

# Hines European Real Estate Partners III

2023 ESG REPORT

Hines





As a value-add strategy fund, HEREP III (formerly Hines European Value Fund 3) is in the fortunate position to invest in buildings that need refurbishment and regeneration to meet the evolving market demands. This mandate gives us a huge opportunity to improve efficiency and create value through ESG-focused upgrades and initiatives.

We believe sustainability enhances asset performance and brings benefit to all our stakeholders – from investors and occupiers to the surrounding communities of our portfolio investments. It is an integral part of our overarching Fund strategy, as we aim to embed ESG initiatives into each stage of our refurbishment and development projects. By threading sustainability through planning, construction, and operation, we strive to ensure our assets meet the high standards of the Fund, market, and future occupiers, while leaving the smallest environmental footprint.

In this year’s annual ESG report, we are pleased to highlight our ESG milestones and showcase HEREP III’s sustainability ambitions in action. Asset management initiatives at our three initial investments are progressing positively, with all assets targeting the highest-level green and healthy building certifications as well as stringent operational and embodied carbon goals.

HEREP III’s newest acquisitions – Grimmer Industrial Park in Leipzig and Charenton Liberté in Paris – will follow the Hines European region’s comprehensive new ESG development brief to guide the refurbishment efforts and align with both the firm and Fund’s ESG aspirations.

We hope you enjoy reading this report and learning more about the specific initiatives HEREP III is undertaking to prioritize environmental and social sustainability across the portfolio and help create a positive and lasting change through ESG.

**Paul White**  
Fund Manager

**Daniel Chang**  
Head of European ESG



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About Hines Europe



# HEREP III Overview





# HEREP III Overview

## Driving value creation through ESG

Hines European Real Estate Partners III (HEREP III) is the third fund in Hines' European value-add strategy commingled flagship fund series. Formerly known as HEVF 3\*, HEREP III is a euro-dominated, Luxembourg-based, closed-ended fund, with full discretion to create a diversified portfolio of value-add real estate investments across primary European markets and sectors.

Aiming to create value at the asset level, the Fund focuses on managing, repositioning, and future-proofing buildings to meet the evolving demands from both occupiers and investors, while optimizing ESG performance and reducing environmental impact.

In its final closing held in November 2023, HEREP III successfully raised over €1.61 billion of equity commitments, exceeding its fundraising target of €1.5 billion.



91SAX, Cologne

\*The Hines European Value Fund 3 (HEVF 3) was rebranded as Hines European Real Estate Partners III (HEREP III) in November 2023 to more clearly communicate Hines' suite of flagship funds to investors across different geographies and risk profiles.



HEREP III AT A GLANCE\*

Fund Presence



Countries

- Germany
- Spain
- United Kingdom
- France\*\*

4

Cities

- Cologne
- Barcelona
- London
- Leipzig\*\*
- Paris\*\*

5

Total Equity Commitments

€1.61 B

Number of Project Investments

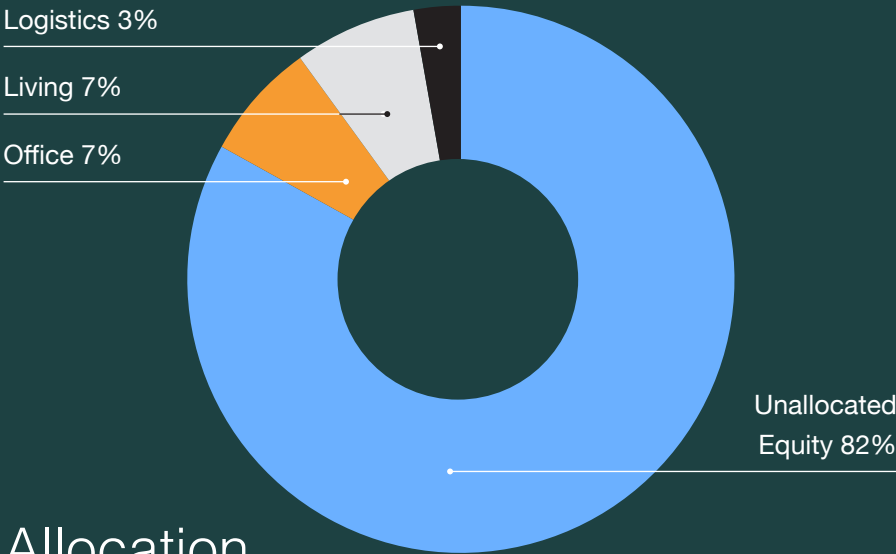
5

Total Asset Allocation

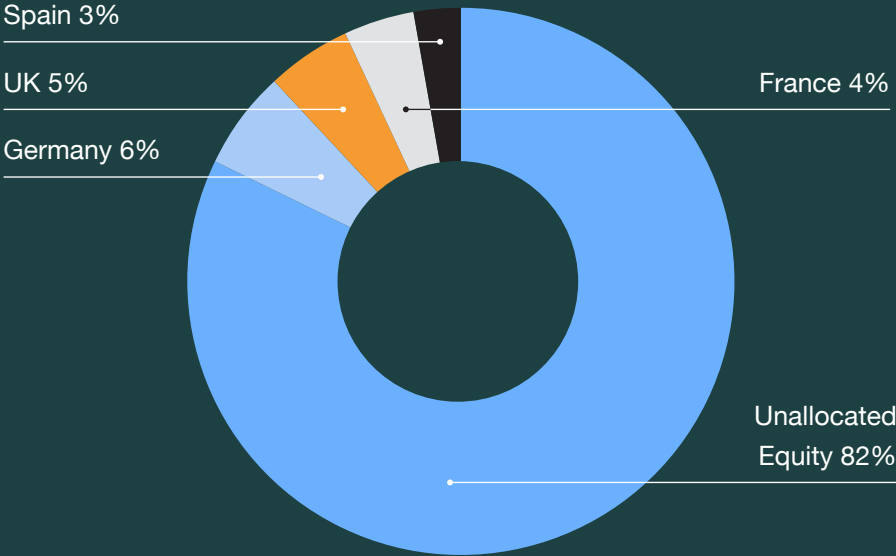
Allocated by gross equity commitments to 5 investments

18%

Allocation by Sector



Allocation by Country



\* Data as of Q4 2023, these figures include two investments signed during 2023. \*\* Investments closed post quarter end in Q1 2024



“At Laerernes , ESG is of core importance to ensure stable long-term returns for our pension fund investors. We need partners who share our conviction, strive for the highest targets and focus on innovation in this field. HEREP III shares our views and has set aspirational ESG KPIs. I am convinced they will continue to innovate and improve their ESG performance and have a positive impact on our built environment and communities.”

**Tobias Friis**  
Head of Alternatives  
Lærernes Pension  
Danish investor



HEREP III ESG HIGHLIGHTS AND TIMELINE



2023 HIGHLIGHT

HEREP III Surpasses Fundraising Target

Between its launch in mid-2022 and its 2023 closing, the Fund raised more than €1.6 billion in equity commitments, exceeding its initial target of €1.5 billion. The total number of investors in the Fund is now 35, with a well-balanced mix of existing series investors and new investors in addition to Hines’ co-investment.



2022

- First closing on May 31, 2022
- Classified as an Article 8 Fund under the SFDR
- Secured first forward purchase of Porta Diagonal in Barcelona
- Acquired 91SAX, a brown-to-green refurbishment to prime office space

2023

- Acquired Film House, a prime ESG office asset in London
- Surpassed fundraising goal in final closing
- Rebranded as HEREP III
- Signed Grimma Industrial Park, a logistics development in Leipzig
- Signed Charenton Liberté a conversion of core office to PBSA opportunity in Paris
- Updated HEREP III ESG Development Brief

# ESG Strategy, Governance, and Priorities



Grainhouse, London

# 2



# Our ESG Strategy

## Promoting environmental and social health

We are considering and implementing a range of ESG initiatives as we manage, renew, and develop HEREP III assets to meet market demands.

The Fund is committed to minimizing environmental impact, with a focus on prioritizing energy efficiency and renewable energy across our assets. We aim to responsibly manage our carbon footprint across the whole life cycle of every asset by monitoring and seeking to reduce both embodied and operational carbon through design, material selections, and operational improvements. We also collaborate with supply chain partners to enhance sustainable practices.

The Fund prioritizes human health and wellness across assets and we work to bring benefit and value to the communities in which we operate. We also strive to provide transparency, track our progress, and measure our progress against industry sustainability benchmarks.

We see ESG as a way of ensuring the HEREP III portfolio achieves best-in-class status and aligns with current and future investor and occupier requirements. By integrating ESG performance into both long-term strategies and day-to-day management, we believe we are enhancing risk-adjusted returns and strengthening our investment process.



Grimma Industrial Park, Leipzig

# ESG Alignment Across Our Firm

## Revisiting Hines’ Material Areas, Revising the Global ESG Framework

Like all Hines investment entities and funds, HEREP III supports firm-wide ESG goals, objectives, and commitments. Our investment strategy reflects Hines’ Responsible Investment Statement, which ensures we consider ESG topics across our investment decisions. We are also committed to implementing the United Nations Principles for Responsible Investment (UN PRI), as Hines is a UN PRI signatory.

At the end of 2023, Hines conducted a double materiality assessment to revisit and realign sustainability priorities and ensure the firm’s business, stakeholder, and market expectations are being met or exceeded. The Global ESG team is leveraging these results to refine our firm-wide sustainability strategy and build a new ESG framework that will guide sustainability efforts and priorities at Hines. We will be aligning our Fund ESG strategy with the new framework in 2024.

Learn more about the materiality and framework updates at [Hines.com/ESG](https://www.hines.com/ESG).

# Our ESG Strategy and Implementation Framework

HEREP III’s ESG Strategy and Implementation Framework outlines the Fund’s approach to measuring and managing ESG and implementing sustainability initiatives across our portfolio. It includes our ESG Policy and Environmental Management System (EMS).

