

*Hibernia REIT*

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Independent Assurance Statement

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## TO: THE STAKEHOLDERS OF HIBERNIA REIT

Independent assurance statement by Upstream Sustainability Services, JLL (“Upstream”) to the stakeholders of Hibernia REIT concerning the data used in its EPRA disclosure for the period January 2019 to December 2019.

## SCOPE OF WORK

Hibernia REIT engaged Upstream to provide independent assurance of its energy, water and waste performance information, greenhouse gas (GHG) emissions, and social and governance performance measures relevant to its EPRA disclosure. The engagement was Type 2 moderate assurance in accordance with the AA1000AP (2018) standard which consisted of:

- A. Evaluation of Hibernia REIT’s adherence to the AA1000 AccountAbility Principles (AA1000AP 2018) of inclusivity, materiality, responsiveness and impact;
- B. Evaluation of the reliability of the specified sustainability performance information and associated data collection and management processes and systems, as well as a review of Hibernia REIT’s social and governance performance measures.

## RESPONSIBILITY

The management of Hibernia REIT is responsible for the completion of the EPRA disclosure and all statements and figures contained therein. Upstream’s responsibility was to complete the assurance process, prepare this assurance statement and to provide a report on its findings for the management of Hibernia REIT.

## METHODOLOGY

Upstream undertook the following assurance activities:

- Interviewed the following employees about the principles of inclusivity, materiality, responsiveness and impact:
  - Neil Menzies – Sustainability Manager
  - Thomas Edwards-Moss – CFO
  - Heather Nesbitt – Financial Reporting Manager
  - Emma Lepretre – Operations and Data Manager
  - John Cairns – Asset Manager
- Reviewed internal and publicly available information relating to the principles of inclusivity, materiality and responsiveness and drew upon information gathered in 2020 through interviews conducted with Hibernia REIT staff;
- Discussed data, evidence and data issues with Hibernia REIT’s sustainability manager;
- Reviewed the approach to data collection, management and reporting.

## **LEVEL OF ASSURANCE AND LIMITATIONS**

Upstream provided a moderate level of assurance which included desktop review, management and property level data verification and evidence gathering from internal sources and third parties. The verification did not include financial data, technical descriptions of or information relating to buildings or other information not related to sustainability.

The scope of our data testing was limited to the 2019 calendar year. We tested a sample of 315 data points from a total of 30 data sources (e.g. meters or waste disposal routes) from 15 properties within Hibernia REIT that are reporting environmental data in their EPRA disclosure. In addition, we also reviewed 10 EPRA social and governance performance indicators (Diversity-Emp, Diversity-Pay, Emp-Training, Emp-Dev, Emp-Turnover, H&S-Emp, H&S-Asset, H&S-Comp, Comty-Eng and Gov-Board).

## **A: EVALUATION OF Hibernia REIT'S ADHERENCE TO THE AA1000 ACCOUNTABILITY PRINCIPLES (AA1000AP 2018) OF INCLUSIVITY, MATERIALITY AND RESPONSIVENESS**

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Based on the scope of work described above, nothing has come to our attention to suggest that Hibernia REIT did not adhere to the majority of the criteria under the principles of inclusivity, materiality and responsiveness for 2019.

### **INCLUSIVITY - HOW THE ORGANISATION ENGAGES WITH STAKEHOLDERS AND ENABLES THEIR PARTICIPATION IN IDENTIFYING ISSUES AND FINDING SOLUTIONS**

Hibernia identifies tenants, staff, investors, suppliers, government and local communities as its key stakeholders and reviews its stakeholder list annually. Hibernia engages with its stakeholders frequently and uses a variety of methods tailored to the needs of each stakeholder group to achieve the highest level of engagement. For example, tenants are kept engaged through regular face to face meetings as well as tenant surveys. Investors are engaged through corporate governance roadshows, sustainability updates during investor meetings and annual surveys. Staff are kept engaged through the annual employee survey, newsletters, attending regular meetings to discuss the firm's priorities and introduce new policies and through informal team events. Hibernia keeps its local communities engaged through meetings and events before and after a development is built, on an ad hoc basis. Most of these forms of engagement with its key stakeholders (coupled with the Materiality Assessment described below) enabled Hibernia to review and update its Sustainability strategy and policy.

