

Hines, active in Chicago since 1986, partnered with the Kennedy family to create a stunning mixed-use neighborhood on the river at Wolf Point.



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Responsible Investment

We take a long-term view in our investment business, seeking to manage risk, build resilience, and generate sustainable returns. By applying this approach since the start of our investment business in 1991, Hines has sponsored 57 strategic investment funds and numerous one-off investment vehicles, totaling more than \$51.2 billion of equity.

What differentiates Hines is our ability to implement investment strategies based on sound research complemented by local market knowledge and expertise. These strategies account for economic and environmental risks in the firm's overall investment management platform, individual acquisitions, and the delivery of outstanding experiences to investors, partners, and clients.

As a responsible investor, we know environmental, social, and governance (ESG) factors are critical indicators that can influence long-term performance. By maximizing ESG opportunities, we believe we're well-positioned to deliver value to our partners and our company, as well as local communities. Monitoring ESG factors also helps us manage risk and ensure that we are meeting or exceeding legislation, local policies, and community expectations related to myriad issues, including energy and climate, renewables and net zero, green building certifications, materials use and contamination, water, waste, labor, community impacts, and more.

Enhancing Our Investment Business

As a firm aspiring to be the best real estate investor, partner, and manager in the world, we launched a companywide evolution in October 2018 to ensure Hines stays on the leading edge of real estate.

Our goal is to build on our legacy of continuous innovation to catalyze and lead the disruption of the real estate industry at scale. We also want to lead the industry in collecting and applying data and analytics to inform investing decisions and predict partner and tenant needs. We strongly believe these capabilities will help us capture new opportunities in sustainability and mitigate challenges more quickly. Ultimately, this will solidify our position as the partner of choice for our investors, clients, and tenants, providing unparalleled quality, investment performance, and service.

As we continue to evolve our investment business, we are finding new ways to deepen our commitment to sustainability and further integrate ESG issues and opportunities into each real estate fund's activities. We believe this will serve our business, our investment partners, and communities around the world.

How Hines Adds Value

- Proven track record since 1957
- Global business as a fiduciary investment manager with a vertically integrated operating platform
- Fourth largest real estate investment manager worldwide by assets under management
- Unparalleled depth of local real estate teams and execution
- Proprietary in-house research framework
- Scalable organization designed to bring the best of Hines to every investment
- Experienced and trustworthy leadership and consistent culture
- Growth powered by performance and innovation

Integrating Sustainability into Investment Decisions

At Hines, we place a specific emphasis on environmental sustainability and improving the footprint of each asset under management. We recognize that we can make a tangible impact on improving energy efficiency and reducing greenhouse gas emissions. As an entrepreneurial firm, we always look to the future and consider emerging aspects of sustainability, including the resilience and adaptability of properties.

All of our investments are guided by the Hines Responsible Investment Statement, which we created in 2011 to formalize our ESG guidelines and practices. We regularly share this statement with our investors and partners as a standard part of our day-to-day business.

Our regional and investment management teams use the Hines Sustainability, Resilience, and Responsible Investment Framework to characterize any ESG risks and opportunities in proposals they submit to the Hines Global Investment Committee. This group, which includes our CEO as well as several other Hines executives, is charged with reviewing and approving all transactions. In doing so, the committee evaluates the risks and opportunities outlined in investment proposals, including all sustainability factors. This governance structure allows Hines to make sound investment decisions by applying our global resources, expertise, and experience.

Hines Investments at a Glance

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57 Strategic Investment Funds

Since 1991, Hines has employed a range of investment strategies to pursue acquisition and development opportunities through 57 investment vehicles (54 privately offered and three publicly offered) totaling more than \$51.2 billion in equity.

200+

Institutions

600+

High-Net-Worth Individuals

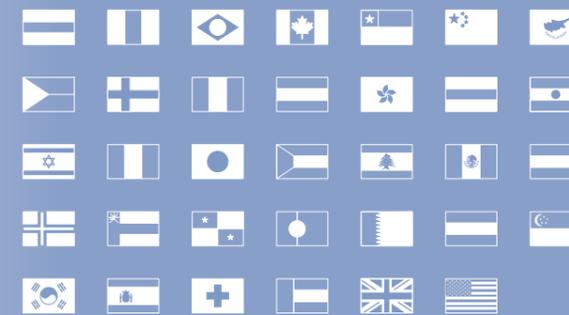
120,000+

Retail Investors

Assets Under Management

\$120.6 B

34 Countries Represented by Investors



Austria, Belgium, Brazil, Canada, Chile, China, Cyprus, Czech Republic, Finland, France, Germany, Hong Kong, Hungary, India, Israel, Italy, Japan, Kuwait, Lebanon, Mexico, Netherlands, Norway, Oman, Panama, Portugal, Qatar, Russia, Singapore, South Korea, Spain, Switzerland, United Arab Emirates, United Kingdom, United States



HINES RESPONSIBLE INVESTMENT STATEMENT

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

Specifically, we:

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



Elevate in Gurgaon, Haryana

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We regard Hines as a thought leader on sustainability in real estate. Like our other city-specific ventures in London, Paris, and Berlin, our Milan partnership with Hines has a particular focus on substantially reducing the carbon footprint of the buildings we are acquiring — enhancing their resilience to cope with the transition risk the real estate market is facing. Based on the partnership’s track record, we trust Hines continues to be very well positioned to deliver on this strategy.

