
BUILDING CERTIFICATION	<ul style="list-style-type: none"> Seek to ensure that 100% of assets have a valid Energy Performance Certificate or equivalent rating. 	100%	<ul style="list-style-type: none"> Achieved. 	<ul style="list-style-type: none"> Continue to ensure that 100% of assets have a valid EPC, or equivalent energy rating. 	
	<ul style="list-style-type: none"> Obtain green building certificates across the portfolio (DGNB, HQE, BREEAM In Use or Construction). 	100%	<ul style="list-style-type: none"> 100% of the portfolio now holds or is on track to obtain a certification following a recent acquisition. 	<ul style="list-style-type: none"> Continue to obtain green building certificates across the portfolio. 	
SOCIAL	TENANTS	<ul style="list-style-type: none"> Engage tenants on ESG matters. 	100%	<ul style="list-style-type: none"> Achieved - Sustainability Fit-Out Guide shared, Hines Green Office/ Retail programmes rolled out and green lease clauses continued to be included in tenancy agreements. 	<ul style="list-style-type: none"> Continue to incorporate green leases clauses into tenancy agreements. Update the green lease clause template to enhance further collaboration and progress towards net zero carbon goals. Survey tenants to gauge their satisfaction and interest in ESG.
	EMPLOYEES	<ul style="list-style-type: none"> Continue to embed ESG objectives within performance reviews for Investment Management employees. 	100%	<ul style="list-style-type: none"> Achieved. 	<ul style="list-style-type: none"> Continue to embed ESG objectives within performance reviews for all for all Hines Investment Management employees, where appropriate.
		<ul style="list-style-type: none"> Deliver an ESG focused training session to the Hines Investment Management team and Local Asset Managers. 	100%	<ul style="list-style-type: none"> Multiple employee ESG training sessions were carried out in 2021. 	<ul style="list-style-type: none"> Continue to deliver ESG-focused training to employees.
COMMUNITY	<ul style="list-style-type: none"> Seek to partake in, and track, community engagement initiatives within the locality of assets. 	100%	<ul style="list-style-type: none"> Achieved - at the asset level, key initiatives included Memberships with Business Improvement Districts, supporting local charities and participation in community events. Hines Investment Management employees also participated in a virtual volunteering event with charity HandsOn London. 	<ul style="list-style-type: none"> Continue to seek to partake in, and track, community engagement initiatives within the locality of assets. Continue to ensure that the Hines Investment Management team commit time to volunteering with a charity. 	
GOVERNANCE	GRESB	<ul style="list-style-type: none"> Continue to participate in the GRESB survey. 	100%	<ul style="list-style-type: none"> Achieved - 5 stars with a score of 96 out of 100 (peer group average was 69 out of 100) and awarded Overall Global Sector Leader (out of 340 participants). 	<ul style="list-style-type: none"> Continue to participate in the GRESB survey (in July 2022, based on 2021 calendar year) in order to support benchmarking and communication of ESG performance.
	CLIMATE RISK AND RESILIENCE	<ul style="list-style-type: none"> Seek to progress towards alignment with Task Force on Climate-related Financial Disclosures (TCFD) recommendations. 	100%	<ul style="list-style-type: none"> Progressed with recommendations from the TCFD gap analysis towards further alignment. 100% of the portfolio has obtained or is in the process of obtaining a climate risk study. HECF's climate change resilience strategy was bolstered through the development of the fund's decarbonisation roadmap and supporting asset-level measures. 	<ul style="list-style-type: none"> Continue to progress towards alignment with TCFD recommendations.
	ACQUISITION DUE DILIGENCE	<ul style="list-style-type: none"> Complete a Sustainability Acquisitions Due Diligence Checklist, for 100% of new acquisitions. 	100%	<ul style="list-style-type: none"> Achieved for all new acquisitions in 2021. 	<ul style="list-style-type: none"> Continue to complete the Sustainability Acquisitions Due Diligence Checklist for all new acquisitions. Update the checklist template, in order to embed further, more detailed ESG considerations in line with industry best practice.
	ASSET-LEVEL PLANS	<ul style="list-style-type: none"> Maintain Sustainability Assessment and Action Plans (SAAPs) for all assets. Continue to incorporate opportunities for improving ESG performance within asset business plans. 	100%	<ul style="list-style-type: none"> Achieved –all assets have SAAPs in place. 	<ul style="list-style-type: none"> Continue to maintain SAAPs for all assets to identify opportunities for improving ESG performance within asset business plans. Update SAAP template in order to embed further, more detailed ESG considerations in line with industry best practice.



HECF Has Cemented Leading Position in GRESB

Our leadership on ESG has again been recognised by GRESB, the organisation that sets global ESG benchmarks for real estate and infrastructure investments. These awards show our continuing commitment to making a positive impact across the spectrum of ESG.

HECF achieved the highest rating for an unprecedented fifth consecutive year, once again coming first in our peer group and being awarded Sector Leader. Our score of 96 was the highest to date and we emerged with several awards as the Overall Global Sector Leader, Global Sector Leader, Overall Regional Leader and Regional Leader in the Diversified category⁷.

Each year, GRESB assesses and benchmarks the ESG performance of assets worldwide, providing clarity and insights to financial markets. The GRESB Assessments are guided by what investors and the industry consider to be material issues in the sustainability performance



GRESB

REAL ESTATE

sector leader
2017, 2018, 2019, 2020, 2021

AWARDED
DIVERSIFIED

1st

OVERALL GLOBAL SECTOR LEADER
out of 340

GLOBAL SECTOR LEADER
out of 293

OVERALL REGIONAL SECTOR LEADER
out of 210

REGIONAL SECTOR LEADER
out of 193

of asset investments and are aligned with international reporting frameworks, goals and emerging regulations. The GRESB ESG benchmark grew in 2021 to cover more than \$6.4 trillion of assets under management, up from \$5.3 trillion the year before. Data on key environmental performance indicators is reported at asset level and covers nearly 117,000 assets, across 64 countries.

GRESB data is used by hundreds of capital providers and thousands of asset managers to benchmark investments across portfolios and to better understand the opportunities, risk and choices that need to be made as the industry transitions to a more sustainable future.



Caleido, Stuttgart



NDSM Plein, Amsterdam



Best Open-End Fund in PREA's ESG Awards

HECF has won PREA's Open-End Fund ESG Award for the second consecutive year.

The PREA Real Estate Investment Management ESG Awards, launched in 2021, recognise industry leaders' efforts and achievements in environmental, social and governance fields.

Forty-seven real estate funds with aggregate net assets under management of more than £167 billion vied for PREA's five awards. Submissions were judged by a panel

of experts from outside PREA, and independent of any investment manager or institutional investor.

PREA has stated that the winning submissions highlight how ESG programmes within the real estate sector can help foster a more sustainable and socially responsible future, without sacrificing investment performance.

Environmental

Friesen Quartier, Cologne, Germany



Hines believes a successful climate strategy supports our business goals, positively impacts our stakeholders - and challenges us to innovate.

For Hines, this means addressing climate issues that threaten the natural environment while prioritising people's comfort, health and productivity in the built environment. It means piloting projects that push the possibilities of net zero carbon resource-efficient buildings so they bring more value to investors and communities. And it means collaborating with industry partners to meet local and global climate goals by creating roadmaps for retrofitting the buildings of today for the people of tomorrow. We are energised by the opportunity to leverage Hines' climate strategy to improve the way we do business and help our industry bring solutions to global problems facing people and the planet.

Focusing on Decarbonisation

Addressing Carbon Across our Business

The built environment is responsible for 39% of global carbon emissions. Carbon reduction is a critical focus for Hines and a major component of our ESG strategy. An environmental problem and an issue of social justice, carbon's contribution to climate change poses one of the biggest challenges of our time, and Hines is striving to address it as a firm and be a leader in our industry.

In 2021, we created a Vice President (VP) of Carbon Strategy role to place leadership and dedicated resources behind measuring managing and mitigating carbon emissions across our global portfolio. We also began taking steps toward creating a formalized carbon commitment. Hines engaged third-party partners to provide data, tools and knowledge to help us understand our current carbon footprint and find solutions for reducing carbon across the Hines portfolio. Based on the results of the study, we began developing firm-wide plans for carbon reduction and a robust, data-driven management and mitigation programme to benchmark progress and hold ourselves accountable.

Operational Carbon

Hines approaches operational carbon reduction through design and engineering, efficiency upgrades, and data collection, measurement and reporting. We are beginning to utilise the Carbon Risk Real Estate Monitor (CRREM) to assess environmental performance in Hines owned and managed assets, and Hines plans to develop a pathway toward net zero carbon for each property through efficiency, green power and electrification improvements and hyper-systems efficiency to provide immediate benefit to the people in our buildings and the communities that surround them.

Embodied Carbon

Though the percentage of embodied carbon emissions is smaller than operational carbon for Hines, we see embodied carbon as one of the biggest climate risks Hines and the commercial property industry face as we move into the future. It is also one of our biggest opportunities to lead. The embodied carbon from yet-to-be built buildings could determine whether the world meets key climate goals or falls farther behind – and we aspire to lead our industry in the right direction.

In 2021, we began exploring options for creating an embodied carbon database to measure and manage embodied carbon across Hines projects. We also began requesting third-party verified Environmental Product Declarations (EPDs) from select

28%

of global emissions are from building operations (operational carbon)⁸

11%

of global emissions are from building materials & construction (embodied carbon)⁹

manufacturers and suppliers to understand the carbon footprint of new developments across their entire life cycle, and Hines will require EPDs from select stakeholders in 2022.

Our VP of Carbon Strategy, Conceptual Construction Group, and our partners at Magnusson Klemencic Associates also developed a suite of resources for our firm and partners that provide knowledge and actionable steps toward reducing embodied carbon across the building life cycle. Designed as living documents, these resources are updated regularly and will continue to evolve with new information and best practices.

