# Statement of Compliance

JUNE 2024

**The disclosures in this report for Hines Europe Real Estate Investments Limited (HEREI) comply with the requirements set out in Chapter 2 of the Environmental, Social and Governance sourcebook which forms part of the FCA Handbook.**

**Hines European Real Estate Investment**

Fiona Hipkiss

**Fiona Hipkiss**
Chief Operating Officer – Investment Management
Global Chief Investment Office

## EXECUTIVE SUMMARY

- Governance
- Strategy
- Risk management
- Metrics and Targets
- Next steps

## CONTENTS

This report sets out HEREI's disclosures in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and Chapter 2 of the ESG sourcebook forming part of the FCA Handbook. This disclosure seeks to be consistent with the four pillars and associated disclosures as set out in the TFCD recommendations.

The scope of this report addresses certain management and investment advisory services conducted by HEREI from the United Kingdom in respect of a European portfolio. This disclosure covers the period 2023.

This disclosure describes and outlines current processes in relation to governance, strategy, risk management and metrics & targets, but contains forward looking elements around strengthening processes and capabilities in this area.

References herein to Hines' approach to ESG and climate risk apply to HEREI unless otherwise indicated.

## ABOUT HINES AND HEREI

Hines is a leading global real estate investment manager operating in over 30 countries. Hines owns or operates $93.2bn (as of 31 December 2023) of assets across property types and on behalf of a diverse group of institutional and private wealth clients.

Hines European Real Estate Investment (HEREI) provides investment services to discretionary and non-discretionary, open-ended and closed-ended real estate funds and separate accounts.

HEREI has a fully developed Environmental Management System ("EMS") that outlines the responsibilities and process around managing ESG risks and opportunities. This is described through Hines' ESG Framework, which provides the parameters under which ESG risk can be assessed. Climate risk is assessed as part of this framework.

In 2022, Hines took a market leadership position in setting a science-based Net Zero Carbon by 2040 target for scope 1-3 emissions. This was reinforced in 2024 with third-party endorsement from the Science Based Target initiative (SBTi) of our interim 42% reduction by 2030 target. These firmwide targets apply to HEREI.

## MAIN DISCLOSURE

### GOVERNANCE

Description of climate governance

**a. Board oversight - Describe the board's oversight of climate-related risks and opportunities**

Hines' governance of climate-related risks and opportunities is led by the Executive Committee, which serves as Hines' board of directors. The Hines Executive Committee is composed of ownership representatives and leading regional and central senior executives worldwide. This group serves as the board of directors and is responsible for overall governance. The Investment Committee, Steering Committee, Audit and Compliance Committee, and Personnel Committee provide oversight, as well.

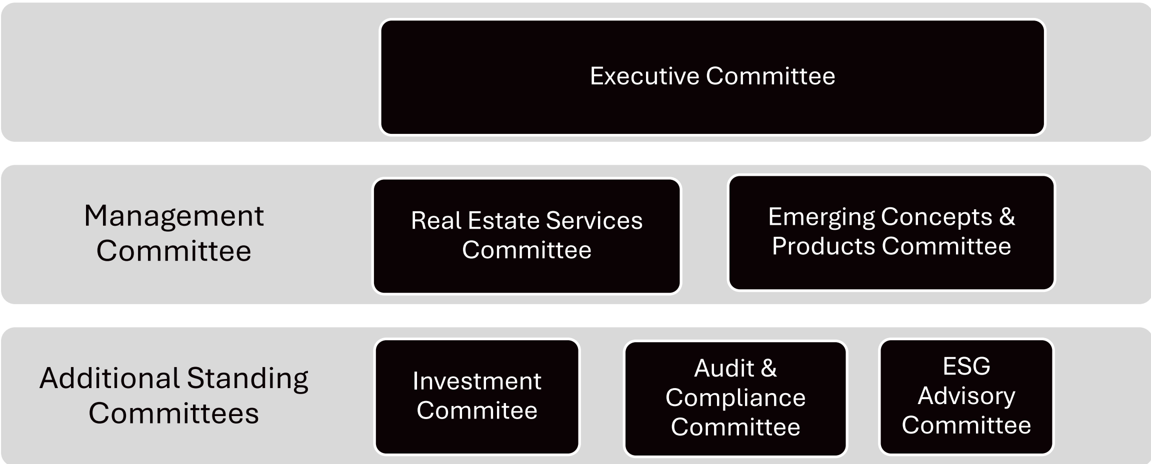
Locally, the HEREI Board of Directors oversees all relevant risks and opportunities including ESG related risks and opportunities. Oversight is exercised via delegation to above detailed global Board and Committee structure.