In 2019, Hibernia initiated the transition of its sustainability programme run by the Sustainability & Facilities Manager to a dedicated Sustainability Manager sitting within the Finance Department. Hibernia confirmed the appointment of its 1st Sustainability Manager that commenced in January 2020. The Sustainability Manager's role is to manage Hibernia's sustainability strategy (e.g. improving environmental performance of the portfolio, sustainability reporting, stakeholder engagement), with input and support from the CFO and other team members. Hibernia's Board has the decisive oversight of all aspects of the business including sustainability. The Board reviews and approves the Group's Sustainability Strategy, Sustainability Policy and other policies, and receives updates from the Sustainability Committee, which, along with other Executive Committees, meets at least once every quarter. From a communications perspective, all stakeholders are kept updated through Hibernia's Annual Report and Sustainability Report which indeed have been impactful vehicles to keep stakeholders informed and help Hibernia reap the benefits of stakeholder engagement. Social media platforms such as LinkedIn and Twitter are also used as to inform stakeholders about Hibernia's sustainability initiatives.

### **MATERIALITY – HOW THE ORGANISATION DETERMINES THE RELEVANCE AND SIGNIFICANCE OF AN ISSUE TO ITSELF AND TO ITS STAKEHOLDERS**

Hibernia has risk management procedures designed to ensure that all applicable risks pertaining to the Group can be identified, monitored and managed at all times. The Group's risk management objectives document that risk management remains an integral part of business processes and maintains an effective system of risk identification, analysis, evaluation and treatment. The Group's risk system and any updates to it are communicated to all relevant staff periodically and at least annually. A Group risk

register is maintained that details risks across all areas of the business and includes risks in relation to environmental issues and sustainability reporting. The register is reviewed and updated annually for new risks and reported to the Board on an annual basis. Hibernia also highlighted its intention to perform a formal sustainability materiality assessment in 2020, which has now been completed, informed by a stakeholder engagement process and led by the newly appointed Sustainability Manager and the Sustainability Committee. The materiality assessment is designed to engage with its key stakeholders to identify the sustainability topics most meaningful and relevant to Hibernia and ensure they align with stakeholder expectations. Stakeholders are to be engaged through on-line surveys and workshops to determine the topics that they feel Hibernia could have the most impact on; to reiterate the importance and relevance of Hibernia's five key sustainability principles which form the sustainability strategy and policy; and to developing and supporting its employees. The materiality assessment is also designed to align Hibernia's material issues to the United Nations Sustainable Development Goals ("UN SDGs"), ensuring this alignment is reviewed biennially, and to establish SDG targets.

In addition to the materiality assessment, Hibernia is also planning to utilize (real time) data management to further its understanding of the impact and consumption of its buildings, in order to inform company decisions and stakeholders.

### **RESPONSIVENESS – HOW THE ORGANISATION RESPONDS TO STAKEHOLDER ISSUES AFFECTING SUSTAINABILITY THROUGH ITS PERFORMANCE, ACTIONS, DECISIONS AND COMMUNICATION**

Hibernia's sustainability strategy comprises of five principles, 1) responsible asset management, 2) delivering sustainable buildings, 3) positively impacting communities, 4) supporting suppliers and 5) developing and supporting its employees. Hibernia's sustainable business model is based on addressing these five principles to which they are accountable to delivering results to their stakeholders.

In 2019 Hibernia updated its response by setting targets for all principles from 2019 up to 2021, except for the 'supporting suppliers' targets that will commence in 2020. Some of the 2019 targets include: engaging and collaborating with tenants, reducing greenhouse gas emissions, bettering buildings performance and ratings, minimizing waste, organizing community initiatives and charity events, and delivering knowledge sharing meetings for Hibernia staff. Some of Hibernia's actions addressing these principles include investing in performance data management to enable real-time measuring and reporting of landlord utility meters across Hibernia's managed portfolio, delivering bespoke tenant health & wellbeing schedules designed by incorporating tenants' feedback, and the repeat of the Dragons at the Docks boat regatta, an initiative of listed property companies acting to reduce homelessness in Ireland, with Hibernia being one of the founders and cornerstone sponsors since its inception in 2017.