## Our Environmental Management System

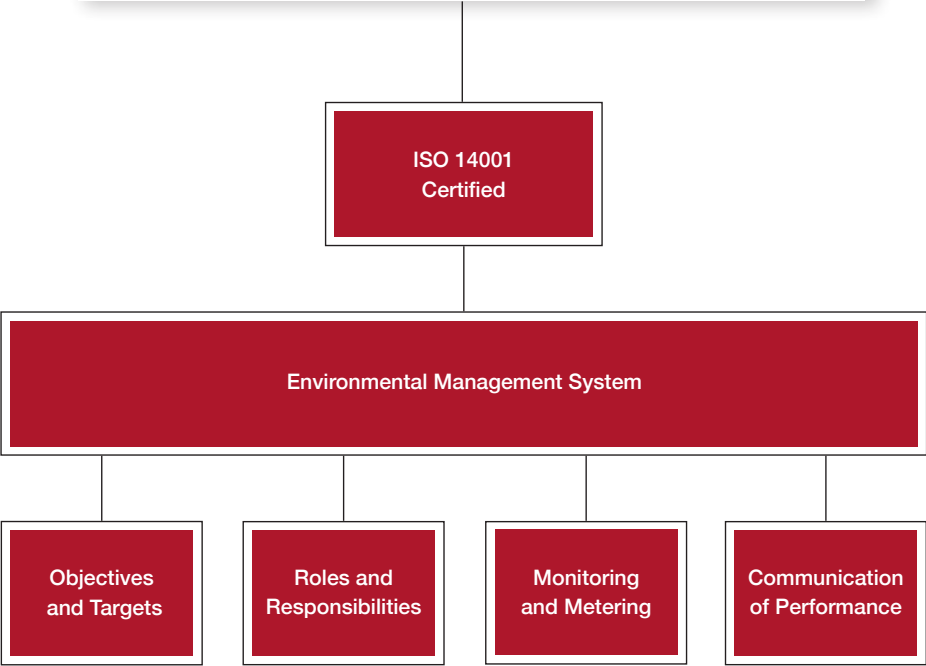
Our Fund’s EMS is encompassed by Hines Europe’s EMS, which is certified to ISO 14001:2015. A critical part of our ESG strategy, the EMS provides a framework to ensure all Fund commitments, responsibilities, and objectives are clearly defined and communicated to internal and external stakeholders. It is reviewed and updated annually, or more frequently as necessary.

The EMS follows a Plan-Do-Check-Act approach to promote continuous improvement:

- **Plan:** Consider the materiality of ESG risks and opportunities over which we have influence and develop objectives to

- control, reduce, or improve performance of significant impacts.
- **Do:** Implement necessary resources, programs, and accountability to work toward achieving our ESG goals.
  - **Check:** Put in place feedback mechanisms to review progress of the EMS, including qualitative and quantitative impacts.
  - **Act:** Critically analyze and assess the impact of our operations, and progress against targets, to achieve continuous improvement and guide decision-making.

In 2023, Bureau Veritas completed Hines Europe’s second EMS audit. The four-day, third-party audit conducted in our London and Luxembourg offices evaluated Hines Europe’s investment management approach to ESG strategy, objectives, and progress to ensure the region’s EMS, and all the Fund-specific EMSs encompassed by it, reflect best-in-class ESG systems and processes. Upon completion of the audit, Bureau Veritas recertified the EMS for another year.



HEREP III’s ESG Strategy and Implementation Framework outlines our approach to managing ESG factors and defines supporting activities of the EMS.



# ESG Frameworks, Alignment, and Achievements

HEREP III uses external ESG governance frameworks and benchmarks to hold ourselves accountable, disclose our objectives, report our progress, and evaluate continuous improvement. We communicate our ESG targets and achievements to stakeholders through several channels including tenant and investor meetings, outreach, events, and reporting. We include an ESG section in the Fund’s financial report and follow the European Association for Investors in Non-Listed Real Estate Vehicles (INREV) reporting guidelines.

## Aligned with SFDR

In 2023, HEREP III continued to constitute an Article 8 Fund under the European Union’s Sustainable Finance Disclosure Regulation. As an Article 8 Fund, we are committed to ESG transparency, setting ESG priorities in our investment strategy, and meeting portfolio-wise benchmarks in key ESG areas, with a particular focus on:

- Green building certifications
- Green tariffs
- Energy performance certifications
- Embodied carbon assessments
- Tenant engagement
- Green lease clauses

## Aligned with TCFD

HEREP III is also adopting the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations with a goal of reaching all 11 disclosures. We have structured our approach to addressing TCFD’s four pillars – Governance, Strategy, Risk Management, and Metrics and Targets – with specific focus on climate-related transition and physical risk. TCFD alignment helps us think more strategically about when and how climate change might impact our fund over time, so we can address climate risk proactively and effectively across our portfolio. In 2024, HEREP III will look to transition to the IFRS S2 (Climate-related Disclosures) now that TCFD has been disbanded.

## Submitting to GRESB

HEREP III will submit to GRESB for the first time in 2024, for the 2023 reporting period, under the GRESB Development benchmark. GRESB participation is part of our commitment to transparent governance, benchmarking, and stakeholder communication and we will leverage the results to continuously improve our approach to measuring and managing ESG across our portfolio.



Film House, London



# Aligned with The UN SDGs

Like our firm, HEREP III supports the ambitious vision of the United Nations’ Sustainable Development Goals (SDGs). We integrate relevant SDGs into our Fund’s ESG strategy, focus areas, and objectives as part of the broader Hines corporate commitment to environmental stewardship, community benefit, and positive impact.

<div>3</div> <div>GOOD HEALTH AND WELL-BEING</div> <div></div>	<div>4</div> <div>QUALITY EDUCATION</div> <div></div>	<div>6</div> <div>CLEAN WATER AND SANITATION</div> <div></div>	<div>7</div> <div>AFFORDABLE AND CLEAN ENERGY</div> <div></div>
<div>8</div> <div>DECENT WORK AND ECONOMIC GROWTH</div> <div></div>	<div>9</div> <div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div></div>	<div>10</div> <div>REDUCED INEQUALITIES</div> <div></div>	<div>11</div> <div>SUSTAINABLE CITIES AND COMMUNITIES</div> <div></div>
<div>12</div> <div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div></div>	<div>13</div> <div>CLIMATE ACTION</div> <div></div>	<div>15</div> <div>LIFE ON LAND</div> <div></div>	<div>17</div> <div>PARTNERSHIPS FOR THE GOALS</div> <div></div>



## 2023 ESG OBJECTIVES AND TARGETS\*

### Environmental

FOCUS AREA	2023 COMMITMENTS	2023 PROGRESS / OUTCOMES	2024 OBJECTIVES / TARGETS
<b>Green Building Certifications</b>  <i>SDGs: 9, 11, 12, 13</i>	Achieve green building certification for new development/ refurbishment projects, targeting 'Excellent' and aspiring to 'Outstanding' or equivalent.  Achieve in-use green building certification for operational assets.	<ul style="list-style-type: none"> <li>All assets are progressing toward obtaining green building certifications as part of their refurbishment / construction process.</li> </ul>	Continue to achieve green building certification for new development/ refurbishment projects, targeting 'Excellent' and aspiring to 'Outstanding' or equivalent.  Continue to target WiredScore Gold (aspire to Platinum) for all new development/ refurbishment projects or equivalent.
<b>Energy Efficiency &amp; Operational Carbon</b>  <i>SDGs: 7, 11, 13</i>	For new development projects, seek to achieve operational energy intensity in line with best practice industry benchmark.  For major refurbishments target the 2040 CRREM 1.5°C pathway relevant to asset type and location.  Target minimum EPC 'A' rating for new developments, or 'B' rating for refurbishments.	<ul style="list-style-type: none"> <li>91SAX, Finistrerre, and Film House are all following the ESG development brief to achieve these targets.</li> <li>Extensive refurbishment projects at multiple assets are focused on improving energy efficiency and carbon performance, expected to result in improved EPCs.</li> </ul>	Continue to target the operational energy intensity targets outlined within the ESG development brief.  Continue to target minimum EPC A rating for new developments or B rating for refurbishments.
<b>Renewable Energy</b>	Explore feasibility of incorporating on-site renewable technologies to enable net zero carbon in operation.	<ul style="list-style-type: none"> <li>91SAX, Porta Diagonal will incorporate on-site renewable energy.</li> <li>Film House has on-site pv installed.</li> </ul>	Continue to explore feasibility of incorporating on-site renewable technologies to enable net zero carbon in operation.
<b>Embodied Carbon</b>  <i>SDGs: 9, 11, 12, 13</i>	Complete an embodied carbon assessment for new build/refurbishment projects, using a robust methodology (e.g. RICS WLCA for the Built Environment). Target a minimum 15% reduction in embodied carbon against concept design baseline.	<ul style="list-style-type: none"> <li>Hines rolled out a WLCA assessment guidelines to aid in the process of obtaining consistent results when obtaining these assessments.</li> <li>WLCAs are planned for 91SAX, Film House and Finistrerre.</li> </ul>	Continue to complete robust embodied carbon assessments for new build / refurbishment projects and work towards reduction.
<b>Water</b>  <i>SDGs: 6, 12</i>	Evaluate water efficient fixtures and fittings in new build/ refurbishment projects and feasibility of water re-use systems (graywater recycling and/or rainwater harvesting)	<ul style="list-style-type: none"> <li>Both Porta Diagonal, 91SAX, and Film House will include water efficient fixtures in their design.</li> </ul>	Continue to evaluate water efficient fixtures and fittings in new build/ refurbishment projects and feasibility of water re-use systems (graywater recycling and/or rainwater harvesting)

\*Film House was the only active Hines-developed refurbishment underway in 2023.