**b. Management Responsibility - Describe management's role in assessing and managing climate-related risks and opportunities**

Climate related risk and opportunities are primarily addressed through the Investment Management process, key management responsibilities sit with:

- Investment Committee
- Global ESG Team

Additional Committees also contribute to the management of climate-related risks and opportunities:




- Emerging Products and New Concepts Committee: Provide a unified vision for how Hines creates alpha at property level, bringing together the disciplines of conceptual construction, design, technology, workplace experience, and environmental sustainability.
- Real Estate Services Committee: Provide strategic direction to resource and implement initiatives that support the underlying objectives of the Framework globally, such as 'Climate and Nature' related objectives.
- Audit and Compliance: Serve as an objective and independent party in ensuring compliance with policies and standards and Hines' systems of internal control in the areas of finance, accounting, operations, legal compliance, business ethics, and Hines Policy.
- ESG Advisory Committee: Unifying firm-wide ESG perspective in one group of key business leaders at execution level. Set targets and must-have implementation initiatives, monitor progress against firmwide goals.
- Environmental Strategies Team: Serve as subject matter experts and execution support, handling the firm's approach to energy, carbon, water, waste and other environmental topics.

The Co-Heads of Investment Management have overall responsibility for management and operation of the HEREI's ESG Framework. They are responsible for ensuring that ESG is an integral element of HEREI's process and activities, including new ventures and investor relations, and applied by all staff. The Co-Heads of Investment Management will:

- Ensure integration of ESG risks in the investment process.
- Ensure inclusion of ESG risk analysis within all Investment Committee submissions.
- Ensure sufficient resources are available to successfully deliver commitments stated in the ESG Framework.
- Participate in the review of ESG performance annually.

Investment Management personnel manage a range of strategies that invest across risk profiles, geographies, and product types. These functions are performed out of London and Luxembourg. Responsibilities of the HEREI platform include:

- Portfolio strategic asset management
- Risk management
- Debt management
- Capital Markets and Investor Reporting
- ESG integration
- Oversight of asset, development and property management

This visual demonstrates the resourcing and investment management structural context for Hines Europe.

As of 30 June 2024.

HEREI Portfolio Managers have day-to-day responsibility for managing Hines' mandates. Within this, climate risk is considered. Portfolio managers are also responsible for ensuring the management of ESG risk (including climate risk) in mandate specific risk reports.

Training is developed and delivered to HEREI employees and ESG objectives are embedded into performance objectives, as appropriate to job function. This includes the consideration of climate risk.

## STRATEGY

**a. Climate related issues - Describe the climate-related risks and opportunities the organisation has identified over the short-medium and long term.**

- Risks identified – transition and physical
- Opportunities identified
- Risks/opportunities described in detail

HEREI assess the materiality of various sustainability and climate issues on a deal-by-deal basis based on investment strategy, building characteristics, geographical context, regulatory environment, market maturity and other fund specific objectives. We have identified the following climate risks and opportunities to be materially significant to HEREI and our investment management process based on their financial and environmental/societal impacts.

The tables below summarise the materially significant climate risks and opportunities that have been identified at HEREI, their impact, and our management approach:

## CLIMATE-RELATED RISKS

| | | POTENTIAL IMPACTS | TIMEFRAME[1] | HINES MANAGEMENT APPROACH |
|---|---|---|---|---|
| **Policy and regulation** | Enhanced emissions reporting obligations and building regulations | ▪ Increased compliance expenditure, higher operating costs<br>▪ Higher capital investment requirements<br>▪ Early write-off of existing assets due to policy changes | Short/Medium/Long | ▪ Hines engages a third-party provider to deliver data on climate-related legislation and reporting requirements specific to all geographies, allowing us to stay current on local regulations.<br>▪ As part of our evolving data strategy, we are working to gather full asset-level utility data through various means to fulfil reporting requirements and to monitor carbon and energy performance of assets.<br>▪ Local teams lead efforts to comply with local regulations such as RE2020 and Décret Tertiaire in France. |
| | Exposure to litigation | ▪ Greater site and location risks in vulnerable geographies<br>▪ Higher risk premiums<br>▪ Reduced investor capital raised | Medium/Long | ▪ The Hines Compliance teams conduct routine internal checks and audits to ensure our management procedures are aligned to the legislative requirement of each geography to minimise risk of litigation. |