The Embodied Carbon Reduction Guide is a robust resource that provides the background to understand embodied carbon and outlines tools and tactics for reducing embodied carbon across Hines' global portfolio. This publicly available guide is also designed to foster goal-oriented collaboration with our development partners, employees, contractors and design consultants. We hope it serves as an industry standard for quantifying, tracking and reducing embodied carbon in real estate.



Joining Forces with Urban Land Institute to Scale Up

In late 2021, Hines began working on a new initiative with the Urban Land Institute (ULI) that is designed to support the European built environment's journey to carbon neutrality.

ULI is a non-profit education and research body supported by its members. Its mission is to shape the future of the built environment for transformative impact in communities worldwide.

The project is part of ULI's global mission to decarbonise the real estate sector and accelerate progress to net zero carbon. Titled Fast-track to Decarbonisation: An Integrated Roadmap for the Built Environment, it aims to "speed up and scale up" the decarbonisation process by analysing and consolidating the real estate industry's approach to net zero carbon. ULI also intends to identify the gaps in the industry that need to be bridged.

Hines is one of several major real estate organisations working with ULI on the project. Other partners include Allianz Real Estate, Catella, Redevco, ARUP, Immobel and Schroders Capital. Partnering with ULI on this project, working alongside world-class organisations in the process, is a critical part of collaboration within our industry.

According to ULI Europe CEO Lisette van Doorn, positive changes are already happening in the industry in terms of net zero carbon targets. However, many investors and managers have experienced challenges when trying to implement their pledges. These include:

- legacy regulation or insurance issues holding up innovations
- real estate valuation approaches not properly addressing risks
- a lack of knowledge and expertise across the value chain
- alignment issues between tenants and landlords

Fast-track to Decarbonisation aims to further the ULI mission by delivering a critical industry evaluation and analysis of the built environment approach to decarbonisation, focusing on the actors within the sector as well as those closely connected.

The roadmap for the project is intended to be launched at a dedicated hybrid summit in autumn 2022. This will be followed by at least two advisory services panels, featuring five-day programmes during which ULI members will engage with communities and deal with a broad range of real estate and



land use challenges.

It is hoped that providing unbiased, expert advice and recommendations for improvement will help cities fast-track and scale up the decarbonisation challenge of the built environment.

“Thanks to the early support of these leading, influential real estate companies, we can get started on this important initiative straight away, with more partners also looking to join us on our journey.”



LISETTE VAN DOORN
CEO - ULI EUROPE

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 2020 and 2021.

For electricity, this typically includes consumption in common areas and/ or as part of a shared service (i.e. operation of the 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: Atlas House, Domkaskaden, Eurosquare, Marienbogen and Noortse Bosch

Retail: Via Torino

Mixed Use: Caleido, Chatham & King and Princes Street

Like-for-like and intensity analysis data has been normalised to remove the impact of external factors on consumption, as relevant. Normalisation for external factors has considered leased occupancy changes and weather patterns (and

therefore heat demand); however, the impact of the COVID-19 pandemic has not been considered.

During 2021 HECF improved data coverage, quality and monitoring capabilities via the continued roll-out of automatic meter read (AMR) technology across all operationally controlled assets. AMR technology was rolled out to 32 new meters across 10 assets and, as of year-end, a total of 147 devices have been installed across 20 assets.

2021 performance

Energy: Between 2020-2021, portfolio energy use (kWh) decreased by 7% on a like-for-like basis; electricity decreased by 6%, whilst fuel consumption and district heating consumption decreased by 5% and 13% respectively.

Greenhouse gas (GHG) emissions: GHG emissions (tonnes CO₂e) decreased by 7% from 2020 to 2021 on a like-for-like basis.

Water: Total like-for-like water consumption (m³) decreased by 24%.

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

Progress against our Targets

In 2016, HECF set like-for-like portfolio reduction targets for landlord-controlled greenhouse gas emissions (-8% reduction target) and landlord-controlled energy consumption (-10% reduction target). These targets were achieved and surpassed in two years (as of 31 December 2018); as of 3 December 2020 HECF had realised a 34% reduction in landlord-controlled greenhouse gas emissions, and a 24% reduction in landlord-controlled energy consumption.

TARGET	BASELINE YEAR	TARGET YEAR	PERFORMANCE TO DATE (TO 31.12.20)
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 within the like-for-like portfolio	2016	2020	(24.0%)

New greenhouse gas emission and energy reduction targets were established in 2018 to be achieved in 2030. The new science-based targets were set against a 1.5C scenario, using the Carbon Risk Real Estate Monitor (CRREM) tool and a 'location-based' approach as defined in the GHG Protocol. Performance towards these targets is summarized in the following table:

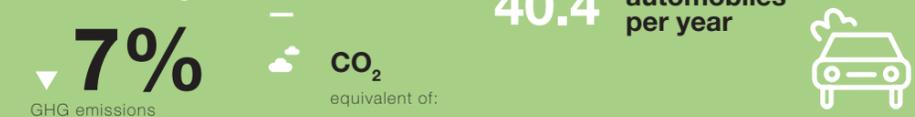
TARGET	REDUCTION REQUIRED TO ACHIEVE 2030 TARGET FROM A 2018 BASELINE YEAR ^{9,10}	PROGRESS TOWARDS TARGET TO DATE (TO 30.12.21) ^{7,8,11}	REDUCTION REMAINING TO ACHIEVE 2030 TARGET ¹²
GHG gas emission intensity reduction target ('location-based' approach from a 2018 baseline year)	30%	(15%)	(14%)
Energy intensity reduction target (from a 2018 baseline year)	28%	(16%)	(12%)

Like-for-like - 2020 to 2021

Energy consumption



Greenhouse gas emissions



Water



Waste



HECF's Path to Net Zero Under Way

1. Commit: Net Zero Carbon Framework

In 2021, HECF confirmed its leadership in ESG with the focus being on the transition to net zero carbon and putting in place a framework to achieve this. In Q4 the HECF Board

formally approved the Fund's net zero carbon commitment while the proposed changes to the Fund's PPM, including the incorporation of these ESG targets, were also approved by investors in the same quarter.

HECF NET ZERO CARBON TARGETS

TARGET	GHG PROTOCOL REPORTING CATEGORY	SCOPE	COMMITMENT TIME FRAME	HECF'S LEVEL OF CONTROL
Landlord purchased energy (electricity and fuels)	Purchased electricity, heat and steam	1,2	2030	High
Tenant purchased energy (electricity and fuels)	Downstream leased assets	3	2050	Low
Landlord refrigerants	Purchased goods and services	1	2030	High
Landlord purchased water	Purchased goods and services	3	2050	High
Landlord managed operational waste	Waste generated in operations	3	2050	High
Landlord purchased capital goods and services (M&E and property management services)	Purchased goods and services	3	2050	Varied

HECF's commitment is to become net zero by 2030 for its Scope 1 and 2 landlord emissions (resulting from the consumption of energy in its directly managed assets) and 2050 for its

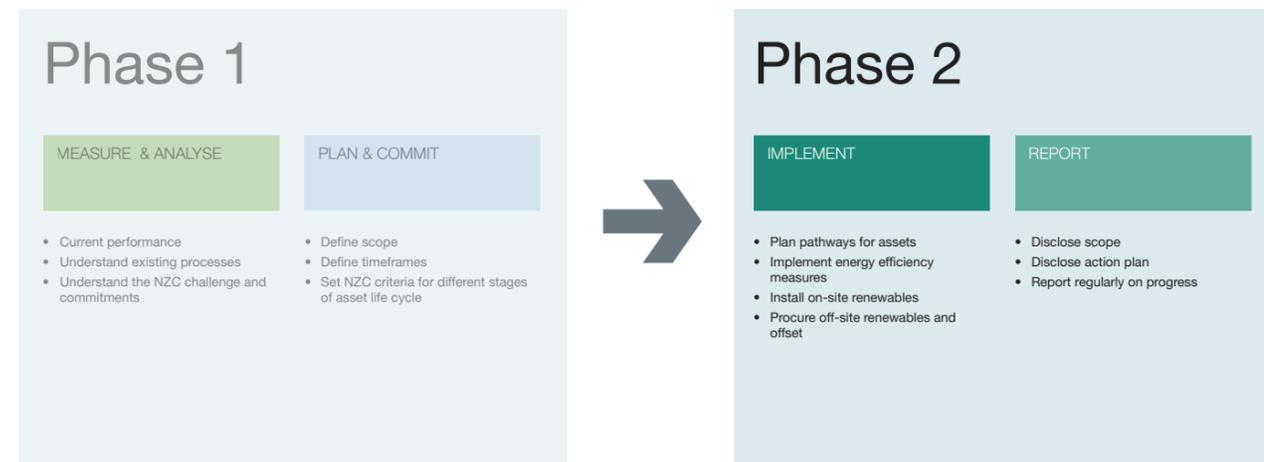
indirect Scope 3 emissions generated by tenants due to the consumption of energy in its buildings¹³.