2023 ESG OBJECTIVES AND TARGETS

Environmental

FOCUS AREA	2023 COMMITMENTS	2023 PROGRESS / OUTCOMES	2024 OBJECTIVES / TARGETS
<div>Materials and Procurement</div> <div>SDGs: 9, 11, 12, 17</div>	<div>Continue to consider ESG requirements in material purchasing including:</div> <ul style="list-style-type: none"><li>• Life Cycle Assessment (using OneClick LCA or similar) to inform material choices</li><li>• All timber products to be legally sourced, at minimum</li></ul>	<div></div> <ul style="list-style-type: none"><li>• An LCA is underway to inform material choices at Film House.</li><li>• An LCA has been completed for Porto Diagonal during the BREEAM process.</li><li>• An LCA will be procured for 91 SAX.</li></ul>	<div>Continue to evaluate resource efficiency measures and prioritize re-use and recycling of materials.</div>
<div>Monitoring</div> <div>SDGs: 7,12</div>	<div>Install automatic meter reading (AMR) devices for main utility meters (electricity, gas, district heating, water), with separate metering of landlord and tenant supplies. Implement a comprehensive BMS system to monitor consumption.</div>	<div></div> <ul style="list-style-type: none"><li>• Porta Diagonal, 91SAX and Film house will include automatic meter reading devices in their design. This will include the provision of sub-metering for each individual tenant as a minimum.</li></ul>	<div>Continue to install AMR devices or half-hourly meters for main utility meters (electricity, gas, and district heating) in project scope.</div>
<div>Waste</div> <div>SDGs: 11,12</div>	<div>Develop construction waste management plans for all construction projects.</div>	<div></div> <ul style="list-style-type: none"><li>• A construction waste management plan was put in place at Film House.</li></ul>	<div>Continue to develop construction waste management plan for all construction projects.</div>
<div>Biodiversity</div> <div>SDGs: 11,15</div>	<div>Target a Biodiversity Net Gain of 10% for major refurbishments and new developments.</div>	<div></div> <ul style="list-style-type: none"><li>• Both Porta Diagonal, 91SAX and Film house will integrate plants into their garden and roof terrace designs, along with interior greenery.</li><li>• All projects will identify and implement measures to encourage and support existing species and / or introduce new and native animal species on and around the building (e.g. nesting boxes, beehives, bird protection glass, etc.).</li></ul>	<div>Continue to consider ecological enhancement opportunities.</div>



2023 ESG OBJECTIVES AND TARGETS

Social

FOCUS AREA	2023 COMMITMENTS	2023 PROGRESS / OUTCOMES	2024 OBJECTIVES / TARGETS
<div>Tenant Engagement</div> <div>SDGs: 12, 17</div>	<div>Continue to incorporate green lease clauses into tenancy agreements and engage with tenants on the benefits of reducing resource consumption.</div> <div>Create asset class specific green lease clauses – for example for residential, retail and logistics.</div> <div>Survey tenants to gauge their satisfaction and interest in ESG.</div> <div>Promote health, safety, wellbeing and productivity amongst building users.</div>	<div>• Building on the revised commercial green lease template developed in August 2022, created a green lease template for Student Housing and Build to Rent.</div> <div>• Continued to promote health, safety, wellbeing and productivity during tenant engagement meetings.</div> <div>• Hines conducted a tenant satisfaction survey across the whole portfolio.</div>	<div>Continue to incorporate green lease clauses into tenancy agreements and engage with tenants on the benefits of reducing consumption of finite resources.</div> <div>Continue to create asset class specific green lease clauses – for example for retail and logistics.</div> <div>Survey tenants to gauge their satisfaction and interest in ESG, when there are applicable tenants within the fund.</div> <div>Promote health, safety, wellbeing and productivity amongst building users.</div>
<div>Employee Engagement</div> <div>SDGs: 4, 8</div>	<div>Continue to embed ESG objectives into performance reviews.</div> <div>Promote our people practices by adopting workplace policies that achieve greater equity, retention, and representation.</div> <div>Continue to deliver ESG-focused training.</div> <div>Continue to carry out workstation and / or workplace checks for all employees.</div> <div>Continue to coordinate the European ESG League meetings and activities to align best practices across the European platform.</div>	<div>• Hines Investment Management and country team employees have ESG objectives embedded in their annual objectives, reviewed at year-end.</div> <div>• Hines employees received multiple internal ESG training sessions, including two covering preparation for submitting to GRESB in 2024.</div> <div>• Workstation and/or workplace checks were completed for 100% of the HEREP III Fund and Portfolio Management teams in 2023, which included a Display Screen Equipment Assessment.</div>	<div>Continue to embed ESG objectives into performance reviews.</div> <div>Promote our people practices by adopting workplace policies that achieve greater equity, retention, and representation.</div> <div>Continue to deliver ESG-focused training by separate roles and target reaching a broader audience.</div> <div>Continue to carry out workstation and / or workplace checks for all employees.</div> <div>Continue to coordinate the European ESG League meetings and activities to align best practices across the European platform.</div>
<div>Community Engagement</div> <div>SDGs: 4, 10, 17</div>	<div>Develop community engagement plans appropriate to the project and report on initiatives undertaken across the project lifecycle.</div> <div>Consider opportunities to utilize local suppliers / contractors, employees, and engagement with voluntary, community, or social enterprises.</div>	<div>• Reviewed ways to integrate Social Value into the refurbishment at Film House and worked with the contractor to deliver this.</div> <div>• The HEREP III Fund team and Portfolio Management team undertook litter picking in Southwark Park with a UK based charity CleanupUK.</div>	<div>Continue to develop community engagement plans appropriate to the project and report on initiatives undertaken across the project lifecycle.</div> <div>Continue to consider opportunities to utilize local suppliers / contractors, employees, and engagement with voluntary, community, or social enterprises.</div> <div>The HEREP III Fund and Portfolio management team will strive to participate in a charity event throughout the year.</div>
<div>Well-Being Certifications</div> <div>SDGs: 3, 11</div>	<div>Explore feasibility of achieving WELL certification (Silver rating or higher) or Fitwel (2 star rating of higher) on new refurbishments, with consideration to stakeholder demand.</div>	<div>• Porta Diagonal, 91SAX and Film house are all targeting WELL Platinum.</div>	<div>Continue to explore feasibility of achieving WELL certification (Gold rating or higher) or Fitwel (2 star rating of higher) on new refurbishments, with consideration to stakeholder demand.</div>

# Governance

FOCUS AREA	2023 COMMITMENTS	2023 PROGRESS / OUTCOMES	2024 OBJECTIVES / TARGETS
<b>GRESB</b>  <i>SDGs: 8, 13, 17</i>	Participate in the GRESB survey in order to support benchmarking and communication of ESG performance. Target 5-star rating.	<ul style="list-style-type: none"><li>• In 2023 HEREP III did not have any assets that qualified for the submission to GRESB.</li></ul>	Participate in GRESB in July 2024 – based on 2023 calendar year – in order to support benchmarking and communication of ESG performance.
<b>Climate Risk and Resilience</b>  <i>SDGs: 13</i>	Continue to report in line with TCFD recommendations. Continue to perform climate-risk assessments on all existing acquisitions and seek to further embed climate change adaptation and resilience related risks into wider risk-management strategies and acquisition processes.	<ul style="list-style-type: none"><li>• Maintained alignment with TCFD recommended disclosures as summarized in this report.</li><li>• Through service provider Moody's, in 2023 climate risk assessments were carried out on all acquisitions. The assessments focused on physical climate risk exposure – through scores for six climate hazards comprised of 21 underlying risk indicators – looking ahead to the 2030 – 2040 timeframe under the RCP 8.5 scenario.</li></ul>	Look to transition to the IFRS S2 (Climate-related Disclosures) for future reports.  Continue to perform climate-risk assessments on all existing acquisitions and seek to further embed climate change adaptation and resilience related risks into wider risk-management strategies and acquisition processes.
<b>Acquisition Due Diligence</b>  <i>SDGs: 11</i>	Continue to complete the Sustainability Acquisitions Due Diligence Checklist for all new acquisitions.  Update the checklist to include more detailed ESG considerations, in line with industry best practices.  Regularly train and update the HEREP III team on ESG Due Diligence instructions.	<ul style="list-style-type: none"><li>• Sustainability Acquisition Due Diligence checklists were complete for 100% of the Fund's acquisitions in 2023.</li><li>• Checklist reviewed in line with industry best practice.</li><li>• ESG DD Scoping document was created to help teams procure ESG DD.</li><li>• HEREP III Fund team and the Portfolio Management team received ESG Due Diligence training during 2023.</li><li>• New more rigorous IC memo template launched in 2023.</li></ul>	Continue to complete the Sustainability Acquisitions Due Diligence Checklist for all new acquisitions.  Update the checklist to include more detailed ESG considerations, in line with industry best practices.
<b>Construction Management</b>  <i>SDGs: 11, 13</i>	Monitor site safety and promote best practices, including communication of safety information, on-site H&S coordinator, and training for site personnel.  Minimize environmental impacts of construction on the surrounding community, including light pollution and noise pollution, and protect air quality. Measure and minimize on-site energy and water consumption and transport impacts.	<ul style="list-style-type: none"><li>• Local teams are working with appointed contractors to promote site safety and minimize the environmental impacts of our projects</li></ul>	Continue to promote site safety and minimize environmental impacts during the construction process.





CASE STUDY

# Porta Diagonal

**Location:** Barcelona, Spain  
**Signed:** 2022  
**Target completion:** 2025

In June 2022, HEREP III signed forward-purchase agreements for Porta Diagonal, the Fund’s first investment. Formerly known as Project Finisterre, Porta Diagonal is a 527-bed turnkey student housing project in Greater Barcelona, close to major business schools, university campuses, and a university hospital.