[1] Hines define our timeframes as the following based on our Net Zero Carbon by 2040 target and other business considerations: Short – 2030; Medium = 2035; Long = 2040+.

| | | | | |
|---|---|---|---|---|
| **Technology** | Substitution of existing technologies and services with lower emissions options | ▪ Higher capital investment to adapt/deploy new practices and processes | Medium/Long | ▪ The Hines ESG teams continuously explore and stay current with technological advancements, collaborating with property and engineering teams to implement technologies that enhance performance and increase the long-term value of our assets.<br>▪ As part of ongoing efforts to decarbonize our portfolio, approx. two-thirds of Hines' assets in Europe have procured or will soon procure Net Zero Carbon Roadmaps and will, wherever feasible, implement recommended decarbonization measures including investments in new lower-carbon technologies and services.<br>▪ Our European ESG Development Brief requires all developments and major refurbishments to prioritize efficient, low-carbon technologies and design.<br>▪ At Acquisition, Capital Expenditure requirements for decarbonisation are integrated into underwriting, facilitating necessary technology upgrades during holding period of investment. |
| **Markets** | Changing customer behaviour for more resilient assets | ▪ Devaluation and reduced liquidity<br>▪ Reduced rental income from reduced demand<br>▪ Increased cost of finance/ reduced availability of finance for inefficient assets | Medium/Long | ▪ Hines collaborates with a third-party consultancy to analyse the market supply and demand for 'green assets' in our key investment markets. We use this insight to understand how resilience enhancements contribute to the overall value of the asset.<br>▪ Our Net Zero Carbon targets drive decarbonization of the portfolio, which will help futureproof our business, as tenant and investor demand for low-carbon assets and products |

| | | | | |
|---|---|---|---|---|
| | | | | increase. |
| **Reputation** | Stigmatization of sectors | ▪ Reduced availability of private capital<br>▪ Reduced liquidity | Medium/Long | ▪ The Hines Investor Relations, Capital Markets Group and Fund teams engage with investors on a regular basis to understand investor priorities and employ management strategies that align to these requirements.<br>▪ Hines' 2040 Net Zero Carbon Target is science-based, and our 2030 interim target has been approved by SBTi. Several European funds have even more ambitious targets and ESG objectives. |
| **Acute and chronic climate events** | Acute events: River flooding, surface flooding, landslides, wildfire, storms, tropical cyclones, storm surge and droughts | ▪ Direct building damage, increased capital costs and liability<br>▪ Reduced insurability<br>▪ Greater potential for business disruptions<br>▪ Greater site and location risks in vulnerable geographies<br>▪ Higher risk premiums<br>▪ Increased cost of finance/ reduced availability of finance | Medium/Long | ▪ Hines utilises a third-party climate risk software provider to identify the presence and significance of various physical climate risk factors for potential new investments. Early identification of these risks enables the ESG team to collaborate with property teams to evaluate and implement adaptation solutions that enhance the asset's overall resilience.<br>▪ We also review insurance rates annually, analysing market signals to understand how providers account for different climate risks. Hines works closely with our insurance carriers to better understand climate risks and how to mitigate them.<br>▪ |
| | Chronic events: Subsidence, coastal flooding and extreme | ▪ Direct building damage, increased | Short/Medium | ▪ Service Level Requirements (SLRs) for all property managers include requirements on |

| | | | | |
|---|---|---|---|---|
| | heat | capital costs and liability<br>▪ Greater site and location risks in vulnerable geographies<br>▪ Higher risk premiums | | systems resilience and disaster response planning.<br>▪ European ESG Development Brief for all construction and renovation projects includes physical climate risk assessment and adaptation planning. |

## CLIMATE-RELATED OPPORTUNITIES

| | | POTENTIAL IMPACTS | TIMEFRAME[2] | HINES MANAGEMENT APPROACH |
|---|---|---|---|---|
| **Resource efficiency** | Increased efficiency of investment portfolio - Energy, Water and Waste | ▪ Reduced operating costs<br>▪ Increased value of asset, 'green premium' | Short/Medium | ▪ The Hines Carbon Impact Assessment Tool provides a standard, centralized way to collect and evaluate a building's operational data. The tool gathers energy, water, waste, refrigerant, and financial data and aggregates it to reveal asset- and portfolio-level insights.<br>▪ Service Level Requirements (SLRs) for all property managers include requirements to |