Furthermore, in 2018 Hibernia introduced sustainability as a key performance indicator in their remuneration policy which continues to apply in 2019, meaning that the achievement of sustainability performance has a bearing on annual bonus awards for senior management colleagues and certain other staff members. Hibernia has incorporated sustainability topics in its knowledge sharing meetings to accommodate the needs of the relevant Hibernia staff.

## **IMPACT – HOW THE ORGANISATION MONITORS AND MEASURES THE EFFECTS OF ITS BEHAVIOR AND PERFORMANCE ON THE ECONOMY, THE ENVIRONMENT, AND THE SOCIETY.**

Hibernia actively monitors its performance against the targets set on four of the five sustainability principles: responsible asset management, delivering sustainable buildings, positively impacting communities, and developing and supporting its employees. Hibernia monitors its impact on society through employee and tenant surveys and through donations to charities, whereas to measure the environmental performance of its developments Hibernia currently relies mostly on utility invoice data. In turn, Hibernia measures the sustainability of its developments through the green building standard LEED. The Sustainability Committee meets quarterly to monitor progress against targets and discuss climate related risks and opportunities. The meetings are also attended by several of the Senior Management Team and the Risk and Compliance Officer.

Hibernia publicly discloses performance against its targets on an annual basis through the Sustainability Report, which is aligned with the EPRA sBPR and reporting guidelines which are informed by the Global Reporting Initiative guidelines (“GRI Standard”) covering environmental, social and governance impact categories. Hibernia also participates in the Global Real Estate Sustainability Benchmark (GRESB), allowing them to measure performance indicators, management and policies against peers. In the 2019 GRESB assessment Hibernia received three stars and an overall score of 75%. By doing so, Hibernia is monitoring and measuring its impacts and effectively communicating its performance to its stakeholders and shareholders.

Hibernia has also set targets to receive ISO 14001 and ISO 45001 certifications by 2021, which will identify further areas of improvement for the business and its supply chain. As part of the ISO 14000 and 45001 implementation process health and safety assessments were carried out by an external consultant at all managed offices in 2019.

## **OBSERVATIONS & RECOMMENDATIONS**

- Sustainability and stakeholder engagement are embedded throughout Hibernia to deliver long term value to its stakeholders. Hibernia demonstrates continuous and improved engagement with its stakeholders to inform its sustainability strategy. Inclusivity is intrinsic to Hibernia’s values and integrated throughout the business and overall strategy.
- Hibernia’s processes to identify sustainability risks are well-established, continuous and fully integrated across the organization.
- Hibernia responds well to its material issues and makes good progress towards meeting its targets. Communication mechanisms are well established to keep stakeholders informed about progress made.
- Hibernia measures and monitors the effects of its behaviour and performance on the environment, the economy and society. Hibernia publicly discloses its impact using best practice disclosure standards.
- Whilst Hibernia demonstrates adherence to the AA1000 principles, there is scope to enhance its ongoing sustainability practices, which include:

- Measuring the success of the current stakeholder engagement (e.g. set relevant metrics to measure engagement effectiveness, outcomes and impact). Hibernia could assess its impacts beyond 2021 and set longer-term targets for its material issues, aligned to the SDGs and be more ambitious year upon year
- Increase employee engagement by introducing mandatory sustainability training for all employees that includes the firm's sustainability strategy and key sustainability issues for the industry
- Invest in a formal community engagement strategy
- To further assess and monitor its buildings from a social perspective, Hibernia could prioritize incorporating the WELL Building Standard in key buildings
- As the climate risk agenda continues to evolve, it is important that Hibernia assess the risks and opportunities that climate change poses on its assets. Hibernia has indicated that it intends to report to the Carbon Disclosure Project ("CDP") in 2020 to disclose its sustainability performance in line with the new Real Estate questionnaire on climate change, incorporate the recommendations of the Taskforce on Climate Related Financial Disclosures ("TCFD") into its business and sustainability strategies from 2021 onwards, and develop a net zero carbon pathway for the business over the next 20 to 30 years.

The above recommendations and additional observations will be presented to the management of Hibernia REIT in a more detailed management report.