Alongside its sister office tower, Porta Diagonal will stand as the city’s highest building once completed, setting a new benchmark in the wider European student housing market.



CERTIFICATIONS

Porta Diagonal is targeting:

**BREEAM**  
Excellent



**WELL**  
Platinum



**WiredScore**  
Home



**EPC**  
A



## Prioritizing Adaptability and Amenities

HEREP III aims to deliver a best-in-class product into a market with a considerable demand-supply imbalance for quality student housing. The team has worked closely with the seller to optimize the asset with a full suite of ESG amenities – including a green façade and solar panels – and aspires to BREEAM Excellent, WELL Platinum, and an EPC A energy rating.

The project will also prioritize adaptability – modular floor design will enable future use change – and amenities for student populations, including a cafeteria, rooftop pool, gym, study room, co-working space, laundry facilities, and retail options.

### ESG highlights include:

- Façade design will incorporate solar protection and greenery will promote wellness and biodiversity.
- Rooftop solar panels will generate on-site renewable energy.
- A planned WLCA will outline ways to minimize embodied carbon.
- Full electrification will promote operational energy efficiency.
- Gray water and rainwater recycling systems will reduce water waste.





# Environmental Stewardship



# 3



# Sustainability Measurement and Management

## Addressing impacts and risks across our portfolio

HEREP III is committed to tracking and reporting on environmental metrics in our development and refurbishment projects. We also seek to leverage sustainable design and construction practices to reduce carbon across the building life cycle and to integrate ESG requirements into material purchases.

We will utilize Hines' ESG guides, tools, and resources to understand impacts and opportunities across the portfolio and leverage building certifications such as BREEAM, DGNB, LEED, WELL, and WiredScore to help us set project targets, support transparent reporting, and align with Hines' firm-wide ESG strategy.



Charenton Liberté, Paris





2023 HIGHLIGHT

# Leveraging the New European ESG Development Brief

In 2023, Hines Europe’s ESG and investment management leadership conducted a detailed peer review, materiality assessment, and framework review in order to update our region’s ESG Development Brief and ensure it includes the most current, best-in-class practices. The new, comprehensive brief is organized by environmental, social, and governance themes and identifies material issues, defines project-level targets that can be aligned with each fund’s ESG strategy, helps inform individual project briefs, and provides a template for assessment and reporting.

Because energy intensity is increasingly important for future-proofing against stranding<sup>1</sup>, we have placed extra focus on designing for operational efficiency in the brief. To help project teams set goals and ambitions accordingly, the brief also

<sup>1</sup> Stranded assets/stranding: when properties will not meet future energy efficiency standards and market expectations, according to CRREM, and might be increasingly exposed to the risk of early economic obsolescence.

includes criteria and targets from leading third-party frameworks or accreditations. The brief will be a living document and evolve over time as new industry standards and best practices emerge.

Towards the end of 2023, HERE III began transitioning from the Fund’s own brief to the new, Europe-wide version to guide ESG improvements across development and refurbishment projects. We are using the brief to integrate ESG requirements into 91SAX, Charenton Liberté, and Grimma Industrial Park, and we have retroactively applied the its guidance to Porta Diagonal. We plan to leverage the brief across all future Fund projects, as applicable.



## ENVIRONMENTAL

### Energy & Operational Carbon

- No fossil fuel combustion
- Operational energy use intensity – CRREM pathways
- Feasibility or installation of on-site renewables
- Automatic Energy metering

### Embodied Carbon

- Embodied carbon baseline, methodology, and improvement
- Leverage Hines Embodied Carbon Playbook

### Circular Economy (including Waste)

- Responsibly sourced materials
- Circularity in building design and construction techniques
- Divert construction and demolition waste

### Water

- Water use reduction
- High-efficiency water fixtures
- Water reuse
- Water resilience

### Climate Change Adaptation

- Physical climate risk assessments
- Climate risk mitigation

### Biodiversity & Green Infrastructure

- Protect and/or enhance natural habitats
- Biodiversity baseline and net gain
- Urban greening

## SOCIAL

### Purposeful Construction & Placemaking

- Placemaking strategy
- Community engagement
- Social impact
- Public realm enhancement
- Contractor standards

### Diversity & Inclusion

- Inclusive public space provisions
- Supplier diversity

### Inclusive Economic Development

- Manufacturer location for building materials

### Affordability

- Consideration for affordable space

### Climate Change Adaptation

- Physical climate risk assessments
- Climate risk mitigation

### Healthy & Prosperous Communities

- Occupant/resident health and well-being design strategies
- Human-powered vehicle facilities
- EV charging
- Human-scaled living (e.g., pedestrian provisions)

### Building and Workforce Well-Being & Productivity

- Indoor air quality (IAQ) provisions
- Access to nature and biophilia
- Public art and design features
- Occupier experience

## GOVERNANCE

### Building Labels & Standards

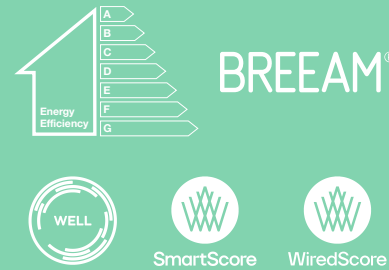
- Green building and energy performance certification
- Health and well-being certification
- Health and safety certification
- Digital and connectivity certification

### BIM

- Building Information Modeling

### Building Operations

- Building user onboarding
- Plant and operational alignment with ESG standards
- EPC A rating, EPC B for refurbishments
- BREEAM Excellent with aspiration of outstanding
- WELL Gold with aspiration of Platinum
- SmartScore Gold with aspiration of Platinum
- WiredScore Gold with aspiration of Platinum







CASE STUDY

# 91SAX

**Location:** Cologne, Germany  
**Acquired:** 2022  
**Target completion:** 2025

91SAX is a 16,300 square-meter vacant office building in the Ringe submarket of Cologne. The Fund intends to transform these dated but well-located buildings into a market-leading, next-generation workplace through a comprehensive and ambitious ESG refurbishment that reflects HEREP III’s thematic “brown-to-green” strategy.

In addition to targeting the highest ESG certifications, the team will use greenery as a major design element to blend indoor and outdoor spaces and promote biodiversity at the site. Unused rooftop and terrace spaces will be converted into inviting outdoor areas with extensive greening and indigenous landscaping, and green frontages will extend urban greening to the façade.



**CERTIFICATIONS**  
HEREP III is targeting:

**DNGB**  
Platinum

**WELL**  
Platinum

**WiredScore**  
Platinum

**EPC**  
A



Other ESG measures include:

- Repurposing the existing structure to reduce gray energy.
- Replacing all windows to increase energy efficiency and investigating how to reduce reliance on district heating.
- Introducing modern and sustainable heating/cooling systems and energy-saving lighting with automated control systems (e.g., BMS system, smart metering).
- Installing rooftop photovoltaic modules to provide renewable energy.

Green leases will be implemented to collect tenants’ consumption data and support reporting. Our team is also planning a social strategy to engage and collaborate with community stakeholders, such as using the canteen to provide interim social uses during the development process.



# Targeting Carbon Emissions and Operational Efficiency

HEREP III is aligned to Hines’ firm-wide target of net zero operational carbon emissions by 2040, and we are particularly focused on designing for operational efficiency at our assets. Our carbon-reduction efforts are becoming increasingly important as we seek to meet investor and market expectations and future proof our developments to avoid stranding in the near term.

We have set a Fund-wide target for operational energy use intensity in our developments and major refurbishments to deliver and operate buildings in line with the 1.5 degree 2040 CRREM pathway. If there is an applicable local standard (such as UKGBC) that is more ambitious than CRREM, we will target it to comply with National Net Zero Building guidance – as long as it is commercially reasonable for the asset.



## PROJECT HIGHLIGHT

### Grimma Industrial Park

In January 2024, HEREP III acquired Grimma Industrial Park, a zoned logistics site well-located in the under-supplied manufacturing hub market of Leipzig. The Fund intends to develop and deliver a 114,600-square-meter, Grade-A, modern logistics scheme with top ESG specifications into a market with considerable demand-supply imbalance.

HEREP III is targeting DGNB Platinum certification for Grimma Industrial Park in a market where DGNB Gold is the standard. Our team will perform a WLCA to minimize embodied carbon and will design the building to be net zero enabled. We will utilize green leases with tenants to support efficient operations, and plans are in place for community engagement and social benefit.

#### Other ESG plans include:

- Ensuring circularity through use of recyclable and green façade elements, high-quality insulating materials, sensor-controlled LED lighting and additional roof load capacity for PV panels

- Ensuring energy efficiency with heat pumps
- Improving employee/tenant satisfaction with floor-to-ceiling windows in the office areas as well as high-quality green outdoor areas for recreational use
- Thorough monitoring of the construction process to ensure controls on waste and material procurement





# Considering ESG Factors Across the Asset Life Cycle

HEREP III strives to understand and address ESG opportunities and risks across our portfolio and throughout the asset life cycle.

## Tools to Reach Our Targets

In 2023, Hines’ global ESG experts created a number of resources to help teams assess ESG impacts – with a particular focus on carbon – from acquisition, through development and operation, and in preparation for sale. We are leveraging these tools to integrate ESG best practices into our project plans, assess the carbon impact of potential assets, develop new projects net zero, and decarbonize existing assets.

### Acquisition

Developed by Hines in 2023, the **ESG Due Diligence Scoping Document** helps fund teams identify ESG-related risks and opportunities and procure consistent ESG due diligence reporting from third-party providers. This document defines crucial asset-level due diligence considerations – including electrification, energy-efficiency

measures, on-site renewables, data collection, and building certifications – to ensure we assess and price ESG improvements as capital expenditures in the business plans for operational assets, new developments, major refurbishments, and forward purchases.