[2] Hines define our timeframes as the following based on our Net Zero Carbon by 2040 target and other business considerations: Short – 2030; Medium = 2035; Long = 2040+.

| | | | | |
|---|---|---|---|---|
| | | ▪ Increased tenant | | track consumption and present utility savings opportunities to tenants. |
| **Energy source** | Use of renewable energy sources in place of fossil fuels | ▪ Improved cash flow from reduced exposure to future fossil fuel price increases<br><br>▪ Increased rental income from increased demand for low carbon assets<br><br>▪ Aligned to regulatory requirements, less exposure to litigation risk and improved reputation | Short/Medium | ▪ Our Net Zero Carbon strategy emphasizes increasing the use of both on-site and off-site renewable energy sources to meet an asset's power needs. The ESG team has developed the 'Future Ready Clean Electricity Strategy' to guide property teams in exploring opportunities to integrate on-site renewable energy technologies or procure electricity from renewable energy tariff<br><br>▪ Renewable electricity contracts are pursued for landlord electricity and, wherever possible, tenant electricity. For example, Hines Germany have a Power Purchase Agreement in place which sources offshore wind energy to supply 70% of their portfolio's power. |
| | Use of low-carbon energy technologies | ▪ Returns on investment on low carbon technology | Medium/Long | ▪ The Hines ESG teams and Conceptual Construction Group (CCG) continuously explores and stays current with technological advancements, collaborating with property and engineering teams to implement technologies that enhance performance and increase the long-term value of our assets.<br><br>▪ Hines European ESG Development Brief establishes minimum standards for low-carbon |

| | | | | |
|---|---|---|---|---|
| | | | | design.<br><br>▪ Hines Europe ESG League facilitates forums to share best practices across country teams, including presentation of low-carbon innovations and technologies. |
| **Product growth and expansion** | Changing customer behaviour for more resilient assets | ▪ Increased rental income from demand for low carbon assets<br><br>▪ Increased liquidity for more efficient assets<br><br>▪ Reduced cost of finance/ increased availability of finance for efficient assets | Medium/Long | ▪ Hines collaborates with a third-party consultancy to analyse the market supply and demand for 'green assets' in our key investment markets. We use this insight to identify divergences in supply and demand trends, allowing us to capitalize on opportunities by providing undersupplied markets with more efficient and resilient assets that are increasingly in demand. |
| **Markets** | Investor demand for resilient asssets | ▪ Increased availability of private capital<br><br>▪ Increased liquidity for inefficient assets | Short/Medium/ Long | ▪ For our European flagship funds that are subject to SFDR we have set investment objectives that drive the efficiency and overall resiliency of our underlying investments.<br><br>▪ Through regularly reporting in our annual Firm-level and Fund-level ESG Reports we communicate our progress towards various climate objectives for our global investment |

| | | | | |
|---|---|---|---|---|
| | | | | portfolio. |
| **Resilience** | Enhanced climate resilience of assets | ▪ Reduced risk premiums<br>▪ Increased growth and capitalization rate<br>▪ Increased rental income<br>▪ Reduced operating and capital costs | Short/Medium/ Long | ▪ As outlined in our Strategy and Risk Management sections, HEREI has adopted a climate risk management strategy integrated into our investment processes and EMS.<br>▪ We aim to identify and assess the physical and transition climate risks within our hold period, implementing appropriate management interventions to mitigate these risks and protect or enhance overall asset value. |

### b. Climate related impacts - Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.

See table above for potential impacts of climate risks and opportunities.

### c. Resilience - Describe the resilience of the organisation's strategy, taking into consideration different climate scenarios including a 2°C or lower scenario.

HEREI's ESG Framework contains many elements that enhance the portfolio's adaptive capacity and resilience, including strong governance and responsible parties at various levels (as described in the Governance section, earlier in this document), multiple ESG training opportunities for employees, a continually updated library of internal ESG resources, and the many risk management practices described in the Climate-Related Risks and Opportunities table in Strategy section (a) and the Risk Management section of this report.

As described further in the Metrics & Targets section, Hines has committed to a net zero carbon target of 2040 and an interim target in 2030 to increase our resilience against transition risk. We evaluate carbon-related risks for operational assets using our internal Carbon Impact Assessment (CIA) tool which is described further in the Risk Management section. Following the CRREM methodology, this process enables us to evaluate the stranding point for the asset relative to a 1.5°C scientific pathway which aligns with our 2040 goals. We leverage the insights from the CIA tool to identify those assets that require further intervention to improve carbon performance and our ESG and investment teams work collaboratively to develop decarbonisation plans suitable to the investment strategy.