MATHIEU ELSHOUT MRE, SENIOR DIRECTOR,
PRIVATE REAL ESTATE EUROPE, PGGM

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QuadReal actively seeks to partner with those who align on our values of responsibility, transparency, and integrity, and to us, Hines is a leader in integrating ESG into the management and value of the portfolio on which we work together.

LUCY FLETCHER MRICS, MANAGING DIRECTOR, INTERNATIONAL, QUADREAL PROPERTY GROUP

Corporativo Neuchatel in Mexico City



ABC Westland logistics park in The Hague, Netherlands, encompasses 13 existing buildings totaling 117,000 square meters of warehouse and commercial office space, along with land for potential future development.

HINES SUSTAINABILITY, RESILIENCE, AND RESPONSIBLE FRAMEWORK

Our proprietary framework poses questions to identify opportunities in each potential acquisition or development that will further enhance the sustainability and resilience of a particular project. The questions look at a number of areas, including:

Clients/Partners

- Does the prospective client or partner have publicly disclosed or privately expressed sustainability policies and goals? If so, are they being adequately addressed when considering the investment?

Investment

- Is the sustainability objective for this investment to acquire a building with strong environmental performance, or to acquire an environmentally underperforming asset with an emphasis on improvement?
- If improvement is the objective, what environmental goals have been set for the investment? Does the investment hold period provide the necessary time to meet these goals?

Regulatory Compliance

- What ESG regulations apply to this property that may require disclosure of environmental performance, audits, or commissioning, expedited permitting, or other ESG compliance?
- Are there environmental regulations coming that may affect the operation or value of the asset, or its place in the market?

Operations

- What are the operational risks due to environmental, social, and governance issues?

ENVIRONMENTAL

- What are the opportunities to enhance the environmental performance of the property?
- Are there targets for performance or a specific green rating?
- Is this property a candidate for net zero (emissions, water, and waste)?
- Are there immediate environmental concerns, such as water scarcity or an unstable energy grid, which could impact the performance of this property?
- Is there environmental compliance set by the municipality, client, or a tenant that could impact the performance of this property?

SOCIAL

- Does Hines’ client/partner have labor union policies that apply to this investment that could impact asset performance or affect other Hines investments?
- Does the local market necessitate the use of labor unions?
- How have tenants expressed interest in the sustainability performance of the property?
- Are there public agency or neighborhood concerns that could affect the execution of the investment thesis on the building?
- How does this property currently impact the community?
- How will Hines’ investment in or development of this project enhance the community?

GOVERNANCE

- What regulatory frameworks, such as environmental performance or mandatory performance disclosure would apply to this investment?
- What legislation may be instituted regarding sustainability that could affect this property?
- What subsidies and incentives for renewable energy or other technologies would apply to this investment?

Tenant(s)

- Has the evolving tenant profile and space use of the building been included in the underwriting? Examples include consolidation by FIRE tenants and smaller size requirements due to a mobile workforce.
- How is the building able to be repurposed to respond to evolving tenant use?
- Does the budget integrate strategies to potentially repurpose the building?
- If Hines is not the manager, does the third-party management firm have environmental policies in place that are at least as stringent as Hines’ own policies and practices? Can Hines standards be incorporated into third-party contracts?

Resilience

- How resilient is the city and submarket of this investment?
- How vulnerable is the building to earthquakes, hurricanes/storm surge, river flood, tsunami, and wind?
- Is the investment subject to social unrest or unstable local or national governments?
- How prepared is the city to respond to the relevant natural events?
- How prepared is the property to respond to the relevant natural events?

Highlights from 2018

Hines Pan-European Core Fund Performance

The Hines Pan-European Core Fund (HECF) — an investment fund Hines established in 2006 to pursue core acquisitions and manage a diverse portfolio across Europe — has a central focus on sustainability. We believe this not only differentiates HECF from competitors, it helps improve the fund's performance.

At the beginning of every year, the HECF management team and local asset-management teams develop a sustainability strategy that defines relevant opportunities for each asset in the fund. These might include capital expenditures initiatives focused on energy reduction, sustainability and energy audits, data management and metering optimization, conversion to 100% renewable energy sources, sustainability certificates and more. We assess progress on that strategy on a quarterly basis.