HEREP III has procured ESG due diligence reports for all assets in the portfolio, and our team will be able to leverage the new scoping document to procure consistent, high-quality reports for potential assets moving forward.

### Operational Assets

Hines’ carbon experts created a **Net Zero Carbon Scoping Guide** to outline key considerations for hiring decarbonization consultants. This document helps ensure the consultants that are creating net zero pathways for Hines assets use a consistent approach that aligns with the best practices established by our firm and the market. HEREP III will use this tool to procure net zero roadmaps for new operational assets.

We will also use the firm’s new **Operational Carbon Guide** to help our team execute the decarbonization plans outlined in net zero road maps. The guide outlines industry-leading principles and processes that address asset-level climate and

transition risk while prioritizing value creation, integrity, and quality. It is a living document that will continue to evolve with real project feedback and learnings from our teams.

### Developments

The HEREP III team plans to use Whole Life Carbon Assessments (WLCA) to understand and reduce potential carbon impacts at our development assets – Film House, 91SAX, Charenton Liberté, Grima Industrial Park, and Porta Diagonal. These WLCAs will help us prioritize net zero goals at every stage of each building’s lifecycle – from construction, operation, and maintenance, to demolition and material reuse – and inform decision-making across the development process.

To make it easier for project teams to procure quality consultants for WLCAs, Hines Europe has created a **Whole Life Carbon Assessment Consultant Scope of Services and Deliverables Template** for our region. This document outlines the key requirements and capabilities of the consultant role, including modeling operational energy performance, quantifying embodied carbon, contributing to reporting requirements, and collaborating with the project team.



Film House, London





CASE STUDY

# Film House

**Location:** Soho, London  
**Acquired:** 2023  
**Target completion:** 2024

HEREP III acquired Film House, the Fund’s third investment, in June 2023. Film House is a 101,000 square-foot prime office asset in the heart of West End, close to London’s most important transport links and surrounded by SoHo’s vibrant environment of restaurants, fashion and retail offerings.

The building had been partially refurbished prior to acquisition, and HEREP III plans to complete the refurbishment in alignment with Hines’ top standards and ESG specifications to deliver a modern, Grade-A product in a supply-constrained submarket. Our team has commissioned a WLCA to gauge and reduce the project’s embodied carbon and work toward net zero operational carbon at Film House. We plan

to utilize green lease language to align tenant and Fund ESG priorities, support operational efficiency, and promote responsible resource use.

### Operational Efficiencies

- New windows will improve the thermal performance of the façade.
- All new mechanical, electrical, and plumbing systems will greatly improve operational efficiency.
- TM54 energy modeling is being completed to consider energy efficiencies and potential savings.
- The building is connected to the local electricity and water grids. Gas was removed from the building.
- Photovoltaic panels on the roof will provide renewable energy.



### CERTIFICATIONS

HEREP III is targeting leading ESG credentials in an otherwise thin market.

**BREEAM**  
Excellent



**WELL**  
Core V2 Platinum



**WiredScore**  
Platinum



**EPC**  
A



### Smart Building and Monitoring Systems

A building management system has been installed, which will help monitor future energy and water consumption. We plan to integrate a smart building system to allow occupiers to interact with the building and track their impact in real time.

### Ecology and Urban Greening

The biodiverse roof will contribute to urban greening. The roof’s ecological management plan (EMP) prescribes habitat design that includes pollinator plant species and provides nesting and foraging opportunities for birds, bees, and butterflies.





# How Green Is District Energy?

## Understanding how district energy impacts our carbon targets

A District Energy System (DES) offers centralized energy distribution for heating, cooling, and occasionally electricity across multiple buildings. A DES can achieve significant carbon reductions compared to on-site combustion of fuel oil or natural gas. However, given that a DES might still rely on fossil fuels and contested energy sources like biomass, it could prove inconsistent with Hines’ net zero carbon targets.

To help asset managers and acquisition teams understand how DESs affect

buildings’ carbon performance, Hines developed a **District Energy Guide**. The guide outlines a two-step process and decision matrix that acquisition teams can use during their technical assessment to evaluate a system’s carbon performance and compliance with net zero goals:

- 1. Identifying the carbon intensity of the fuel mix that currently powers the DES
- 2. Identifying the provider’s and/or municipality’s carbon reduction plans for the DES

These indicators provide a reasonable basis for assessing the carbon impacts of relying on district energy today and in the future.



### PROJECT HIGHLIGHT

## Leveraging the District Energy Guide at Charenton Liberté

HEREP III signed on Charenton Liberté in late 2023 and closed in early 2024. The Fund’s first student housing investment in Paris, the project will convert a 21,700-square-meter vacant office building into a modern 645-bed student housing and senior living mixed-use scheme with best-in-class amenities and excellent connectivity to major universities.

The Fund will undertake a comprehensive ESG refurbishment, prioritizing net zero operational carbon and complying with the targets set out in the Hines Europe ESG Development Brief, such as BREEAM Excellent and WELL Platinum certifications.

The HEREP III team utilized the Hines District Energy Guide to understand the potential carbon impact of relying on the district energy network, and we are taking steps to shift the building closer to self-sufficiency. Upon



completion, the Fund will also seek to secure operational control of the whole building to measure and manage operational carbon more efficiently.

### Other carbon-conscious measures include:

- Electric heat pumps
- Solar PV on 50% of the roof space
- Green lease clauses to support carbon goals

A planned green façade will promote biodiversity and an urban garden will increase the green space surrounding the property. The project will make a positive impact on the community through partnerships with a local NGO as well.



ASSET-LEVEL ESG CERTIFICATIONS



**91SAX**  
**Location:** Cologne, Germany  
**Asset type:** Office  
**On-site Renewables:** Planned  
**Certifications:** Targeting DGNB Platinum, WELL Platinum, WiredScore Platinum, EPC A



**Charenton Liberté**  
**Location:** Paris, France  
**Asset type:** PBSA  
**On-site Renewables:** Planned  
**Certifications:** Targeting BREEAM Excellent; WELL Platinum, WiredScore Platinum, EPC A



**Grimma Industrial Park**  
**Location:** Leipzig, Germany  
**Asset type:** Logistics  
**On-site Renewables:** Planned  
**Certifications:** Targeting DGNB Platinum, EPC A



**Film House**  
**Location:** London, UK  
**Asset type:** Office  
**On-site Renewables:** Yes  
**Certifications:** Targeting BREEAM Excellent, WELL Platinum, WiredScore Platinum, EPC A



**Porta Diagonal**  
**Location:** Barcelona, Spain  
**Asset type:** PBSA  
**On-site Renewables:** Planned  
**Certifications:** Targeting BREEAM Excellent, WELL Platinum, WiredScore Home, EPC A







# 4





Film House, London

# Tenant Engagement

Connecting with the people in our buildings

HEREP III shares our firm’s commitment to creating exceptional experiences in – and around – prime real estate. We build strong partnerships with the tenants in our assets and work closely with them to meet their needs and realize their goals.





2023 HIGHLIGHT

# Striving for Greener Leveraging Green Lease Language

Because tenant emissions make up a large portion of Hines’ total emissions, green leasing language is a critical piece of our firm’s decarbonization strategy. The Fund is utilizing Hines Europe’s new **Green Lease Templates** to integrate ESG-focused leasing language into our tenant agreements.

Updated in 2023, the new templates for commercial, student housing, and build-to-rent properties place more emphasis on energy efficiency improvements, data-sharing, and on-site renewables. They also include include minimum and aspirational clauses to set a higher sustainability bar, provide a clear path for improvement, and support tenant ESG goals.

These updated templates are facilitating greater collaboration between HEREP III and our tenants by encouraging:

- Data sharing
- Right of access and metering
- Renewable energy procurement
- Enabling works
- Certification
- Sustainability procurement

The templates also require tenants to designate a sustainability contact to work directly with our team on key ESG initiatives and provide a split-incentive clause to share savings related to ESG CapEx investments.

## Engaging with Tenants Around Decarbonization

The firm’s new **Client Engagement for Decarbonization Guide** supports our Fund’s green leases by helping HEREP III asset and building management teams understand our tenants’ carbon ambitions early in the leasing relationship and keep decarbonization top-of-mind throughout their lease.

Released in 2023, the guide shares best practices and lessons learned from Hines initiatives and properties across the globe and explains how to engage occupiers in a decarbonization journey through:

- Communication: Fostering an ongoing conversation about decarbonization
- Integration: Including decarbonization in leasing documents, building rules and regulations, and fit-out guidelines



## Supporting ESG Ambitions with HinesGO and HinesGR

Our firm’s proprietary ESG guide for occupiers, Hines GREEN OFFICE (HinesGO) and Hines GREEN RETAIL (Hines GR) help our tenants prioritize ESG efforts in their spaces.

We offer these opt-in programs to give HEREP III tenants a framework for setting and reaching sustainability goals. The programs include a HinesGO or HinesGR resource guide to help tenants determine which policies and plans they want to implement, help them set benchmarks, and track their progress.





Hines Europe  
Employees  
volunteering with  
Refugee Network  
at the International  
Soup Kitchen.



# Community Engagement

Connecting with the people  
and places the Fund reaches

In keeping with Hines’ commitment to community, the HEREP III gives back to our asset communities. We actively strive to bring benefit through our business by supporting local charities, hosting fundraising events in our assets, and contributing to community vitality.



# Targeting Social Impact

HEREP III’s ESG Development Brief includes social impact targets. Our asset teams are encouraged to integrate community engagement into their project plans and collaborate with relevant stakeholders, including Business Improvement Districts, neighborhood groups, and local authorities.

They are also encouraged to utilize local suppliers and contractors on development projects and support community improvement and social enterprise initiatives, such as hosting school groups, offering apprenticeships, or incorporating public enhancements into projects.