Regarding physical climate risk, Hines has conducted a global scenario analysis discussed further in the Risk Management section below. Regional results are still under analysis. Broadly, the results of the global Scenario Analysis identified that:

- All HEREI assets can secure private buildings insurance to cover all weather conditions.
- Global projections indicate that largest potential financial impacts would be from acute climate hazards such as surface flooding, river flooding and storm surge.

## RISK MANAGEMENT

### a. Identification and assessment - Describe the organisation's processes for identifying and assessing climate-related risks

Over the past few years, Hines have upgraded our investment approach to better integrate ESG objectives and importantly evaluate climate-related factors in our investment strategy and individual fund strategies. As part of this effort, we have updated our acquisition processes to require investment teams to evaluate the materiality of key climate risks and opportunities and leverage sustainability data alongside investment performance data, market research, and evolving climate regulations to address local climate opportunities and challenges.

The following steps are taken to identify climate related risks in the context of HEREI's ESG strategy:

- ESG due diligence is integrated for all transactions, including analysis of climate-related risks and opportunities such as transition and physical risks, as appropriate. This is enabled through the use and procurement of third-party climate data and analysis.
- Reviews of ESG objectives in asset business plans are undertaken, identifying opportunities to improve ESG performance.
- ESG performance is benchmarked against recognised targets, standards and disclosure performance.
- Regular reviews of policy and regulations via a third party real estate research firm (PMA).
- Maintain compliance with legal, corporate, investor and partner obligations.
- An Environmental Management System (EMS) aligned to ISO 14001 is maintained.
- Creation of fund and asset decarbonization roadmaps and implementation plans, where appropriate.

The following key tools are used to identify and assess climate-related risks, and other ESG risks, throughout the investment lifecycle:

- Carbon Impact Assessment (CIA) tool, an internal CRREM modelling tool
- Third party physical climate risk assessment software
- PMA/ Regulatory assessment toolkit
- ESG Template in the Investment Committee Memo
- Hines ESG Due Diligence Scoping Document and Acquisition Sustainability Checklists
- Hines Net Zero Scoping Document
- Hines ESG Service Level Requirements (SLRs)
- Sustainability Assessment and Action Plans (SAAPs)

- ESG Development Brief
- Monitoring & Targeting program for specific Hines fund's
- Hines Embodied Carbon Guide
- Hines Operational Carbon Reduction Guide
- Environmental Strategies Team and Conceptual Construction Group provide internal technical expertise

**Describe scenarios used (physical and transition if applicable)**

### Physical Climate Risk Analysis

In 2024, Hines conducted a climate risk scenario exercise to evaluate the strategic implications of various climate scenarios and climate hazards on our existing global investment portfolio, including HEREI. The exercise evaluated the potential financial loss over the hold period for our material investments, accounting for approximately 80% of our global AUM for the first analysis. This analysis included 167 of ~~196~~ 199 ~~assets~~ properties within HEREI. The remaining assets will be assessed in 2025.

Prior to the global scenario analysis, assets in four of the key flagship core, core plus and value add Hines funds were assessed for physical climate risks using another third-party climate risk assessment software. This software evaluated physical climate risks under two scenarios (RCP 4.5 and 8.5) and seven timeframes (decadal from 2030 – 2090). Only 9 of ~~196~~ 199 ~~assets~~ properties in HEREI have not yet received a physical risk assessment; these properties will be assessed in 2025.

Scenarios:

For the 2024 global scenario analysis, assets were evaluated under 9 different climate scenarios to understand the variations in hazard exposure and vulnerability of the underlying assets. Scenarios were based on individual IPCC aligned Representative Concentration Pathway (RCP) over the short (2030), medium (2035) and long (2040+) time horizon.

| | |
|---|---|
| **RCP 4.5** | Intermediate scenario, carbon emissions are predicted to peak around 2040 and the decline. Global temperature rise between 2$^0$C and 3$^0$C, by 2100. |
| **RCP 6** | Carbon emissions are predicted to peak around 2080 and then decline. Global temperature rise between 3$^0$C and 4$^0$C, by 2100. |

| | |
|---|---|
| **RCP 8.5** | Worst case scenario, no action taken to reduce carbon emissions. Emissions are predicted to increase until the end of the century. |

Climate hazards:

| | | |
|---|---|---|
| **Acute Hazards** | ▪ River flooding<br>▪ Surface flooding<br>▪ Landslides<br>▪ Wildfire | ▪ Storms<br>▪ Tropical cyclones<br>▪ Storm surge<br>▪ Droughts |
| **Chronic Hazards** | ▪ Subsidence | ▪ Coastal flooding |

Hines has developed a bespoke *Climate Risk Analysis* dashboard that leverages data from a third-party climate software platform and details of our investment portfolio to identify and evaluate the potential impact of climate hazards.