## **B: EVALUATION OF THE RELIABILITY OF THE SPECIFIED SUSTAINABILITY PERFORMANCE INFORMATION AND ASSOCIATED DATA COLLECTION AND MANAGEMENT PROCESSES AND SYSTEMS**

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Based on the scope of work described above, nothing has come to Upstream's attention that causes it to believe that the specified 2019 energy, water and waste performance information, GHG emissions and Social Governance KPI are not fairly stated for Hibernia REIT.

### **DATA ASSURED**

#### **Environmental Performance Data:**

Energy: 14,706,745 kWh

Water: 43,132 m<sup>3</sup>

Waste: 692 tonnes

GHG: Scope 1 – 1,801 tCO<sub>2</sub>e

Scope 2 – 1,713 tCO<sub>2</sub>e

#### **EPRA Social and Governance Performance Measures:**

Diversity-Emp: 31% (exec staff)

21% (all senior levels and Board)

Diversity-Pay: 159% (exec staff)

180% (all senior levels and Board)

Emp-Training: 17 (hours)

Emp-Dev: 100%

Emp-Turnover: 21% (new hires)

14% (turnover)

H&S-Emp: 0 (injury rate)

0 (lost day rate)

0.64% (absentee rate)

0 (fatalities)



H&S-Asset:	100% (office portfolio)
	100% (residential portfolio)
H&S-Comp:	No instances of non-compliance (office portfolio)
	No instances of non-compliance (residential portfolio)
Comty-Eng:	23% (office portfolio)
	N/A (residential portfolio)
Gov-Board:	2 (total number of executive members)
	7 (total number of independent members)
	4 (average tenure in years)
	5 (total number with competencies relating to environmental and social topics)

## **OBSERVATIONS & RECOMMENDATIONS**

### **Environmental Performance Data:**

- Evidence was readily available and provided promptly in a format that was straightforward and easily understandable.
- Overall data quality was good. Using primary evidence, energy and water consumption and GHG emissions data were assured with 100% accuracy, and waste was assured with 99% accuracy.
- Hibernia's personnel demonstrated strong and collaborative engagement with requests for further evidence and clarifications.
- Hibernia should consider implementing an additional quality control check which initiates a review of the final reported consumption data to avoid instances where input errors could arise.
- It is essential that data is finalised and remains frozen once the assurance process has begun to ensure that the sample stays representative of the data being assured. Any changes to the data must be agreed prior to enacting them and clearly communicated.

### **EPRA Social and Governance Performance Measures:**

- Personnel at Hibernia were responsive and collaborative towards requests for evidence, which was of good quality and presented clearly.
- Some formula used in the calculations did not cover the entire data range. Although this has since been amended, an additional check on all figures relying on formulae could prevent this occurring in the future.

- The data table was revised multiple times before verification began. It is imperative to ensure that all data is finalised and frozen at the point that assurance begins to prevent any delays in the process.

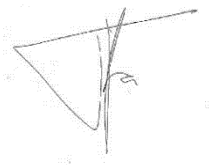
The above recommendations and additional observations will be presented to the management of Hibernia REIT in a more detailed management report.

## INDEPENDENCE OF ASSURANCE

Due to our expertise and experience with non-financial information, sustainability management and social and environmental issues, we have the competencies required to conduct this independent assurance engagement. We are bound by the JLL Code of Business Ethics and are independent as defined by AA1000AP (2018).

Upstream is a consultant to Hibernia REIT and provides support on their environmental, social and governance programme. The assurance team has not been involved in the delivery of these other services for Hibernia REIT and we do not consider that there is any conflict of interest between these other services and this verification engagement.

Tauras Kalasauskas



## JLL – Upstream Sustainability Services

**Tauras Kalasauskas**  
**Senior Consultant**  
+44 (0)207 087 5500  
[Tauras.Kalasauskas@eu.jll.com](mailto:Tauras.Kalasauskas@eu.jll.com)

**Robert Moore**  
**Sustainability Analyst**  
+44 (0)207 087 5073  
[Robert.Moore2@eu.jll.com](mailto:Robert.Moore2@eu.jll.com)

30 Warwick Street  
London  
W1B 5NH

30 Warwick Street  
London  
W1B 5NH

[www.jll.com](http://www.jll.com)

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