## 2023 HIGHLIGHT

### Finding Value in Litter Picking

Outfitted with bright yellow vests, plastic bags, and grabber tools, Hines’ HEREP III and HEVF 2 Fund teams participated in a summer’s day of litter picking at London’s Southwark Park. We teamed up with CleanupUK, which unites volunteers to bring about cleaner, connected, and safer urban and rural communities by tackling litter problems where they live and work. Our volunteers enjoyed rolling up their sleeves, connecting with colleagues, and contributing to a sense of community pride.



About Hines Europe



5



# Our Region and Governance Structure

## Prioritizing ESG across our portfolio

Hines has been actively investing in, developing, and acquiring real estate in Europe for more than 30 years. Headquartered in London, Hines Europe has 17 offices across the continent and includes a full portfolio of prominent office, retail, industrial, and residential properties.

The Hines Europe ESG Team drives a comprehensive ESG agenda across our firm’s European platform. We coordinate regional carbon reduction standards and initiatives, define social programs that foster meaningful engagement with our stakeholders, and implement transparent and accountable governance frameworks across the portfolio.



Grainhouse, London

Hines’ European Head of ESG sits on the firm’s ESG Advisory Committee, which was formed in 2023 to further embed sustainability into Hines business lines and help implement and activate key sustainability initiatives.



### 2023 HIGHLIGHT

## Hines’ New European Headquarters Has ESG at its Heart

In September 2023, Hines Europe celebrated the opening of our new, world class headquarters at Grainhouse. A three-year restoration and refurbishment project transformed this Hines European Value Fund 2 (HEVF 2) acquisition into a prime office and retail asset in the heart of London’s Covent Garden – and three floors of the building are now occupied by Hines.

The HEVF 2 project team took a comprehensive approach to transforming the 91,000-square-foot former Victorian grain warehouse into a sophisticated workplace. The team considered environmental and social sustainability at every step – from acquisition, design, and development to day-to-day management and operations – and continues to work with the building’s tenants to prioritize ESG goals.



### CERTIFICATIONS

Our targeted certifications for Grainhouse reflect the industry’s highest green building standards

**BREEAM**  
New Construction Excellent



**WELL**  
Core Platinum (CAT A & CAT B;  
WELL Platinum certification  
obtained upon occupation)



**WiredScore**  
Platinum





# Europe ESG League

The Hines Europe ESG League is made up of regional representatives and includes a mix of roles covering Hines’ main business functions: investment, development, and management.

In 2023, the Europe ESG League hosted ESG calls every six weeks with individuals from country teams, investment management teams, and central functions to discuss global and country-specific topics including:

- data management
- climate and insurance risk
- new ESG tools and resources
- Hines’ carbon strategy

Local initiatives featured prominently – for example Hines Italy’s RFP for ESG consultants to help establish a country-level

40+  
participants across country teams  
and central functions

ESG strategy, and Hines Germany’s power purchase agreement progress – as did broader, regional discussions, such as the European EMS ISO-certification process.

The European ESG League also meets once a year in person for two days of ESG-focused discussion on strategic ESG initiatives, current best practices, and Hines case studies. The meeting also includes site visits to lighthouse ESG projects.



The Hines Europe team gathers for an offsite at aer in Munich.



## Country-level ESG Committees and Task Forces

In 2023, Hines country-level offices across Europe created ESG committees to focus even more deeply on local ESG initiatives. Committee members are from a variety of job families within Hines, leveraging diverse ESG knowledge and perspectives to better understand and drive sustainability initiatives in local markets.

Based on a model initiated by Hines Germany, Hines France formed a local ESG committee with an ESG coordinator and representatives from acquisition, development, construction, asset and property management, and marketing and communications. Hines Italy, Nordics, Spain, UK, and Greece are forming local ESG teams as well.

Helix, Hines’ property management company throughout the UK, also established an ESG task force of representatives from property, facilities, and on-site building management to promote collaboration and bring greater consistency to ESG efforts across the property portfolio.





2023 HIGHLIGHT

# European ESG Roadshow

The European ESG Team met with country teams throughout the region to provide ESG training, conduct an ESG portfolio and asset-level performance review, and visit select assets. The in-person meetings gave the ESG team a better understanding of each country’s unique achievements and challenges, and participants a chance to discuss their forward focus, including key ESG benchmarks, progress areas, and future plans.

These tailored, country-level ESG sessions increased connectivity between the Europe ESG team and country teams and helped to clarify each country’s ESG focus and next steps. Since the roadshow, regular calls with country teams every six weeks have helped the Europe ESG team to stay informed and follow up on progress.



Top: An ESG site visit with the Milan team. Bottom: An ESG training session with the Nordic team.

# ESG Offsite at aer in Munich

Hines colleagues from across Europe gathered in Munich in June for a two-day ESG offsite event. The meetup aimed to drive further connection and collaboration across our teams, share new resources and insights to accelerate our ESG work, and experience the ambitious and authentic aer and shaere projects.

The offsite gave us a chance to hear from Hines’ in-house experts on carbon, engineering, capital markets, asset management, development management, and innovation about tangible ways they are advancing ESG in their own areas of work. The event also included visits to LOVT and Tucherpark, two inspiring projects with high ESG aspirations.

Following the success in Munich, and the ESG offsite in Barcelona in 2022, Hines Europe plans to host ESG offsites annually.

40+

attendees



Hines colleagues learn about the shaere community engagement project.



In conjunction with the ESG offsite – and in line with our firm’s commitment to enriching community – Hines Europe made a donation to Mia Akademie, a Munich-based organization that provides training and support to help adolescents and young adults with intellectual disabilities gain a foothold in the labor market





# Integrating Climate Risk into Asset Value with C Change

Hines is a founding sponsor of and active participant in C Change, an Urban Land Institute (ULI) program to fast-track decarbonization and address climate risk by integrating it into asset value.

C Change leverages industry collaboration and data sharing to:

- Discover and define best practices for assessing and evaluating climate risk over the lifespan of an investment
- Create a standardized way to link ESG performance with financial valuations

In June of 2023, C Change released initial guidelines for 12 transition risks, eight of which can be quantified into a discounted cash flow, along with advice for systematically integrating decarbonization into cash flow models.

Hines’ European ESG team tested the guidelines at Hines European Core Fund (HECF) asset Noortse Bosch by integrating them into our standard cash flow model to understand the payback period of net zero carbon capital expenditures in the

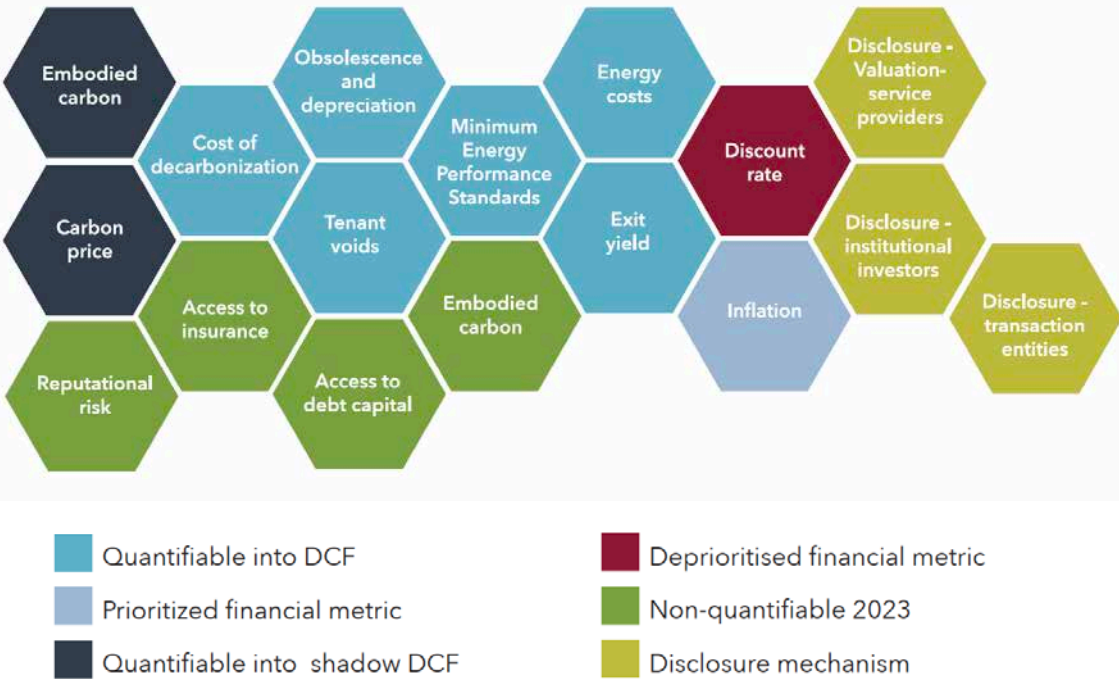
context of real asset-level financial models. We evaluated the costs associated with installing solar panels, decarbonizing heating, and driving energy efficiencies at the asset against potential energy savings, operational carbon pricing, leasing impacts, and a premium or discount at exit, and provided feedback to C Change.

We believe in C Change’s potential to ripple across global markets, supporting asset-level decarbonization plans that help future-proof the built environment and positively impact people and communities.



Hines’ Head of European ESG, Daniel Chang, sits on the C Change steering committee, is on the board of the ULI Randall Lewis Centre for Sustainability, and was appointed co-chair of the ULI European Sustainability Council in 2023. He presented the initial findings of our test at the C Change Summit held in Copenhagen in October 2023.

## C CHANGE TRANSITION RISKS AND CASH FLOW NET ZERO CARBON CONSIDERATIONS



Noortse Bosch, Amsterdam



# Supporting Our Employees

## Investing in our most important asset

Hines operates as a global team on a local scale. Our firm strives to provide a consistent, positive experience for employees around the world while supporting the regional and cultural flexibility unique to each Hines office.