2. Strategy: Portfolio Decarbonisation Roadmap

This commitment is supported by the Fund's portfolio

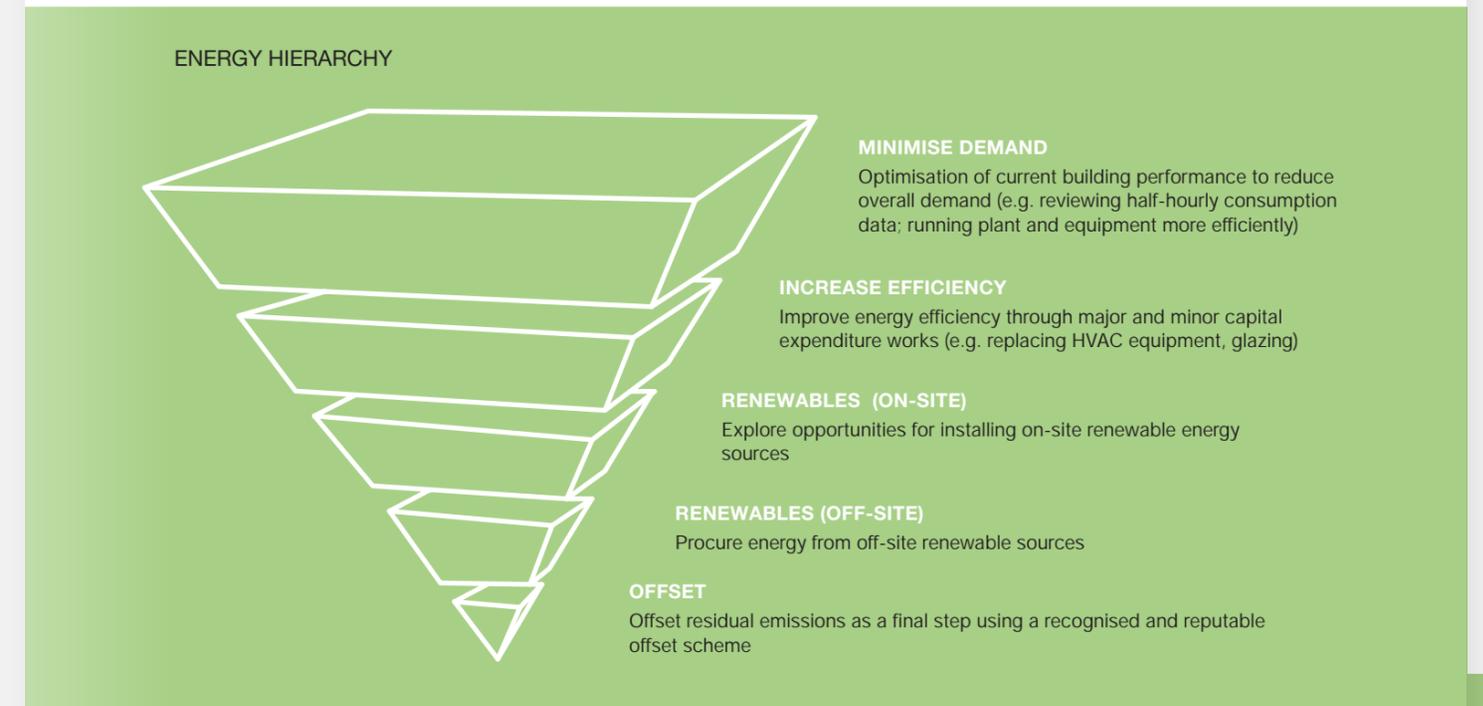
decarbonisation roadmap which outlines the plan to ensure these targets are met.

HECF'S DECARBONISATION ROADMAP



HECF considers all parts of the investment life cycle within its decarbonisation roadmap, from acquisition to disposal. The Fund's roadmap to net zero carbon involves first the measurement, commitment and strategy phase, which was

finalised in 2021. Subsequently, the Fund will move into its implementation phase. HECF will follow the energy hierarchy in this phase and, in doing so, aims to deliver highly energy efficient buildings.



3. Implementation: Asset-Level Roadmaps

In 2021, HECF commissioned asset-specific net zero carbon roadmaps for all landlord-controlled assets within the portfolio. The net zero carbon audits will aim to assess the challenges, opportunities and capex associated with achieving net zero carbon within various asset types and regions. These audits will then be used to inform future retrofits and development through a detailed asset improvement plan with estimated costs that can then be fed back into annual business planning.

4. Implementation: Enhanced Property Management/Facility Management scope

HECF-appointed property managers and facility managers are responsible for overseeing asset-level day-to-day operations at HECF assets and will be key in supporting the implementation of improvement programmes, on the road to net zero carbon. In 2021, the ESG section of the Property Management Service Level Requirements was updated to reflect the expanded scope of work required. Furthermore, the monitoring and targeting programme for HECF was also enhanced - which by extension will help property managers to actively monitor and optimise their asset's performance.

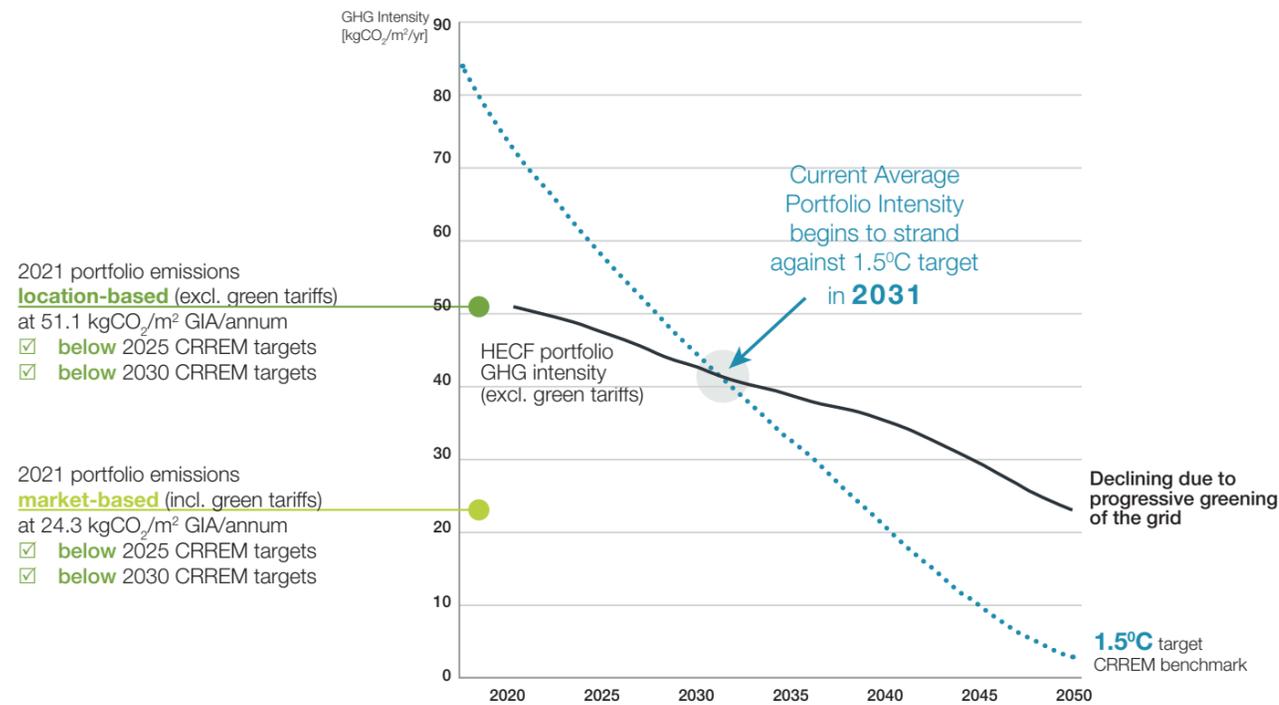
HECF Making Good Progress Against CRREM Benchmark

HECF's landlord-controlled portfolio's GHG emissions are performing well against the Carbon Risk Real Estate Monitor tool (CRREM)¹⁴. The current portfolio's carbon intensity, based on cumulative carbon emissions at the end of 2021, is largely below the 2025 and 2030 targets.

New greenhouse gas emissions and energy-reduction targets were established in 2018 to be achieved by 2030 for HECF's landlord-controlled portfolio. The science-based targets were set against a 1.5C scenario, using CRREM and a location-based approach as defined in the GHG Protocol (greenhouse gas).

However, intervention is still required to continue this trajectory; otherwise, it is predicted that HECF's portfolio could strand in 2031.

CURRENT PORTFOLIO AVERAGE CARBON INTENSITY IS LARGELY BELOW THE 2025 AND 2030 TARGETS



SPOTLIGHT ON ASSET-LEVEL ROADMAPS

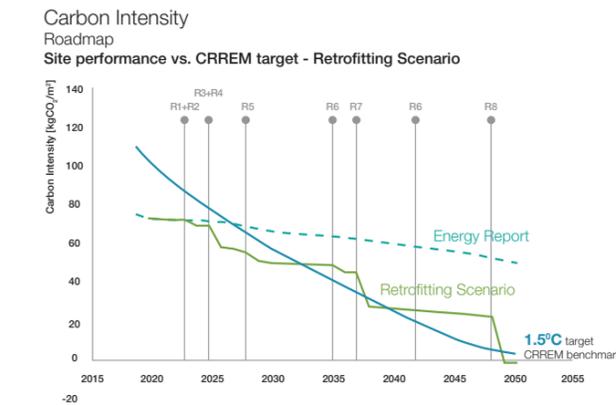
HECF has commissioned asset level roadmaps to support the Fund's transition to net zero. The roadmaps analyse a building's energy and carbon performance, and includes a series of measures to transition to net zero carbon in line with a 1.5°C Paris Proof target.



Example asset level roadmap

The roadmaps analyse a building's energy and carbon performance, and include a series of measures to transition to net zero in line with a 1.5°C Paris Proof target.

A carbon and energy use intensity pathway has been evaluated using the CRREM. The dashed line represents the GHG intensity baseline for the building until 2050. The blue line represents the UK decarbonisation pathway for the 1.5°C temperature increase scenario. The green line describes the effects of retro-fitting on the building's carbon performance.



