

2016 CORPORATE RESPONSIBILITY REPORT

HARRISON STREET | *Real Estate Capital*



THE GROVE FORT COLLINS

STUDENT HOUSING
FORT COLLINS, COLORADO
12 UNITS LEED FOR HOMES SILVER

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2016 HIGHLIGHTS

3 YEARS
BEST PLACES
TO WORK
IN MONEY
MANAGEMENT
BY PENSIONS &
INVESTMENTS

47
ENERGY
AUDITS
ACROSS ALL FUNDS

\$4.4
MILLION
IN ENERGY
RETROFITS ACROSS
ALL FUNDS

50 GWH
SOLAR PRODUCTION
FROM 9
INSTALLATIONS

143
ASSETS
IN UTILITY TRACKING
PLATFORM

www.harrisonst.com/citizenship

CONTACT

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bmutchler@harrisonst.com





CEO LETTER

What began in 2013 as merely an initiative around sustainability, rapidly became embedded in our Harrison Street culture, impacting how we make decisions, with whom we engage, and how we service our community.

We continue to grow in our existing needs-based real estate portfolio around student, senior, medical, and storage, while expanding both the educational and healthcare thesis via new and unique relationships with universities and hospitals. As industry leaders we strive for innovative ways to create value for our investors, while lessening the impact of our assets on the natural environment.

2016 KEY ACTIVITIES

In 2016 the firm was able to execute on the acquisition of 145 assets totaling \$4.6B and was able to successfully monetize 52 assets totaling \$1.2B. Our Core Fund outperformed its benchmark index by 162 basis points on a trailing one year total return basis. Strategic and responsible growth continues to be a hallmark of our firm. Our headcount continues to increase, last year by 15%. In order to operate and lead at the highest level, we instituted new leadership programs, thereby enhancing managerial skills. Ongoing expansion has led us to move to a larger location. Our new office fit-out is seeking LEED Gold for Interior Design and our building is seeking LEED Gold Core and Shell certification. In addition, this past year we launched Fund VI, and overall increased the number of assets under management to \$12B. Finally, we are humbled to report that for the third consecutive year we were named one of the Best Places to Work by Pensions & Investments.

2017 SUSTAINABILITY FOCUS

In 2017 our priorities are targeted on four major areas. First is ensuring the well-being and safety of our tenants. We are exploring the WELL building standard, a performance-based system that provides a model to

ensure the health of building occupants, and expect to run pilots within select senior living assets. Also, ongoing resident satisfaction surveys will highlight areas of best practice, as well as areas needing improvement. At the property level, we continue to perform energy audits in order to identify any operating inefficiencies. Saving energy and water is not only good for the environment, it also directly benefits net operating income.

With heightened awareness and concerns around privacy, we have enhanced our data security and management capabilities to better protect client information. We are also developing more robust processes and data collection procedures around sustainability data monitoring and metric collection, which both our operating partners and we are tasked to manage.

Our own employee culture remains critical to our overall success. Giving back is engrained in our company's philosophy, ranging from volunteering time to service seniors to providing meals at Ronald McDonald houses.

For those interested in further discussion on our sustainability strategy and accomplishments, we welcome you to stop by our offices whenever in Chicago.

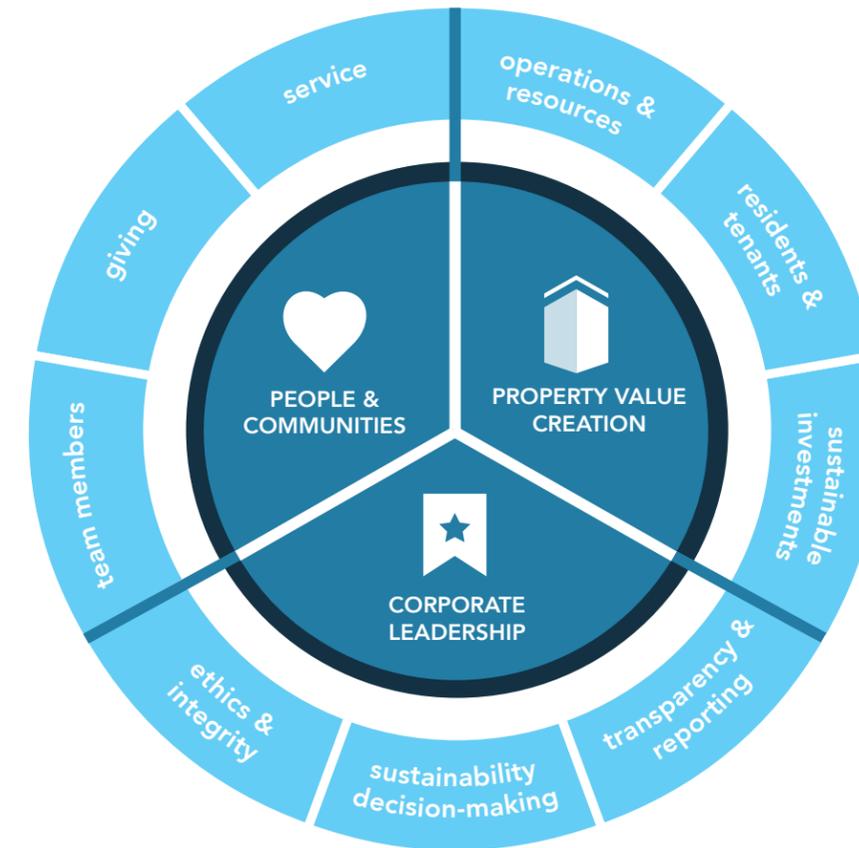
Looking forward to a productive 2017,

Christopher Merrill
Co-Founder, President & CEO

CORPORATE RESPONSIBILITY

PHILOSOPHY

At Harrison Street, we believe we can drive value for all stakeholders by embracing environmental sustainability, social responsibility, and superior governance practices.