Like all Hines employees, the Europe team enjoys excellent health and wellness benefits, opportunities for learning and career growth, and initiatives that foster well-being and belonging. Our team participates in firm-wide employee satisfaction surveys every three years (and more frequent “pulse” surveys around timely issues) and has access to EthicsPoint to confidentially raise issues of concern.

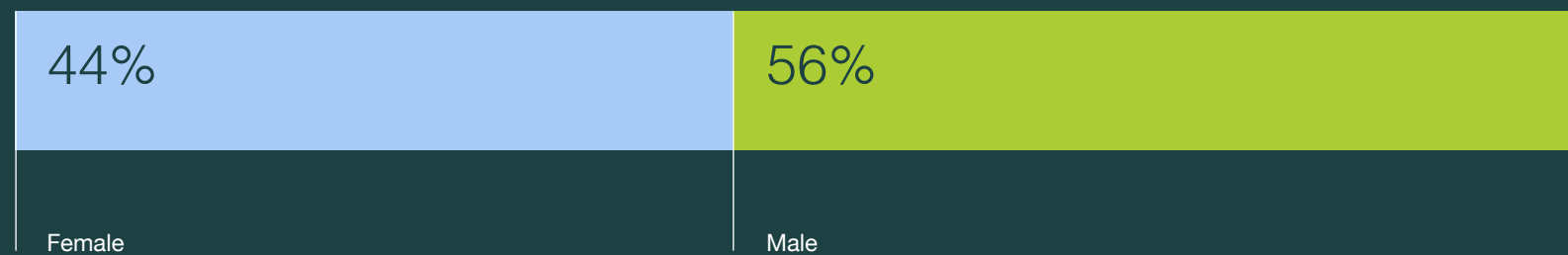


Site visit during the ESG League off-site in Munich

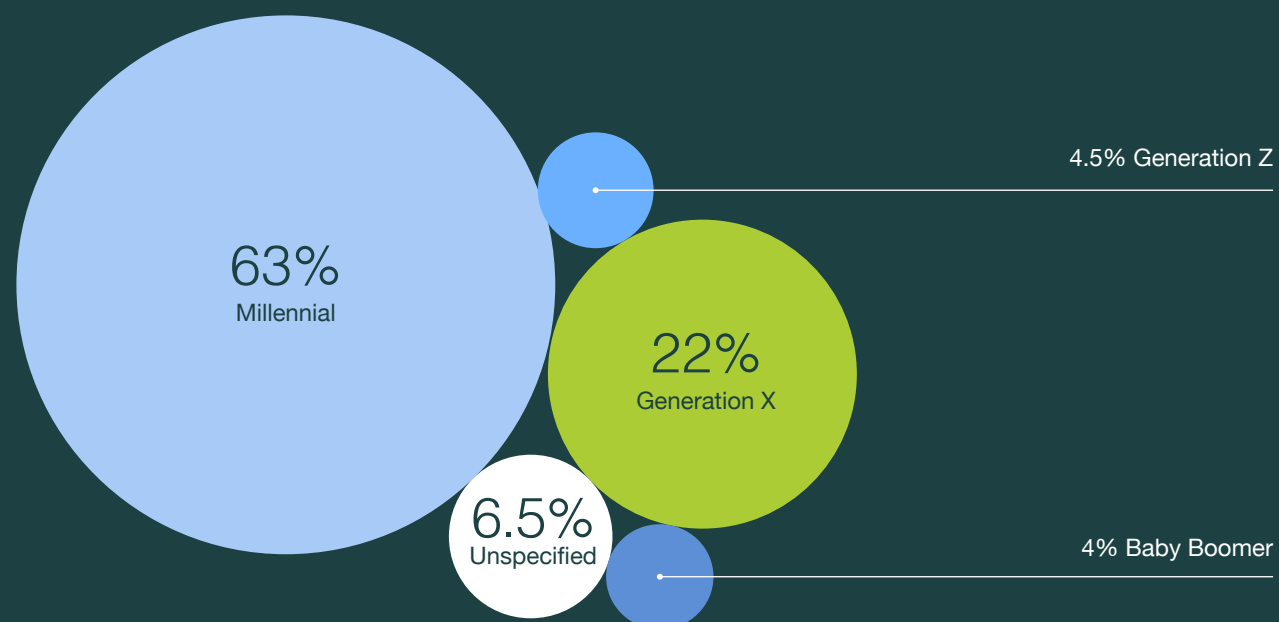


## HINES EUROPE\*

## Gender Diversity



## Generational Diversity



## Employees

804

## Employees by Country





# ESG Upskilling and Training

All Hines employees participate in ESG training to better understand and support the firm’s Global ESG Strategy and integrate it into their daily roles. Hines Europe employees also receive trainings on region-specific ESG initiatives, and investment management employees in Europe have specific ESG targets tied into their annual objectives and reflected in performance reviews.

## Upskilling on ESG, Decarbonization, and GRESB Reporting

In 2023, the firm launched two new training programs: ESG 101 and Carbon 101. These modules were designed to educate employees about Hines’ Global ESG and Carbon strategies and associated reporting requirements.

Hines Europe also created an online ESG trainingfor new employees as part of the European Onboarding Program.

Hines Europe employees who support our participating funds received two GRESB-specific trainings in 2023, as well. These dug into each fund’s GRESB scope and

performance, scoring breakdown and points potential, conclusions, and key steps and action plans to prioritize ESG and improve the score moving forward.

Employees participate in the Hines Europe ESG Offsite in Munich.



## Diversity, Equity, and Inclusion Training

Hines Europe’s Diversity, Equity, and Inclusion (DEI) education builds on firm-wide training and initiatives to foster inclusion and belonging.

Our 2023 training topics included:

- Conscious Inclusion
- The Role of DEI in People Management
- Diversity Talks: Anti-Racism & Anti-Sexism in the Workplace
- Having Challenging Conversations
- Strength in Solidarity: How to Become an LGBTQ+ Ally
- Innovation through Inclusion
- Understanding Allyship
- Global Collaboration

Hines Europe employees participated in

1,355

total hours of DEI training



# Investing in Community

**Giving back to people and places**

Hines Europe is committed to enriching the communities around our assets. In addition to firm-wide philanthropy and volunteering, we support regional and local charities and participate in awareness-raising events for communities in need.



Hines Europe, Hines UK and Helix join together for the annual JLL Property Triathlon.



# Employee Volunteering

In 2023, our country teams partnered with various nonprofit organizations, joined in wide-reaching initiatives, and volunteered their time to benefit the people and communities surrounding our assets. The following examples showcase just a few of their inspiring initiatives.

**Hines UK** donated office furniture to Business2Schools, which redirects used office furniture and technology to state schools across the UK. The team sold additional furniture, raising £2,500 for The Marylebone Project, a life-changing service for homeless women and the largest and longest-running center of its kind in the UK.

Separately, 29 members of the Hines Europe, UK, and Helix teams proved their mettle in the JLL Property Triathlon in Windsor, raising funds for the World Wildlife Fund (WWF).

**Hines France** collected and donated 153 kg of professional clothing for La Cravate Solidaire, a network of associations that fight against discrimination in hiring practices.

**Hines Spain** and tenants turned off their lights for an hour on Earth Day as part of a

global environmental awareness initiative to act decisively against climate change.

**Hines Ireland** partnered with Team Hope, an interdenominational Christian development aid charity working with children and families experiencing poverty in Eastern Europe, the former Soviet Union, and Africa. Our team of employees packaged gifts for the organization’s annual Christmas Shoebox Appeal, which delivers what are often the only holiday gifts these children will receive.

**Hines Nordics** engaged tenants to gather Christmas gifts and warm clothing for children and nurses impacted by the Russian-Ukrainian war, building on the team’s work in 2022 to provide apartments for Ukrainian refugees in Copenhagen. In parallel, Hines Nordics hosted two pop-up galleries by Ukrainian art project “Vejen til hjertet via kunsten” (Art for Heart) at Købmagergade and Portland Towers. Tenants purchased the art at a fundraising event, with all proceeds given to nurses in Ukraine.



An HECF Nordics event at Mariendalsvej raises donations for a Ukrainian orphanage.



Top right: HECF Spain team collects new clothes for donation. Bottom right: The HECF Werfthaus team hosts an educational workshop for children to learn about the importance of bees.





2023 HIGHLIGHT

# Hines Europe Colleagues Support London Soup Kitchen

Employees from Hines investment funds BVK, HECF, HEPP, and the HEREP fund series, including HEVF 2, volunteered at a Refugee Network International soup kitchen near London’s Charing Cross. Our colleagues also donated tents, rucksacks, sleeping bags, clothes, and toiletries to those coming to the soup kitchen.

Together, the team of 22 Hines Europe volunteers:

- Contributed provisions for about 90 service users
- Served approximately 85 meals on site
- Served 30 meals and hot drinks as part of the street outreach



Hines Europe Employees volunteering with Refugee Network at the International Soup Kitchen.

## Social Enterprise UK

Hines UK is an active member of Social Enterprise UK (SEUK), the largest network of social enterprises in the UK. SEUK members represent the major players in the UK social enterprise movement, from multi-million-pound public service providers to community organizations and retail businesses. Its purpose is to promote and share its values and get social enterprises on the radars of decision-makers across all sectors. Hines UK also participates in SEUK’s Buy Social Corporate Challenge – the world’s largest commitment to social procurement – and strives to work with suppliers that have a positive social or environmental impact.





# Compliance

## INREV Alignment

This ESG Review is aligned with the 2016 INREV Sustainability Reporting Guidelines.

## Vehicle Long Term ESG Strategy (INREV ref: ESG-LTS 1.1)

The Fund has an ESG Policy and an environmental management system framework that is reviewed annually, and which serves as the foundation for its short and long-term Environmental, Social and Governance (ESG) strategy. Moreover, HEREP III has formally committed to establishing, implementing and maintaining sustainability objectives and targets as part of its strategy in order to drive continual improvement within the portfolio. To support the implementation of the ESG strategy, the Fund maintains and documents the following management procedures:

An ESG policy;

ESG objectives and targets (short and long term);

- An ESG monitoring and measurement approach;
- the identification of key roles and responsibilities of its team members; and,
- clear guidance for communication of ESG performance.