Key retrofitting recommendations include:

CRREM GROUP	DESCRIPTION
1 R1	Optimise the BMS (or prevent simultaneous heating and cooling)
2 R2	Reduce internal setpoint for heating from 21 to 20°C
3 R3	Replace fluorescent lighting with LED on floors 1 to 3
4 R4	Install PV panels on 1500 m ² roof surface
5 R5	Replace electric humidifiers with adiabatic humidifiers
6 R6	Replace fan coil units with induction units
7 R7	Replace gas-fired heating system with heat pumps and thermal energy storage
8 R7	Offset remaining carbon

Asset Certifications

 <p>KØBMAGERGADE PORTFOLIO Copenhagen, Denmark Retail, Office</p> <p>BREEAM® In-Use Certificate</p>	 <p>PORTLAND TOWERS Copenhagen, Denmark Office</p> <p>BREEAM® Construction/Fit-out Certificate</p>	 <p>VENTRUPPARKEN Greve, Denmark Logistics</p> <p>BREEAM® In-Use Certificate</p>
 <p>ST. HONORE Paris, France Retail</p> <p>BREEAM® In Use Certificate</p>	 <p>GALEIDO Stuttgart, Germany Office</p> <p>DGNB Construction/ Fit-out Certificate</p>	 <p>DOMKASKADEN Hamburg, Germany Office</p> <p>DGNB In Use Certificate</p>
 <p>WERFTHAUS Frankfurt, Germany Office</p> <p>DGNB In Use Certificate</p>	 <p>CHATHAM & KING Dublin, Ireland Office, Retail</p> <p>BREEAM® In Use Certificate</p>	 <p>GRAFTON COLLECTION Dublin, Ireland Retail</p> <p>BREEAM® In Use Certificate</p>
 <p>HEMA Utrecht, Netherlands Logistics</p> <p>BREEAM® In Use Certificate</p>	 <p>NOORTSE BOSCH Amsterdam, Netherlands Office, Retail</p> <p>BREEAM® In Use Certificate</p>	 <p>ONLINE RETAILER DISTRIBUTION CENTRE Wroclaw, Poland Logistics</p> <p>BREEAM® Construction Certificate</p>
 <p>GRAN VIA 44 Madrid, Spain Retail</p> <p>BREEAM® In Use Certificate</p>	 <p>VILLAVERDE Madrid, Spain Logistics</p> <p>BREEAM® In Use Certificate</p>	 <p>ATLAS HOUSE London, UK Office</p> <p>BREEAM® In Use Certificate</p>
 <p>DNATA Heathrow, London, UK Logistics</p> <p>BREEAM® Construction Certificate</p>	 <p>JLP ENFIELD London, UK Logistics</p> <p>BREEAM® Construction Certificate</p>	 <p>MAXMOR HOUSE Greater London, UK Logistics</p> <p>BREEAM® In Use Certificate</p>
 <p>PRINCES STREET Edinburgh, UK Office, Retail</p> <p>BREEAM® In Use Certificate</p>	 <p>7 SOHO SQUARE London, UK Office</p> <p>BREEAM® In Use Certificate</p>	 <p>THE MINT Edinburgh, UK Office, Retail</p> <p>BREEAM® Construction Certificate</p>

 <p>EUROSQUARE St. Ouen, Paris, France Office</p> <p>HQE® In Use Certificate</p>	 <p>MARIENBOGEN Frankfurt, Germany Office</p> <p>DGNB In Use Certificate</p>	 <p>VIA TORINO Milan, Italy Retail, Office</p> <p>BREEAM® In Use Certificate</p>	 <p>ARCS 10 Barcelona, Spain Retail</p> <p>BREEAM® In Use Certificate</p>
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100% renewable energy

Every one of our directly managed buildings, 15 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.

6

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

Certificates are in the process of being obtained for new assets

 <p>MARIENDALSVEJ Copenhagen, Denmark Residential</p> <p>Targeting In Use certification</p>	 <p>TRIKOTAGEPARKEN¹⁷ Copenhagen, Denmark Residential</p> <p>Under construction Targeting Nordic Swan Ecolabel in Construction</p>
 <p>LA MANUFACTURE Paris, France Office</p> <p>Targeting In Use certification</p>	 <p>METROPOLES PORTFOLIO Various locations, France Residential</p> <p>Under construction Targeting HQE certification</p>
 <p>FRIESEN QUARTIER Cologne, Germany Mixed-use</p> <p>BREEAM® In Use Certificate - In progress</p>	 <p>MARIANELLA Dublin, Ireland Residential</p> <p>BREEAM® Targeting BREEAM In Use Certificate</p>
 <p>VIA TORNABUONI Florence, Italy Retail, Hotel</p> <p>BREEAM® In Use Certificate - in progress</p>	 <p>NDSM PLEIN Amsterdam, Netherlands Office</p> <p>BREEAM® One of the three buildings is BREEAM Construction; others will target BREEAM In Use</p>
 <p>SOUTH DOCK Amsterdam, Netherlands Residential</p> <p>BREEAM® Targeting BREEAM In Use</p>	 <p>BARCELONA TOWER Barcelona, Spain Office</p> <p>Will target a green building certification as part of planned refurbishment works</p>



Social

NDSM Plein, Amsterdam



Our business is about more than great buildings. We are committed to creating environments where people can flourish - within our workplace, in the spaces we manage and across the communities we touch - and to prioritising positive social impact in every Hines project.

Our People

Hines employees are our most valued assets. We see a diverse, resilient workforce as essential to the strength of our global business, and we invest in supporting our employees through every stage of their career with us.

Supporting Employee Learning and Career Development

A fundamental element to our approach to ESG is to raise awareness and provide our teams with the resources to meaningfully integrate ESG into our everyday business. Throughout the year Hines has held a series of ESG-related trainings, targeting both specific and broad audiences, depending on the subject matter. As our focus continues to sharpen and evolve, we believe these training sessions are an essential way to support our teams to effectively implement our ESG strategy. Below is a list of the various internal trainings that have been held.

ESG-specific Training

- Quarterly European Orientation Programme – includes a 30-minute introduction session on ESG
- Annual ESG training for all European asset managers (and in-house and third party property managers)
- Annual training on tenant ESG engagement to all asset managers
- Annual ESG training for all European investment management team
- 2021 Global Strategy calls:
 - New ESG framework and firm-wide approach
 - Hines carbon commitment
 - ESG section in the new Investment Committee memorandum
- European ESG League sessions – occurring every 6 weeks with ESG representatives from across Europe

Hines European Health & Well Being Training

- Movement Matters
- The Fine Art of Assertiveness
- Self-Awareness
- Making Stress Work
- Making Time for Time Management
- Unconscious Bias
- Network Like a Natural
- How to Have the Best Possible Difficult Conversation

Diversity and Inclusion Training/Events

- Cultural Diversity month in October 2021
- Identifying and Combatting Unconscious Bias
- Understanding Culture workshop
- LGBTQIA+ Training



HINES EUROPE

Employees

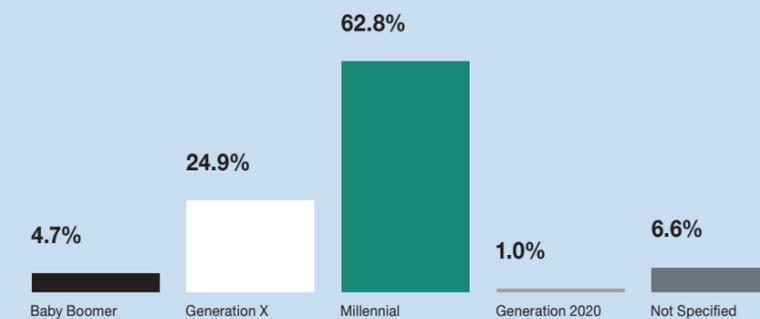
681



Europe-wide Gender Diversity



Europe-wide Generational Diversity



Transformative Art at the Heart of Dublin

Great buildings have people, communities and our planet at their heart. That is why Hines worked with Temple Bar Gallery + Studios to give a sculpture by artist Barbara Knezevic pride of place in its Chatham & King development in Dublin, Ireland.

Chatham & King – “the star of the Grafton Quarter” – is a premier mixed-use destination in the centre of the city. Qualtrics is an office tenant and the retail space is occupied by retailers such as Zara and H&M.

The artwork, Deep Time Empaths, stood near the building's floor-to-ceiling windows, where it could be enjoyed by passers-by as well as visitors.

Deep Time Empaths makes use of materials from construction sites that are usually discarded as junk. Knezevic blends them with handmade elements to place them back in the human realm, asking viewers to consider their relationship with such material.

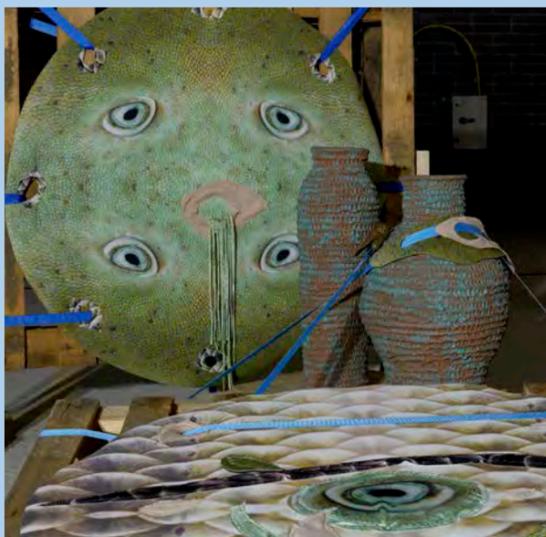
Viewers could see and touch them, reaffirming the

importance of how we experience the spaces in which we live and work every day.

The work made an instant impression, attracting 100 visitors on the first night of its 16-plus week run and gleaning tens of thousands of social media mentions.

Orla Goodwin, learning and public engagement curator at Temple Bar Gallery + Studios, praised how the work really made the most of the space, providing an engaging daily artistic experience for people commuting to work and showing that art can play an important part in the city environment.

“Overall, the opportunity was really appreciated by the artist, our audience and the audience in the Chatham & King locality,” she said.



Employees provide Comfort to Seniors

In December 2021, some of our investment management team in London helped draw up several activities booklets to ensure vulnerable, elderly and lonely people affected by the COVID-19 pandemic did not feel forgotten.

This was part of a project – in collaboration with Hines’ long-term UK charity partner HandsOn London that works with charities such as Golden Oldies in Walworth, Age UK in Yalding and Blackfriars Settlement in Southwark – that aims to connect isolated people with familiar voices and faces every week.

Our team met over Zoom to decide on content for the booklets – including positive, brain-stimulating teasers, games, puzzles, recipes and stories – and to learn more about the charities involved.

The project is part of OurCommunity project, which ensures that Gerald D. Hines’ philanthropic legacy lives on. Although the pandemic meant in-person volunteering was minimal in 2021, we are excited to be engaging employees across the firm in 2022.