Regional results are still under analysis. Broadly, the results of our global Scenario Analysis identified that:

- All HEREI assets can secure private buildings insurance to cover all weather conditions.
- Projections indicate that largest potential financial impacts would be from acute climate hazards such as surface flooding, river flooding and storm surge.

We are using the results from the scenario analysis to refine our Climate Risk Management approach that is integrated into our investment management and financial planning processes. (Please see the Risk Management section for details of the Hines Climate Risk Management approach).

### Transition Risk Analysis

To enable progress against our net zero carbon goals (see Metrics & Targets section) and assess transition risk, Hines has developed an internal carbon data management tool that is used by HEREI for operational assets, called the Carbon Impact Assessment (CIA) tool. The tool enables us to centrally collect energy consumption, water, and waste data for our properties and calculate an asset's carbon emissions. This allows us to evaluate projected stranding year based on the emission factors and methodologies provided by the Carbon Risk Real Estate Monitor (CRREM) relative to a 1.5ºC scientific pathway. Hines seek to develop detailed decarbonization roadmaps for prioritised assets within our portfolio based on stranding year and investment strategy.

Hines is currently conducting an analysis of all the equity properties in the portfolio, including HEREI assets, to shortlist those assets identified to be 'stranding' in the near term and requiring intervention to improve carbon performance to meet our Net Zero by 2040 target. The shortlist of assets will be reviewed with our investment teams or asset management teams, and assets will be prioritised for detailed decarbonisation studies and plan the budgets and resources required to improve long term carbon performance based on the investment strategy of the individual asset. We plan to complete the exercise of asset prioritisation with our investment management teams by 2025.

### a. Risk management process - Describe the organisation's processes for managing climate-related risks

As part of HEREI's ESG Framework, the management of ESG risks (including climate risks) is embedded in processes throughout the investment lifecycle. Our approaches to managing identified climate risks can be seen in the Climate Related Risks and Opportunities table in Strategy section (a).

**Transitional risk management:** In addition to the various risk management approaches detailed in Strategy section (a) and the investment process diagram below, Hines is developing a prioritization process and decarbonization roadmaps for assets in our global portfolio, including assets in HEREI. In Hines Europe, nearly two thirds of assets under management have already completed or will soon undergo a Net Zero Carbon audit to produce a roadmap that details implementation measures to decarbonize the asset on an appropriate timeline. Key decarbonisation interventions are being budgeted and implemented where feasible, including installation of on-site renewable energy technology, procurement of green electricity through green tariffs and PPAs, electrification, whole life carbon assessments, and low-carbon material selection.

HEREI regularly reviews climate-related policies and regulations using a service from a third party real estate research firm, PMA. Hines Europe country teams are also responsible for meeting the local regulations that apply to their assets.

Additionally, HEREI collaborates with industry bodies and regional working groups focused on climate mitigation. Hines have played a leading role in C Change, a ULI-led program to mobilize the European real estate industry to decarbonize. As part of the steering committee, Hines are among the first firms to pilot the Transition Risk Assessment Guidelines with a Discounted Cashflow Tool. The Hines European ESG team continues to work with ULI and C Change on further pilots and initiatives.

**Physical risk management:** Following the completion of the top-down physical risk scenario analysis with third party climate software system described in Risk Management (a), further investigation will be undertaken for assets deemed high risk. The climate software will help evaluate potential adaptation measures to address specific climate hazards. These measures shall be reviewed by our property and engineering teams to determine which are most appropriate based on asset specifications. We will then engage our experienced engineering partners to develop accurate Capital Expenditure estimates and integration plans for any necessary adaptations.

Management of transition and physical risks is integrated into our investment lifecycle as shown below:

**Pre-Acquisition**

- HEREI monitors ESG-related risks from the earliest stage of the investment life cycle, using a Sustainability Due Diligence Checklist prior to acquisition.
- When climate risks are identified, mitigation measures are evaluated – if there are significant risks, the investment may not take place.
- Deal teams utilise the Sustainability IC Memo template to evaluate the significant of the climate risks and opportunities.
- Climate-related CapEx and other underlying climate considerations are integrated into asset underwriting, where relevant.
- Investment Committee evaluates overall risks, opportunities, and ESG-related financing requirements to make a final investment decision.