This sustainability focus has helped HECF achieve the highest possible rating of five out of five green stars in the Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment. For two consecutive years, HECF was named GRESB Global Sector Leader and ranked first among European diversified office/retail portfolios. HECF also ranked first among 367 European non-listed vehicles and seventh globally among 874 vehicles that participated in GRESB in 2018.⁴

(For a more detailed picture of HECF's 2018 performance, read the [2018 HECF Asset Sustainability Review](#).)

Partnering with CalPERS on ESG

The California Public Employees' Retirement System (CalPERS) has long been committed to sustainability and responsible investing. This includes Sustainable Investment Practice Guidelines that help CalPERS identify, measure, manage, and monitor ESG-related risks and opportunities.

For CalPERS, Hines manages an investment portfolio of international real estate in Brazil and Russia, as well as 609 Main (an office development in Houston that was completed in 2017).

In the past, we have also partnered with CalPERS to pilot various ESG initiatives, including its Responsible Contractor Policy and CalPERS' Neutrality Program on collective bargaining decisions. More recently, CalPERS approached Hines to submit to the GRESB, and we proactively took steps in 2018 to prepare for the 2019 GRESB submission. While results are not yet available, we have undertaken several initiatives to support our submission, including adopting the Hines CalPERS Long-Term Hold ESG Policy, implementing a sustainability due-diligence checklist for acquisitions, creating a Tenant Sustainability Guide, and providing ESG training for all Hines employees that work on a Hines CalPERS Long-Term Hold property.

A Conversation with Daniel Chang

Hines Managing Director, Investment and Asset Management



What are some of the trends across Europe when it comes to investor interest in sustainability?

More than ever, investors are focusing on sustainability. They recognize, as do we at Hines, that sustainability is a driver of long-term performance, and it's also a way to stay ahead of regulation.

This special focus on sustainability began among a certain subset of investors for whom participation in GRESB is important. It was actually two European investors who catalyzed our decision to participate in GRESB through HECF. These investors believe GRESB provides an indication of the underlying quality of the asset management of the portfolio.

But investor interest in sustainability is going to continue to grow more broadly—whether through

participation in GRESB or not. Many investors are looking to future-proof their returns through sustainability, and in particular, long-term institutional investors embrace the opportunity to align their CSR with a real estate investment proposition that is sustainable.

How is Hines Europe responding to the rising investor interest in sustainability?

We are continuing to prioritize sustainability in our investment and asset-management strategies, leveraging the many experiences and achievements we have gained in Europe and across the firm. We are also placing a greater focus at the portfolio level to coordinate initiatives holistically and cross-pollinate our projects across our portfolios.

There are several ways we have integrated sustainability into our work through the various stages of our assets' life cycle. With HECF, we've developed a sustainability due-diligence checklist, which we use to review each new acquisition. We have also ensured that our property managers have a sustainability focus, and we've worked with the Hines Central Operations and Engineering Services team to include more explicit sustainability requirements in our European property-management agreements. We have included a similar review of sustainability in the technical assessments of our buildings, which now include three sections on sustainability, resilience, and health and well-being. As part of our broader approach to sustainability at HECF, we have

worked with Hines Compliance to provide our team with new governance training material every year as well as with Hines Risk in order to include sustainability criteria in their assessment of the portfolio.

We are also engaging our tenants in a variety of ways. We're working with them to understand which sustainability features they value as most important, including green clauses in new leases within the HECF portfolio, and inviting our tenants to join Hines GREEN OFFICE, which we've adapted to meet European standards.

Tell us about the Hines Core Fund, which has a sustainability component.

We see our performance in sustainability as a way to differentiate this fund from its competitive set—and to increase the fund's performance.

Over the years, we have integrated sustainability even more deeply into our management of the fund. For instance, in 2009, we created a sustainability strategy to steer our efforts, and that same year we also obtained Energy Performance Certificates for each of the buildings in our portfolio — which we are proud to say we completed before these became mandatory across Europe. In 2013, our German asset manager, Beate Reinartz — a founding member of DGNB, the German sustainable building council — spearheaded our pilot of two new sustainability certificates pioneered by DGNB.

More recently, we've made our approach even more strategic by preparing the portfolio for GRESB. This focus helped us build on key initiatives, including a portfolio-wide energy-monitoring service to optimize energy consumption in our buildings, and an effort to transition the majority of our energy contracts into ones that use 100% renewable energy. (Read more about the HECF renewable energy transition on page 37.)

Looking to the future, how do you plan to further embed sustainability into your work in Europe?

I think the most exciting opportunities relate to the advances in building technology and innovation, whether through renewable energy, use of highly efficient materials, or technology platforms that can help to coordinate tenant well-being initiatives as well as the optimization of the building services and equipment.

More than ever, sustainability in buildings is becoming synonymous with innovation, efficiency, and tenant health and well-being. As a firm with an entrepreneurial spirit and a wealth of sustainability expertise and experience, we are well-positioned to integrate these emerging technologies and innovations. This gives Hines an edge and helps us continue to generate alpha in our investments in individual buildings and across entire portfolios.