London Business School Students Triumph in the Hines ULI Student Competition

For a second year, Hines and the Urban Land Institute have joined forces for the ULI Hines Student Competition – Europe. This initiative gives university and business school students across Europe an opportunity to work in teams on a challenging exercise in responsible land use.

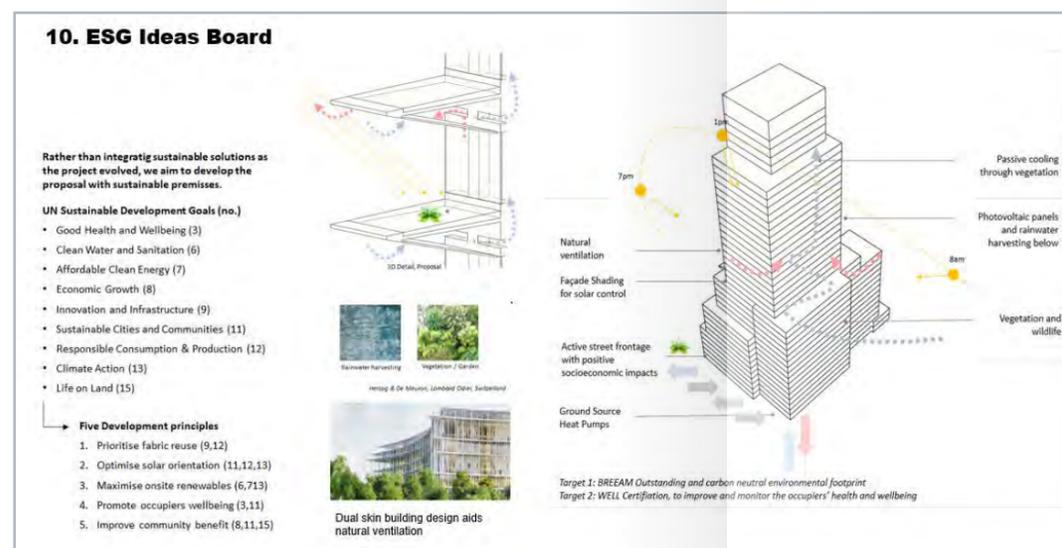
The competition, launched in Europe in 2020, aims to interest young professionals including MBA students in creating better communities, improving development patterns and increasing awareness of multidisciplinary solutions to development and design challenges.

In 2021, teams had to present their vision of a future workplace, based on the redevelopment of an office site in Amsterdam. Supported by Hines mentors, participants had to set out the best mix of uses for the site, along with an ESG strategy and financial proposals.

The winners were Emanuel Dos Santos Rebelo, Dermot Mahony, Beatriz Vala and Yoko Yamada, from the London Business School, who beat off competition from seven other teams from across Europe.

Innovative ideas that emerged in the final included organic indoor and outdoor gardens, canopies with vegetation and wildlife, outdoor office pods embedded in nature, serviced lofts over the office space, solar chimneys, a rooftop lighthouse and an amphitheatre to connect with the local community.

The winners of the competition, which has been running in the US since 2002, receive one year's ULI membership, a fast track to Hines' internship programme, a guided tour of a live Hines project and the opportunity to take part in project meetings in Hines' European offices.



“The competition was exceptionally tough. We saw some novel ideas, fantastic concepts and innovative thought processes about how the future of work will look, and how the real estate sector will need to adapt to multi-generational needs.”

LARS HUBER
CEO - HINES EUROPE



Hines Stands with Ukraine

Hines unequivocally condemns this unjust, unprovoked act of war on Ukraine. This is a humanitarian tragedy, and our deepest sympathies go out to the Ukrainian people with whom we stand in solidarity.

In April 2022, Hines set up a Ukraine task force which is looking at integrating and connecting pan-European ideas, as well as creating resources for employees to help or donate. The main areas of focus for the task force are volunteering and jobs, donations (physical and financial), shelter and storage, and construction and renovation.

Hines contributed \$250,000 to support the Ukrainian people on behalf of our global workforce, plus will contribute up to \$250,000 to match employee donations dollar for dollar. These donations were used to provide humanitarian aid in Ukraine to three non-profit organisations: the International Rescue Committee, Save the Children and the Ukrainian Red Cross Society.

HECF has pledged to donate five flats that have been freed up by tenants, or have been recently acquired by the Fund. These will be made available to Ukrainian refugees for periods of 12 months to allow them to settle in. Current accommodations are in Cologne, Dublin and Copenhagen.

HECF will also contribute to the initiative by providing



starter packs of homeware goods and clothing, and will take care of any related costs/service charges/taxes and utilities that are normally charged to the tenants.

HECF is looking into further initiatives to support Ukraine. One example is at Villaverde, Madrid, where the tenant Ontime has already sent three trucks with aid to Ukraine. HECF has agreed to provide a further €5,000 of goods and equipment to be delivered to the Polish/Ukrainian border by Ontime's logistics fleet.

A similar initiative is under way in cooperation with one of HECF's other tenants, John Lewis, whereby a rent rebate will be offered by HECF to fund relief efforts. John Lewis will demonstrate that this money has been used to provide food supplies for Ukrainian refugees, which will be transported by road to Poland.

While Hines is conscious that this remains a drop in the ocean in terms of the overall tragedy we are witnessing, we are of the opinion that doing our part will hopefully set an example for other institutional landlords to follow.

HECF's Tenants and Communities

Building exceptional experiences for the people in our spaces

A lot of life happens in the built environment, and we do not take that lightly at Hines. Across living, office, industrial and logistics, and retail, we strive to ensure people are thriving in Hines buildings, from the minute they walk into the spaces we develop and manage to the time they leave. It is our responsibility to provide places where people feel comfortable, valued, productive and able to prioritise their needs, and we work with our clients and tenants around the globe to make sure Hines spaces – and the communities around them – support human flourishing.

Engaging Tenants and adding to Local Biodiversity

With the aim of further improving the local biodiversity, as well as providing a touch point to engage with tenants, beehives have been installed at three HECF properties. Bees thrive in an urban environment and produce healthier and more productive bees due to access to greater biodiversity, resulting in a more varied diet and stronger immune systems¹⁵.

Located at Caleido in Stuttgart, Werfthaus in Frankfurt and Domkaskaden in Hamburg, our bees are happily foraging pollen from local flowering plants. At Werfthaus, we are expecting up to 240 jars of honey from the two hives installed in our first year. The hives at Caleido and Domkaskaden were set up in the past few months and have the best views over the rooftops of Stuttgart and Hamburg.

Ulrike Dreykluft, ESG Manager at Hines Germany:

"ESG has long been a focus in the management of HECF properties. We recognise that real estate has an impact on the environment, both in terms of occupiers and the ecosystem. Introducing beehives on-site contributes to the urban biodiversity. From their hives on the rooftops of German inner cities, the bee colonies enjoy optimal living conditions with access to a wide variety of low-pollutant foods.

We are very pleased that by installing these beehives we are able to make small but significant contributions to the biodiversity of inner cities and will be adding more hives to HECF properties."



Enhancing Hines' Client Relationship

In 2021, we created the Global Client Strategy group with the sole purpose of focusing on Hines clients. Part of our Management Services platform, this team strives to elevate the client experience, ensure global coordination and collaboration, and foster a tenant-centric culture that will help us to grow our business and improve investor returns. A key focus of the team's efforts this year was increasing communication and engagement with our clients, to cultivate our relationships in a more intentional way and provide more curated, personalized care.

The client strategy group also bolstered efforts to support our living and office tenants as we all continued navigating the challenges of COVID-19. We conducted return-to-office workshops with our management teams to think creatively about ways to elevate the day-to-day experience within our spaces to help tenants feel more productive at work and in life. Teams implemented creative initiatives like pop-up shops, outdoor fitness and wellness spaces, and opportunities for tenants to safely connect with one another after a prolonged and isolated time at home.



Local Illustrator Designs Mural for Eurosquare in Paris

Hines has teamed up with a local illustrator to breathe new life into its Eurosquare building in Paris's business district.

Clémence Aimé has designed a 17-square-metre mural for one of the halls in the office building. The charming artwork features sketches of several neighbourhoods in and around Saint-Ouen, including the Sacred Heart. Clémence is famous for her work with brands such as Ole Henriksen, LVMH and Junot Immobilier.

Alongside the artwork, Eurosquare has brought new furniture, ambient sounds and green spaces into the building – all intended to improve the experience for the people who work there.



Hines Green Office and Retail Tenant Programme

The Hines GREEN OFFICE and RETAIL tenant programmes are voluntary scheme to encourage sustainability. They are designed to help tenants improve how they operate their spaces and have a positive impact on the environment, health and well-being 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.



Marianella Fitwel Certification Under Way

Optimising buildings to support people's health and well-being is becoming ever more important to attract and retain tenants and meet investors' ESG expectations.

To this end, in 2021 HECF completed a gap analysis and action plan for a Fitwel certification for the Rostrevor Marianella project, a core, 108-unit residential asset located in Rathgar, an affluent suburb of South Dublin. The certification takes into account the buildings' green credentials including their location, lighting and outdoor spaces.

Marianella covers an area of 8,223 sq metres, offering a pleasant living environment with strong travel links and access to services.

The gap analysis outlined a number of initiatives including planting a fruit and vegetable garden, and installing water-bottle refilling stations.

The building is expected to attain a Fitwel certification in 2022 to the level of one star, aspiring to two stars.

HECF intends to obtain further health and well-being certifications across the portfolio.

Local Community Partnerships

Hines has a track record of contributing to the improvement of the communities where it does business. HECF actively engages with a number of Business Improvement Districts (BIDs) to support improving the communities where the Fund's buildings are located.

Cultural enrichment

The Københavns City Centre (KCC) BID (Købmagergade Portfolio) 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.

Employment

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

Health and well-being

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 (Chatham & King, Grafton Collection), HECF helps to make Dublin a safer place to work, shop and live.