These formal ESG management documents are intended to outline and support achievement of strategic goals for HEREP III.

## ESG Regulatory Compliance (INREV ref: ESG LTS 1.2 / ESG-ANN 1.2 / ESG-POR 1.2)

HEREP III ensures compliance with all current and applicable regulation relating to ESG issues by actively monitoring requirements throughout the holding period and responding accordingly. At acquisition, the Sustainability Due Diligence Checklist supports identification of ESG regulatory risks among other items. During construction/ refurbishment works, local asset managers and the appointed contractors are responsible for the identification and management of relevant ESG regulatory risks.

HEREP III will obtain EPCs (energy ratings) for buildings once refurbished/completed to support understanding of energy efficiency performance and the associated legislative risks. Throughout the holding period, the local asset and property management teams track and report changing regulations to determine compliance implications for each asset. Furthermore, HEREP III seeks to obtain green building certifications for development/major refurbishment projects.

No enforcement notices have been received or applied to HEREP III for ESG related issues. The Fund, to the best of our knowledge, is compliant with legislation. Local development management, asset management and property management teams will continue to monitor regulatory compliance through the 2023 reporting period and identify potential impacts of changing ESG regulations through quarterly reporting.

## Sustainable Finance Disclosures Regulation (SFDR)

The Fund’s private placement memorandum (‘PPM’) ensures compliance with article 6 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, (the ‘SFDR’), by setting out (1) how sustainability risks are integrated into the investment decision-making in respect of the Fund and (2) the likely impact of sustainability risks on the returns of the Fund. The Fund purports to promote certain environmental and social characteristics pursuant to article 8 of the SFDR by way of the inclusion of a number of ESG targets which are further detailed in the Funds’ PPM. There is no suggestion that any of the Fund’s investments are ‘sustainable investments’ pursuant to the SFDR or otherwise ‘taxonomy-aligned’ investments pursuant to the Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment.

## Environmental Data (INREV ref: ESG-ENV 1.1)

All assets in the Fund are either currently undergoing redevelopment/refurbishment or are without operational control, therefore the disclosure of operational environmental performance data is not included.

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

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## 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 are expected to be provided in the future. Hines reserves the right, in its sole and absolute discretion, without notice, to alter the terms

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## 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, 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 of an investment in the Fund. The Fund should be considered illiquid, as there is limited to no secondary market for interests in the Fund and there are restrictions to redemptions and/or 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. Please refer to the Definitive Documents for detailed information on the risks and rewards of the Fund.

## Prior or Targeted Performance

Any investment entails a risk of loss, including loss of the

entire investment. In considering any performance data contained herein, each recipient should bear in mind that past performance is not indicative of future results, and there can be no assurance that an investment program will achieve comparable results or will achieve any target or estimated results.

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. Additional information on the performance and other numbers presented herein is available from Hines upon request. Please refer to the Definitive Documents for detailed information on Fund performance.

## 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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Currency and Taxation

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.

ESG

It should not be assumed that any sustainability initiatives, standards, or metrics described herein will apply to each asset in which the Fund invests or that they have applied to each of Hines’ prior investments. Indeed, although the Fund promotes E/S characteristics and therefore falls under the scope of the Article 8 SFDR, it will on the one hand hold assets that align with the promoted characteristics, but, and on the other hand, it will also hold some assets for other purposes which will not be necessarily complying with the binding elements. Please refer to the Fund’s SFDR disclosures for more information on the planned asset allocation. Sustainability is only one of many considerations that Hines takes into account when making investment decisions, and other considerations can, in some cases, be expected in certain circumstances to outweigh sustainability considerations. The information provided herein is intended solely to provide an indication of the sustainability initiatives and standards that Hines applies when seeking to evaluate and/or improve the sustainability characteristics of an asset as part of the larger goal of maximizing financial returns on investments. Accordingly, certain investments may exhibit characteristics that are inconsistent with the initiatives, standards, or metrics described herein. The decision to invest should take into account all of the characteristics of the Fund as described in the Definitive Documents and not just ESG characteristics.

There is no suggestion that any of HEREP III’s investments are ‘sustainable investments’ pursuant to the EU’s Sustainable Finance Disclosure Regulation or otherwise ‘taxonomy-aligned’ investments pursuant to the EU’s Taxonomy Regulation.

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.

Definitions:

**ASHRAE:** American Society of Heating, Refrigerating and Air-Conditioning Engineers CIBSE: Chartered Institution of Building Services Engineers.

**BREEAM** is the world’s leading science-based suite of validation and certification systems for a sustainable built environment. It provides independent third-party certification of the assessment of the sustainability performance of individual buildings, communities and infrastructure projects. Participants pay for the certification process.

**CRREM** (Carbon Risk Real Estate Monitor) aims to provide the European commercial real estate industry with appropriate science-based carbon reduction pathways at building, portfolio and company level and with financial risk assessment tools to cost-effectively manage carbon mitigation strategies. CRREM resources are free to market participants; though companies are charged to refer to CRREM in reports and register their compliance with CRREM pathways officially.

Offered by the German Sustainable Building Council, **DGNB** is a holistic certification process by the German Green Building Council that measures environmental quality, economic quality, sociocultural and functional quality of new buildings, existing buildings, refurbishments and buildings in use. Hines pays to submit projects for certification.

**GRESB** is a mission-driven and investor-led organization that provides actionable and transparent Environmental, Social and Governance (ESG) data to financial markets. GRESB collects, validates, scores and benchmarks ESG data to provide business intelligence, engagement tools, and regulatory reporting solutions. Hines pays to participate in GRESB.

**LEED** (Leadership in Energy and Environmental Design) is the most widely used green building rating system in the world. LEED is for all building types and all building phases

including new construction, interior fit outs, operations and maintenance and core and shell. To earn LEED certification, a project team must demonstrate compliance with all mandatory prerequisites and select a number of optional credits to pursue. Hines pays registration and certification fees.

The **Pension Real Estate Association (PREA)** established the annual PREA Real Estate Investment ESG Awards to recognize PREA members at the forefront of ESG within real estate investing, and to provide the industry with examples of best practices in ESG. To be eligible for PREA’s Open-end ESG Award, the fund must be an open-end real estate fund, the firm managing the fund must be a PREA member and the fund must participate in GRESB. Winner is selected based on the fund’s GRESB score and an expert panel’s subjective rating of the fund’s ESG program.

**PERE** is the leading publication for the world’s private real estate markets. For the PERE awards, PERE’s editorial team selects a short list of submissions based on their experience with the firm’smaking the submissions. Award nominations are highly subjective and include qualitative and quantitative criteria, looking for evidence of a firm’s activity capital raising, deal execution and/or innovation.

SmartScore certification recognizes and promotes technologically advanced smart buildings globally. SmartScore is offered by WiredScore.

Projects pursuing **WELL** Certification can earn points based on performance outcomes for various policy, design and operational strategies and can achieve one of four certification levels: Bronze, Silver, Gold or Platinum. Hines pays to submit a project for certification.

**WiredScore** is the global digital connectivity rating system, working with landlords to assess, improve, benchmark and promote their buildings. A WiredScore Certified building proves that it is of satisfactory levels of digital connectivity. To achieve WiredScore Certified status, a building must be digitally capable to meet the majority of tenants’ technological demands. SmartScore identifies best in class smart buildings that deliver an exceptional user experience, drive cost efficiency, meet high standards of sustainability and are fully future-proof. Hines pays to undergo the process to achieve the score.

Published June 2024.

This report is a snapshot of the Hines European Real Estate Partners III as of December 31, 2023. Unless otherwise noted, all data in this report is as of December 31, 2023.

For a comprehensive disclosure of INREV-compliant sustainability data, please email Daniel Chang: [daniel.chang@hines.com](mailto:daniel.chang@hines.com).



## About Hines

Hines has been a leader in real estate investment, development, and management for more than six decades. Founded by Gerald D. Hines in 1957, Hines is now one of the largest privately held real estate firms in the world, with a global presence and extensive experience across all property types and investment risk profiles.

We strive to create and preserve value in the built environment through spaces that set industry standards for quality and efficiency, uplift cities and communities, and enable our tenants and other stakeholders to flourish. ESG is central to Hines’ business strategy. We believe prioritizing ESG factors leverages our vertical integration and broad expertise – and differentiates us as a company.

Hines uses an ESG lens to support decision-making, goal-setting, and continuous improvement across the firm. Our commitment to sustainability inspires us to tackle pressing climate and industry challenges through innovation and supports our company vision: to be the best real estate investor, partner, and manager in the world.

To learn more about our firm-wide focus on ESG, visit [hines.com/esg](https://hines.com/esg).



## Investment Management

**Alex Knapp**  
Chief Investment Officer - Europe  
Senior Managing Director  
+44 20 7292 1900  
[alex.knapp@hines.com](mailto:alex.knapp@hines.com)

**Paul White**  
Fund Manager  
Senior Managing Director  
+44 20 7292 1900  
[paul.white@hines.com](mailto:paul.white@hines.com)

**Ruth Jackson**  
Deputy Fund Manager  
Managing Director  
+44 20 7292 1900  
[ruth.jackson@hines.com](mailto:ruth.jackson@hines.com)

## ESG Europe

**Daniel Chang**  
Head of ESG - Europe  
Managing Director  
+44 20 7292 1900  
[daniel.chang@hines.com](mailto:daniel.chang@hines.com)

**Hannah Brown**  
ESG Senior Associate - Europe  
+44 20 7292 1900  
[hannah.brown@hines.com](mailto:hannah.brown@hines.com)