**Holding Period**

- During hold period, there are several mechanisms by which identified climate risks can be managed:
- CRREM analysis via internal Carbon Impact Assessment Tool and ongoing monitoring of carbon and energy performance
- ESG Development Brief outlines minimum standards for all new construction or renovation projects, which include carbon performance and resilience
- Sustainability Assessment and Action Plans facilitate the monitoring and management of key ESG characteristics of assets
- Sustainability Fit-Out Guide that covers design, construction, operation and handover phases
- Net Zero Carbon Roadmaps are procured for assets depending on investment strategy
- Green Lease Clauses for any new tenancy agreement to facilitate data sharing and cost sharing for decarbonization measures
- ESG Service Level Requirements (SLRs) for Property Managers include occupier engagement on energy, carbon, water, and waste management

**Disposition**

- SAAPs, climate risk assessments, and green lease clauses form part of tenancy documentation.
- Asset consumption data is made available for assessment.

## b. Integration – Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.

ESG risk assessment contains consideration of climate risks. ESG risk management is integrated into existing risk management processes and responsibilities as described in section Governance (b) and Strategy (a). This integration is further strengthened through the presence of an EMS aligned to ISO 14001. This ensures that climate risk considerations are understood at pre-acquisition, holding and disposal stages.

## METRICS AND TARGETS

### a. Climate related metrics - Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

The following metrics are calculated for full year 2023 and disclosed:

- Scope 1 and 2 greenhouse gas emissions;
- scope 3 greenhouse gas emissions;
- total carbon emissions;
- weighted average carbon intensity (WACI).

### b. GHG emissions - Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Emissions data is reported below for assets in HEREI that were operational in 2023 and for which we have collected full-year energy consumption data.

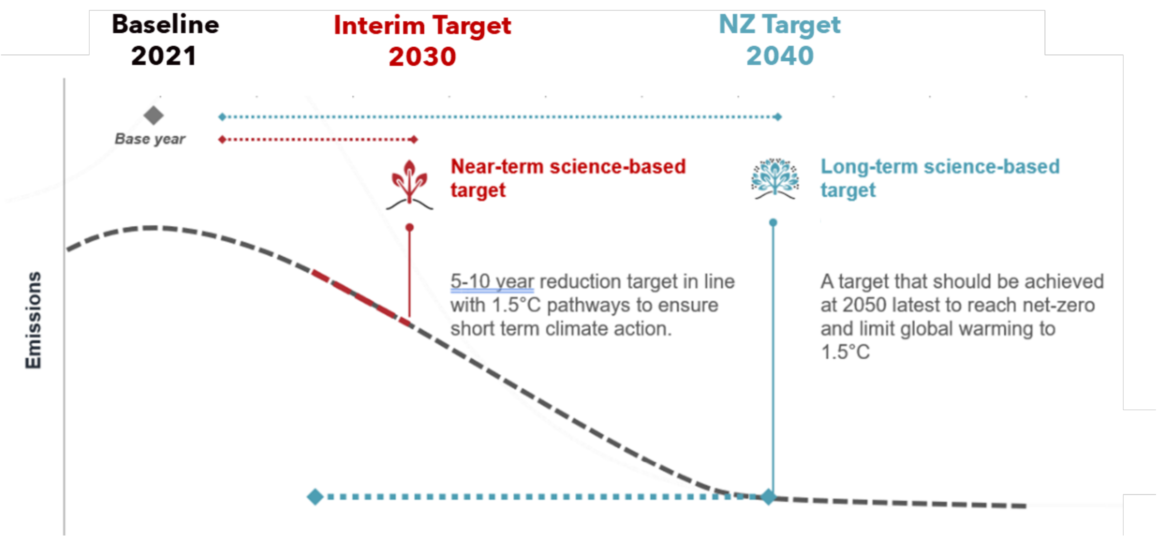
Among 199 total properties, 172 were operational in 2023. Among those operational properties, energy consumption data was available for 150 properties.

In alignment with GRESB methodology, emissions are calculated using location-based emissions factors. Where local emissions factors are not available, electricity emissions factors are obtained from Association of Issuing Bodies (AIB) 2023 dataset, and district heating/cooling emissions factors for Germany and Poland obtained by an internal review of the local generation mix.