More vibrant, clean and diverse community

The Rathaus Quartier BID (Domkaskaden) was approved and its aim will be to pedestrianise the neighbourhood streets and improve public spaces to provide more and better spaces for retailers and local restaurants. These improvements will foster greater diversity of uses in this part of the city as well as strengthen the neighbourhood as a meeting place in Hamburg's city centre. In addition to the structural measures, the BID will finance additional cleaning and service measures as well as marketing and public relations.



RATHAUS
QUARTIER



Hines' Proud Partnership with Social Enterprise UK

We are proud to be an active member of Social Enterprise UK (SEUK), the largest network of social enterprises in the UK.

As a membership body for social enterprises, SEUK represents all of the major players in the UK social enterprise movement, from multimillion-pound public service providers to community organisations and retail businesses. Its purpose is to promote and share its values, and to get social enterprises on the radars of decision-makers across all sectors.

Hines is a proud member of SEUK through its UK office. Hines believes our prioritisation of ESG factors differentiates our company, supports innovation and, most importantly, benefits people and the planet.

One of SEUK's key campaigns is the Buy Social Corporate Challenge, the world's largest commitment to social procurement. Last year, as part of this campaign, Hines UK set a target to spend £100,000 through social enterprises via the services it adopts and the procurement of services at the properties it manages.

Success stories to date include Sea Change wine, which donated 10% of profits to marine conservation, and Divine Chocolate, which champions female farmers, enabling them to develop the skills and confidence needed to thrive in business and build better communities.

By using Hines' spending power to procure responsibly, we can work with suppliers that have a positive social or environmental impact, and help to build a better world for all.



Governance

Transparency with Hines' ESG ambitions and implementation plans is important in order to hold ourselves accountable as we strive to make progress.

Distribution centre for major online retailer. Wrocław, Poland



From early on HECF has had a fund-specific ESG Policy and an ISO 14001-aligned Environmental Management System Framework to clearly set out its approach to ESG.

Improvements and achievements are then communicated regularly to our stakeholders through several forums, including employee reviews, our formalised tenant and investor meetings, as well as fund-specific reports such as the INREV aligned Annual Report.

Adoption of market recognised governance frameworks and benchmarks, such as UN SDG, TCFD, CRREM and participation in GRESB, help to provide the necessary context with our ESG performance.



The ESG Toolkit: Putting Sustainability First

At HEVF 2 we believe in bringing the most responsible, sustainable practices to Hines projects, enabling people to thrive in spaces that benefit them and their communities. This is why we use an ESG toolkit throughout the property life cycle, monitoring risk and regulation, and accelerating the transition to a lower-carbon asset.

Sharing best practices

Embodied Carbon Reduction Guide

Our Embodied Carbon Reduction Guide is intended to provide the background to understand embodied carbon, and the tools and processes we use to achieve our goals for reduction throughout the property life cycle.

All new Hines projects going forward will be mandated to use this framework to quantify, track and ultimately reduce the embodied carbon footprints.

Logistics Solar Playbook

The Logistics Solar Playbook focuses on maximising the opportunity of solar energy at logistics assets and providing a meaningful way to reach net zero carbon goals.

Social Impact Guide

The Social Impact Guide will be used to share current internal initiatives within regional teams at Hines and external initiatives, to encourage the implementation of socially focused efforts into development projects and properties.

The Social Impact Guide will be formally rolled out in Q2 2022 and then updated biannually.

Pre-acquisition

Hines monitors ESG-related risks from the earliest stage of investment life cycle, using a sustainability due diligence checklist prior to acquisition. This list ensures that long-term ESG factors are considered and assessed through various risk criteria. It is our policy that when risks are identified, mitigation measures are evaluated – if there are significant risks we may decide not to invest.

Examples of ESG factors included in Hines' acquisition due diligence checklist are:

- | | | |
|--|---|---|
| Environmental <ul style="list-style-type: none"> ▪ Energy efficiency (e.g. LED lighting installed) ▪ EPC ▪ Water efficiency (e.g. low flow taps) ▪ Waste separation | Social <ul style="list-style-type: none"> ▪ Health and well-being ▪ Disability access ▪ Indoor environmental quality (IEQ) ▪ Clean transport ▪ Provision of amenities | Governance <ul style="list-style-type: none"> ▪ Green leases ▪ ESG policies ▪ Business conduct ▪ Anti-corruption |
|--|---|---|

Hines is also in the process of rolling out an updated Investment Committee Memo template which includes a specific section on ESG including an overview of ESG risks and opportunities over the course of an asset's business plan.

Environmental Management System (EMS)

The investment management function of each fund operates under an Environmental Management System, which is aligned to the international standard (ISO 14001:2015). The aim of this document is to provide a framework to ensure all commitments, responsibilities and objectives are clearly defined and communicated to both internal and external key stakeholders. Formal certification is now under way and is expected in 2022.

During holding period

Development brief

From the beginning of any new construction or renovation Hines issues a development brief to enable the integration of the funds' ESG KPIs and targets.

The brief sets out the key standards to be targeted at a project level and provides a template for assessment and reporting.

Sustainability Assessment and Action Plan

Hines puts in place a Sustainability Assessment and Action Plan (SAAP) to further facilitate asset-level improvements and ensure the management of ESG-related risks through the collection and tracking of important asset information. This tool will be in use throughout the asset's life cycle and can be used during the sale process to provide the ESG criteria of the property to a potential buyer.

Sustainability fit-out guide

Hines also provides a sustainability fit-out guide for asset managers, property managers and tenants, covering design, construction, operation and handover phases.

Climate risk assessments

All assets within the portfolio are assessed for their physical climate-risk exposure, looking ahead to the 2030-40 time frame under the RCP 8.5 carbon emissions pathway.

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 well-being of employees.

Green lease clause

Hines aims to incorporate green lease clauses into any new tenancy agreement. We are currently in the process of updating our standard green lease clause to facilitate progress towards our net zero carbon targets.

At disposition

Sustainability Action and Assessment Plans

This tool will be used throughout the assets life cycle and can be used during the disposal process to provide the ESG related criteria of the property to a potential buyer.

Climate risk assessments

Climate risk assessments are key to assessing physical and transition risk during the due diligence process. Hines having already commissioned these reports will be in a position to share these with a future purchaser at disposition, whenever feasible.

Asset consumption data

Hines places a strong focus on collecting consumption data, which is crucial for monitoring progress towards carbon reduction targets. During disposition, consumption data can be requested by a potential buyer and it is likely to be a benefit to the sale of the asset if this can be provided.

Green lease clauses

Wherever Hines has integrated a green lease clause in new or extended lease negotiation, these will implicitly be part of the tenancy documentation.

SUSTAINABLE DEVELOPMENT GOALS

HECF and the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) are 17 interlinked global aspirations that collectively form 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.

Hines and HECF support the ambitious vision of the SDGs, and we are committed to playing our part to help deliver their 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 Becomes an Article 8 Fund Under SFDR

HECF is positioning itself as an Article 8 fund under the Sustainable Finance Disclosure Regulation (SFDR) and the private placement memorandum (PPM) was updated to reflect this.



The EU's SFDR came into force on 10 March 2021. The regulation comprises a set of rules that aim to homogenise disclosure standards among EU member states, enabling financial products and services to be compared. In light of this new regulation, the HECF PPM has been updated to ensure it complies with Article 8 of Regulation (EU) 2019/2088 on ESG-related disclosures. HECF's portfolio

of underlying real estate will continuously promote environmental and social characteristics by targeting the following ESG goals:

Significant progress was made towards these targets in 2021, with all but the long-term net zero target having already been achieved by HECF.

3 GOOD HEALTH AND WELL-BEING

We are committed to designing and managing buildings that support and enhance occupiers' health and wellbeing. We obtain in-use sustainability certificates for our buildings and including health and wellbeing requirements in our property management agreements. The health, safety and wellbeing of all Hines employees is of paramount importance 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. We share our Hines Green Office and Green Retail guides with our tenants. These are designed to help tenants improve how they operate their spaces and have a positive impact on the environment, and the health & wellbeing of their employees.

5 GENDER EQUALITY

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.

8 DECENT WORK AND ECONOMIC GROWTH

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

11 SUSTAINABLE CITIES AND COMMUNITIES

We intend that our buildings 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, providing spaces in and around our buildings that enhance local communities, and supporting a number of local charity initiatives.

13 CLIMATE ACTION

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. To better understand and adapt to the impacts of climate change, we have also carried out physical climate risk assessments for assets in the portfolio. These have been used to embed climate resilience into our wider risk-management strategy and processes.

4 QUALITY EDUCATION

Offering educational opportunities for our industry's future leaders is an important 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. In 2020, building on the success of the competition in the US, we launched the ULI Hines Student Competition – Europe. The competitions aim 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 offer a number of programmes, resources and educational opportunities to help support our employees at all stages of their career growth.

7 AFFORDABLE AND CLEAN ENERGY

In 2021, 100% of landlord-procured electricity contracts were on green tariffs. In addition, we are engaging with tenants to support their transition to renewable contracts. For example, the Fund hosts annual presentations to tenants to provide information on green electricity tariffs.

We are also exploring opportunities to incorporate on-site renewable energy generation and low-carbon technologies in our buildings. In 2021, Hines created a Logistics Solar Playbook, a guide developed to outline key considerations to progress the installation of PV systems.

9 INDUSTRY INNOVATION AND INFRASTRUCTURE

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.

The adoption of Ziggytec across our portfolio supports the effort to monitor energy consumption in real time.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

This underpins our approach to developing and operating buildings. We are committed to operating buildings efficiently and have a comprehensive set of ESG requirements.

We 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 our Sustainability Fit-Out guide. In operation, we are committed to the management and 100% diversion of waste from landfill.

17 PARTNERSHIPS FOR THE GOALS

Collaboration is critical to achieve the Sustainable Development Goals, and it is central to maximising the impact of our ESG strategy. We have a stakeholder engagement policy in place, and aim to work closely with key stakeholders – including our occupiers, supply-chain partners, local communities and investors – to deliver enhanced ESG outcomes.

To support this, we 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.

Signatory of:



What is UN PRI?

Founded in 2005, the PRI is an independent initiative and is the world's most recognised proponent of responsible investment, supported by the United Nations. PRI's mission is to create an economically efficient, sustainable global financial system that will enable long-term value creation. UN PRI aims to highlight the environmental, social and corporate governance factors (ESG). The PRI, as a non-profit, non-governmental body, encourages investors to use responsible investment to enhance returns and better manage risks.

Hines Becomes a Signatory to the UN PRI

Hines officially became a signatory to the UN Principles for Responsible Investment (PRI) in November of 2021. This is a true milestone as we continue to move forward with our ESG Strategy that was adopted at the beginning of 2021. Becoming a signatory is an important addition to our industry engagement and aligns with a key ESG objective of many of our investors and partners as we continue our capital-raising efforts.

The importance of responsible investing?

1. Materiality – responsible investing recognises that ESG factors can affect risk and return.
2. Market Demand – there is an increasing demand from beneficiaries and clients for greater transparency on how their money is invested.
3. Regulation – guidance from regulators that considering ESG factors is part of investors' duties to clients and beneficiaries.

What are the six principles of responsible investment?

Principle 1

We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2

We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3

We will seek appropriate disclosures on ESG issues by the entities in which we invest.

Principle 4

We will promote acceptance and implementation of the principles within the investment industry.

Principle 5

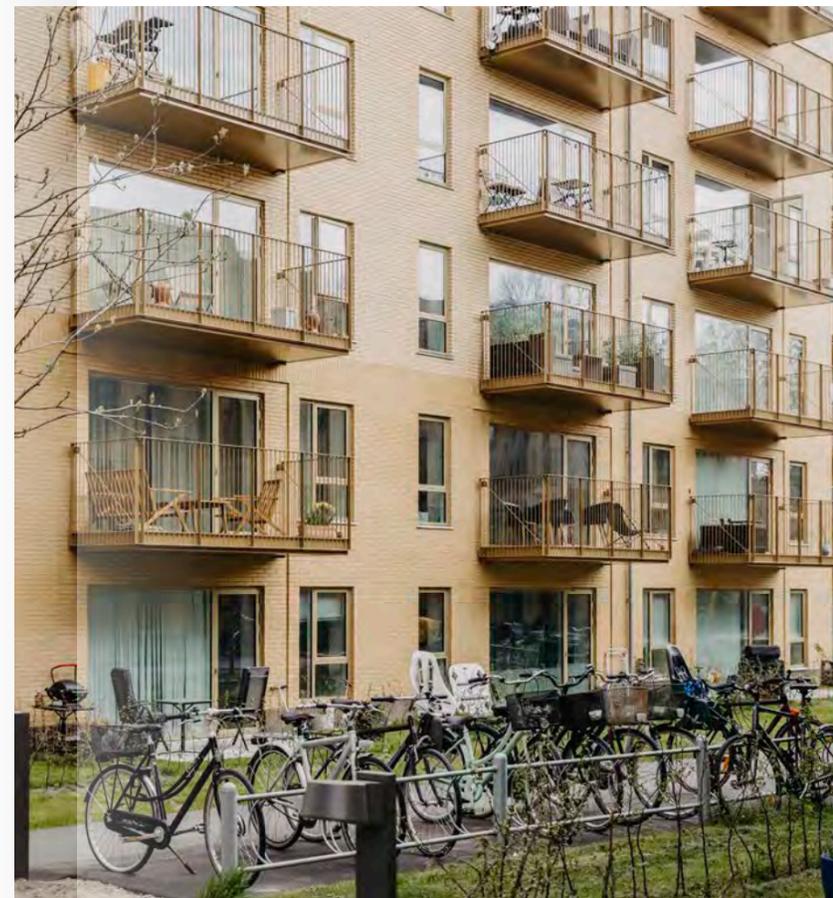
We will work together to enhance our effectiveness in implementing the principles.

Principle 6

We will each report on our activities and progress towards implementing the principles.

Hines, as an institutional investor, must act in the best long-term interests of our beneficiaries. These six principles will help to empower and foster a community of active owners and increase accountability to drive real climate action and impact. Hines has made significant progress in implementing these principles, especially in incorporating ESG issues into investment analysis and decision-making. Following an internal task force, run by Alfonso Munk, Hines' Chief Investment Officer - Americas, Hines has recently released an updated Investment Committee memo template which includes a new ESG section documenting key ESG attributes and associated risk and opportunities.

Trikotageparken, Copenhagen



Hines Responsible Investment Statement

Hines is committed to performing its role as an owner and operator of real estate, and as an investment manager to our clients and partners, with the highest ethical standards. We strive to create value through real estate investments that improve the quality of the built environment and enhance the communities in which we operate. While doing so, we engage our tenants, partners, suppliers, and employees in sustainable practices to improve asset performance, conserve energy, and reduce greenhouse gas emissions.

Specifically, we:

- Operate with the highest level of ethical standards, with governance in place to ensure that these standards are followed.
- Work diligently to meet stakeholders' mutually agreed business objectives.
- Engage employees, clients, and partners to understand the needs of each and the contribution they make to Hines' business practices.
- Create a work environment that values a capable, diverse workforce, provides challenging opportunities for employees, rewards performance, and is respectful of work/life balance.
- Enhance and contribute to the communities in which we operate.
- Encourage respect for the environment, identify and implement ways to limit greenhouse gas emissions, reduce energy consumption, limit water use, and minimise waste.
- Encourage vendors and suppliers to engage in sustainable practices and consider those who do so when selecting contractors and vendors.

SPOTLIGHT ON ISO CERTIFIED ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)



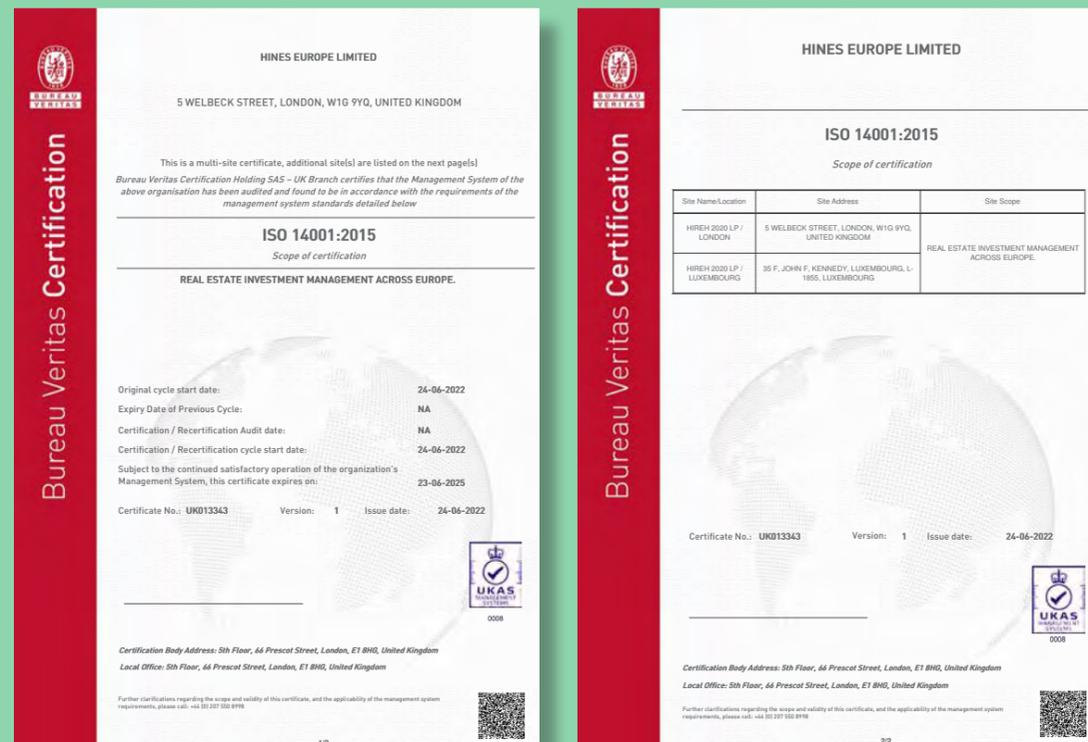
In late 2021, Hines European Investment Management initiated the process of putting in place an ISO 14001 certified Environmental Management System Framework, which was then officially obtained in the first part of 2022.

ISO 14001 is the international standard for environmental management systems (EMS) and the most widely used EMS in the world. ISO 14001 is the principal management system standard which specifies the requirements for the formulation and maintenance of an EMS.

Hines has operated a fund EMS which has been aligned, but not certified, to ISO 14001 since 2016 for HECF. Hines European Investment Management is now in the process of achieving certification to ISO 14001:2015 for its European investment management ESG activities, expected to be obtained at the end of Q2 2022.

The document sets out the Hines European Investment Management strategy and implementation roadmap for managing environmental matters relevant to its business activities. It includes roles and responsibilities, objectives and targets, monitoring and reporting procedures, communication of performance procedures and the management review process. The aim of the environmental management system framework is to provide a structure to ensure all commitments, responsibilities and objectives are clearly defined and communicated to key stakeholders, both internal and external, as appropriate.

The document can be used to signpost users to additional material, documents and processes utilised by Hines European Investment Management to effectively integrate environmental matters into the overall business strategy.



Task Force on Climate-Related Financial Disclosures (TCFD)



The Task Force on Climate-related Financial Disclosures (TCFD) seeks to establish effective climate-related disclosures that support more informed investment/financial decisions and, in turn, enable stakeholders to better understand climate-related risks and opportunities. Since the release of the TCFD Recommendations in 2017, TCFD-aligned climate risk reporting has been adopted as a standard by many organisations, including UN PRI.