For assets in GRESB participating funds, data collection is supported by third party consultants. For other assets, energy consumption data for 2023 was self-reported by HEREI asset management teams and entered into the Hines Carbon Impact Assessment Tool. While all reporting properties state that they have reported whole-building data, inclusive of both landlord and tenant consumptions, we have not yet been able to independently review utility expenditures in all tenant spaces.

| CLIMATE METRICS | 2023 PERFORMANCE |
|---|---|
| Scope 1 GHG Emissions (MtCO2e) | 1,157 |
| Scope 2 GHG Emissions (MtCO2e) | 6,986 |
| Scope 3 GHG Emissions (MtCO2e) | 61,272 |
| Total Carbon Emissions (MtCO2e) | 69,415 |
| Weighted Average Carbon Intensity (kg/m2 GIA) | 28.5 |

### c. Targets - Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.




*Illustrative pathway to Net Zero*

Hines aims to achieve net zero operational carbon emissions by 2040. As an interim step, the Firm set a near-term target to reduce operational carbon emissions in the global portfolio by 42% below our 2021 emissions by 2030. This target includes all emissions in Scope 1, Scope 2, and Scope 3 emissions from the use of sold product and downstream leased assets. SBTi has approved Hines' near-term target. These firmwide targets apply to HEREI.

The first step in setting our Firmwide emissions targets was to inventory our emissions across the Firm. Using 2021 as our base year, Hines conducted an inventory of Firmwide emissions, with assistance from Ramboll. Where actual energy data was not available, Hines used modelled data in accordance with the GHG protocol where there was limited ability to collect details. We now collect annual energy consumption data from asset teams in the Carbon Impact Assessment Tool to track our progress towards our goals.

Some funds where HEREI acts as portfolio manager have additional targets. Certain funds aim to achieve net zero operational carbon emissions by 2030 for Scopes 1 and 2.

## DATA GAPS

What are the data gaps?

The emissions metrics reported above represent 150 of the 172 operational properties in the HEREI portfolio in reporting year 2023. For 22 of the operational properties, full consumption data was not available for 2023.

Why they have occurred?

Data gaps are due to challenges obtaining access to energy consumption data, usually from tenant consumption.

What is being done to rectify them?

Efforts are underway to expand our data coverage across the portfolio. We are exploring various tools and capabilities that will help obtain more consumption data, particularly for tenant-controlled spaces. We are also implementing green lease clauses in all new leases with a requirement to share consumption data and are working to engage occupiers to obtain data even in cases where green leases are not yet in place.

What has been done for this statement?

2023 landlord and tenant consumption data were requested for all operational assets in HEREI as part of a global consumption data collection effort. An analysis of available data was performed to provide the climate-related metrics above.

## GLOSSARY OF TERMS

- Carbon/GHG footprint - A carbon footprint is the total amount of greenhouse gases (including carbon dioxide and methane) that are generated by an entity's actions. Carbon emissions for accounting purposes are split into Scopes.
- CRREM – The Carbon Risk Real Estate Monitor (CRREM) is aimed to support real estate actors foster investments in energy efficiency as many assets will become 'stranded' properties that will not meet future energy efficiency standards and whose energy upgrade will not be financially viable.

- IFRS - International Financial Reporting Standards (IFRS) are accounting standards issued by the IFRS Foundation and the International Accounting Standards Board (IASB).
- MEES - The Minimum Energy Efficiency Standard applies to private rented residential and non-domestic property and is aimed at encouraging landlords and property owners to improve the energy efficiency of their properties by a restriction on the granting and continuation of existing tenancies where the property has an Energy Performance Certificate Rating of F and G.
- Scenario analysis - A process for identifying and assessing the potential implications of a range of plausible future states under conditions of uncertainty. Scenarios are hypothetical constructs and not designed to deliver precise outcomes or forecasts
- Scope 1 emissions - Scope 1 emissions are direct emissions from owned or controlled sources.
- Scope 2 emissions - Scope 2 emissions are indirect emissions from the generation of purchased energy.
- Scope 3 emissions - Scope 3 emissions are all indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
- TCFD - The Financial Stability Board (FSB) created the Task Force on Climate-related Financial Disclosures (TCFD) in 2015 to improve and increase reporting of climate-related financial information. The TCFD has developed a framework to help public companies and other organizations more effectively disclose climate-related risks and opportunities through their existing reporting processes.
- Transition Risk - Transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organizations.
- Weighted Average Carbon Intensity (WACI) – is a measure of the carbon intensity of a portfolio normalized by revenues.