HECF is working on implementing the recommendations of the TCFD in order to better understand and manage the Fund's climate-related risks and opportunities. In 2019, HECF completed a gap analysis to identify alignment with TCFD, and throughout 2021 progressed to improve alignment. HECF has long integrated ESG and climate-related issues into the investment process with ambitious ESG objectives, and therefore began the process from a strong foundation. As policy guidance and industry knowledge around assessing and disclosing the material financial impacts of climate-related issues develop, HECF will further integrate these best practices into existing reporting and decision-making processes to increase alignment with TCFD recommendations. HECF's current approach to climate-related risks and opportunities are discussed below, structured around four sections as framed by the TCFD: Governance; Strategy; Risk Management; and Metrics and Targets. Climate risks are considered in two primary categories: Transition Risks and Physical Risks.

Through service provider 'Moody's Four Twenty Seven' (427), climate risk assessments were carried out on all existing assets, focusing on: Physical climate risk exposure assessed, looking ahead to the 2030 – 2040 timeframe under the RCP 8.5¹⁶ scenario. Utilising the 427 data-driven Climate Risk Scoring Methodology, characterised risk levels through scores for six climate hazards comprised 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. Sustainability Acquisition Due Diligence checklists were completed for all acquisitions in 2021. These are then 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 practices 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.

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 EVORA Global, 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 2021. 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 2020 and 2021, 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 Private Placement Memorandum (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.

In December 2021, the proposed changes to the Fund's PPM including the incorporation

of ESG targets were approved by HECF's investors. Final approval from the Luxembourg regulator CSSF was received in January 2022, with which the Fund became an Article 8 product under the SFDR.

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Any such offer will be made only pursuant to a confidential private placement memorandum and the definitive documents of the Fund (the "Definitive Documents"), which will be furnished to qualified investors at their request in connection with any such offering and should be referred to before making any investment decisions. The information contained in this presentation is qualified by reference to the Definitive Documents, which will entirely supersede this presentation. The information in this document should not be relied on because it is incomplete and remains subject to change.

Preliminary, Selective Information Only

This document summarizes certain characteristics of a proposed investment program. It is presented solely for purposes providing you with initial and general information at your own responsibility. This document is not suitable to inform you of the legal and factual circumstances necessary to make an informed judgement about any prospective investment. Prospective

investors are requested to inform themselves comprehensively and, in particular, to verify the Definitive Documents which is expected to be provided in the future. Hines reserves the right, in its sole and absolute discretion, without notice, to alter the terms or conditions of the Fund and/or to terminate the potential investment opportunity described herein. Unless otherwise noted, the information contained herein is unaudited and may be preliminary and speaks as of the date of this document or the specific date specified. Hines disclaims any obligation to update this document in any manner, even in the event that the information becomes materially inaccurate.

In no event should this document be viewed as legal, business, tax, accounting, investment or other advice. Any statements of federal tax consequences contained in this presentation were not intended to be used and cannot be used to avoid penalties under the Internal Revenue Code or to promote, market or recommend to another party any tax related matters addressed herein. This document does not constitute any regulated investment (MiFID) advice.

Forward Looking Statements

This document contains projected results, forecasts, estimates, targets and other "forward-looking statements" concerning proposed and existing investment funds and other vehicles. Due to the numerous risks and uncertainties inherent in real estate investments, actual events or results, or the actual performance of any of the funds or investment vehicles described, may differ materially from those reflected or contemplated in such forward-looking statements. Accordingly, forward-looking statements cannot be viewed as statements of fact. The projections presented are illustrations of the types of results that could be achieved in the given circumstances if the assumptions underlying them are met. Prospective investors should not rely on such forward-looking statements in deciding whether to make an investment.

The Fund will make investments in different economic conditions than those prevailing in the past. Thus, no guarantee is made that the Fund will have the same types or diversity of investment opportunities as prior vehicles. While Hines believes all performance targets and estimates to be reasonable and sound under the current circumstances, actual returns will depend on, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, legal and contractual restrictions

on transfer that may limit liquidity, any related transaction costs and the timing and manner of sale, all of which may differ materially from the assumptions and circumstances on which the estimated future cash flows and exit values used in the performance estimates and targets contained herein are based. Accordingly, nothing herein should be deemed to be a prediction or projection of future performance of the Fund and actual realized returns on unrealized investments may be materially different from the returns indicated herein. Returns presented on a "gross" basis do not reflect deductions for investment management fees, carried interest, subscription credit facility debt service, Fund level expenses and fees, which, in the aggregate, may be substantial. Additional information on the performance and other numbers presented herein is available from Hines upon request.

Investments in the Fund will be denominated in Euros and, therefore, will be subject to any fluctuation in the rate of exchange between the Euro and the currency of the investor's home jurisdiction, which may have an adverse effect on the value of, price of or income or gains from an investor's investment in the Fund. Future performance is subject to taxation which depends on the personal situation of the investor, and which may change in the future.

Real Estate Related Risks

Investments in real estate funds such as those described herein, are subject to numerous risks and uncertainties, including risks inherent in private, closed end real estate funds, such as lack of liquidity, lack of diversification and dependence on key personnel of the fund sponsor, as well as risks inherent in the types of investments such funds make, competition for investment opportunities, changes in market conditions, regulatory and environmental risks, entitlement and development risks and risks of tenant, purchaser or seller defaults on contractual obligations. Investors in real estate funds must be able to evaluate and bear the potential consequences of these and other risks, including the potential loss of their entire investment.

The characteristics of investments to be made by the Fund may vary from the characteristics of those shown herein and may not have comparable risks and returns. An investment in the Fund is speculative and involves significant risks, including loss of the entire investment and is suitable only for sophisticated investors who fully understand and are capable of bearing the risks Real Estate Related Risks of an investment in the Fund. The Fund will be illiquid, as there is

limited to no secondary market for interests in the Fund and there are significant restrictions to transfers of interests in the Fund. A recipient who has preliminary interest in the Fund should understand these risks and have the financial ability and willingness to accept such risks for an extended period of time before considering making an investment in the Fund.

Track Record

The Hines property investments and investment programs referred to herein were made at different times, with materially different terms and in materially different market conditions than those contemplated for the Fund. The results of the investment programs presented illustrate results that could be achieved in certain conditions if the underlying assumptions prove to be correct. In considering all of the track record and performance information contained herein, prospective investors should bear in mind that past performance is not indicative of future results, and there can be no assurance that the Fund will achieve comparable results to historical transactions or that the Fund will be able to implement its investment strategy and investment approach or achieve its investment objective.

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ESG Disclaimer

The information provided herein is intended to provide an indication of the sustainability initiatives, standards and/or metrics that the Fund applies when seeking to evaluate and/or improve the sustainability characteristics of an asset. There can be no guarantee that the Fund will achieve its ESG objectives. The decision to invest should take into account all of the characteristic of the Fund as described in the Definitive Documents and not just ESG.

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Additionally, targeted and estimated net returns are calculated using assumptions and estimates regarding HECF's size, leverage, rate of investment and income. Actual investment pace, purchase and sale prices, and current income and other returns received on investments, investment hold periods, default and recovery rates of investments, and other factors may differ significantly from the assumptions used to calculate target net returns. Nothing contained herein should be deemed to be a prediction or projection of future performance of HECF. Net returns are presented on a net basis, after deductions for actual or estimated investment management fees, performance fees, fund expenses, and all other fees and expenses paid by investors, which in the aggregate may be substantial. Additional information regarding HECF's target and estimated return calculations is available from Hines upon request.

ENDNOTES

- 1 Assets under Management ("AUM") includes both the global Hines organisation as well as RIA AUM
- 2 Income and Appreciation returns are compounded separately and therefore at times, do not sum exactly to the Net Total return.
- 3 Income returns are calculated at year-end based on the Modified Dietz Methodology and are thus not reported in quarterly reports. The net distribution amount is net of the highest asset management fee bucket and does not include any fee rebates.
- 4 Both market indices represent fund level returns of a peer group of core funds investing across Europe. The INREV ODCE index is annualised based on the quarterly performance.
- 5 The MSCI pan-European Property Funds Index ("pEPFI") – Balanced Funds is comprised of 11 open-ended funds with an intended strategy to invest at least 80% of their gross assets in direct property within Europe where they must invest in at least 3 regions and in more than one property sector. In addition, all Funds are subject to independent, quarterly mark-to-market property valuations (i.e. no German style valuations are included).
- 6 The INREV ODCE index does not go back to inception having begun in Q3 2011. The Since Inception return is therefore a performance index which reflects the following parameters: Core, Open Ended; Gearing <60%; Target Sector: Multi Sector; Target Country: Multi Country; RICS Valuation.
- 7 For an explanation of GRESB recognition categories, please refer to GRESB's reference guide here.
- 8 World Green Building Council report, September 2019
- 9 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 and to align with the latest carbon intensity target data released by CRREM in August of 2021.
- 10 The current scope of these targets are buildings where the Fund procures energy for at least shared services (common parts and central heating, cooling and air conditioning). 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 11 assets included in the above figures, namely: Atlas House, Caleido, Chatham & King, Domkaskaden, Eurosquare, Marienbogen, Noortse Bosch, Princes Street, Via Torino, Werfthaus and Portland Towers.
- 11 In order to portray whole building data in the above performance update, landlord consumption figures from 2021 and the latest available tenant consumption figures (from 2020) have been utilised (due to tenant 2021 consumption figures not being available at the time of writing).
- 12 Consumption figures in 2020 and 2021 have not been adjusted to account for the impact of the COVID-19 pandemic.
- 13 HECF's net zero carbon commitment will be formally updated to target net zero scope 3 operational carbon emissions by 2040 in line with Hines' global net zero commitment which was announced in 2022
- 14 In order to analyse whole building data, landlord consumption figures from 2021 and the latest available tenant consumption figures (from 2020) have been utilised (due to tenant 2021 consumption figures not being available at the time of writing).
- 15 Urban areas as hotspots for bees and pollination but not a panacea for all insects, nature.com, January 2020.
- 16 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. It is associated with an eventual 4 degree C or greater temperature rise scenario.



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