VISION

We strive to operate with integrity and transparency and seek innovative solutions that enhance value for all of our stakeholders.

Environmental sustainability and social responsibility are embedded in our corporate identity and business strategies, and through these clear focus areas we seek to drive value for all stakeholders

Our guiding framework featured on the left was enhanced using the results of our 2016 materiality assessment.

2016 ACTIVITY

ACQUIRED
145 ASSETS, \$4.6B

SOLD
52 ASSETS, \$1.2B

CAPITAL RAISED
\$2 BILLION

FIRM PROFILE

Harrison Street Real Estate Capital, LLC is a leading real estate investment management firm that offers investment products for access to well-defined private and public real estate segments. We are headquartered in Chicago and invest in real estate in both US and Europe. Our Firm and affiliates manage property assets through multiple investment vehicles on behalf of sovereign wealth funds, public and corporate pension funds, endowments, insurance companies, foundations, and family offices.

The goal of our firm is to create a series of differentiated investment products that span the risk/return spectrum while targeting social fabric, niche asset classes.

8 FUNDS

\$12.2B DIRECT REAL ESTATE UNDER MANAGEMENT

86 FULL-TIME EMPLOYEES

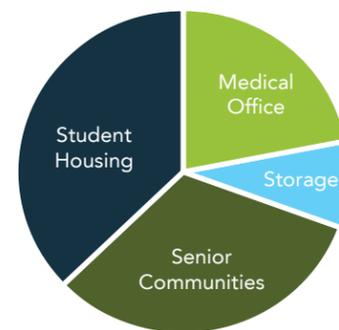
\$8.6B TOTAL CAPITAL RAISED SINCE INCEPTION

680 ASSETS ACQUIRED/DEVELOPED SINCE INCEPTION

286 ASSETS SOLD SINCE INCEPTION

As used in this report, unless the context otherwise requires, "Harrison Street" or the "Firm" refers collectively to Harrison Street Real Estate Capital, LLC ("HSRE"), its subsidiaries including Harrison Street Advisors, LLC, HSRE Securities Advisors, LLC, Harrison Street University, and Harrison Street Securities, LLC, an affiliate of HSRE.

2016 YEAR-END METRICS



STAKEHOLDERS & MATERIALITY

Incorporating ongoing feedback of our key stakeholders is vital to meeting our ESG goals and delivering superior and innovative investment strategies.

IDENTIFYING MATERIAL SUSTAINABILITY TOPICS

Our sustainability leadership team conducted a formal materiality assessment in early 2017 to ensure the issues that are most material to our business and our stakeholders are addressed by this report. During a work session we reflected on the prior year's input gathered from stakeholders and updated our materiality chart, shown on the right. In addition to defining the contents of this report, this chart will also be used to refine our sustainability and environmental management system (SEMS) and strategic plan.

KEY STAKEHOLDERS

We recognize that incorporating the feedback of our partners, investors, and employees is vital to delivering superior and innovative investment strategies. We identify and engage the key stakeholder groups that have a vested interest in and are directly impacted by our work. Regular forums provided opportunities for our stakeholders to share input (surveys, conferences, monthly calls, webinars, reporting, etc.).

- Employees
- Investors
- Third-Party Operators
- Joint Venture Partners
- Tenants
- Vendors & Consultants



- ♥ PEOPLE & COMMUNITIES
- ★ CORPORATE LEADERSHIP
- 🏠 PROPERTY VALUE CREATION

2016 STRATEGIC INITIATIVES

Annually, our sustainability leadership team defines strategic initiatives to focus our efforts in improving our sustainability performance. These initiatives are communicated to our staff and board of directors, and guide activities.

Measurement and verification of energy retrofits
 The results of 2016 retrofit savings are included in this report. Ongoing measurement and verification will be performed.

Engage our supply chain to advance sustainability practices at assets
 We launched green leasing in medical offices with tenant fit-out guidelines, tenant sustainability behavior guides for senior and student housing, and new development sustainable design policy.

Team training on energy management & retrofits
 We facilitated trainings for both our asset management team and acquisitions team, focused on integrating sustainability and energy efficiency analysis into annual budget planning and due diligence, respectively.

Receive ENERGY STAR and existing building certifications
 Efforts to obtain existing building certifications are ongoing. In 2016 we used Portfolio Manager to obtain ENERGY STAR ratings for all student and senior housing assets. Awards for qualified assets will be pursued in 2017.

Enhance coverage of tenant satisfaction surveys to all sectors
 Operators in each of our sectors are performing tenant satisfaction surveys. Efforts to centralize survey results are ongoing.

GOALS

GOALS	PROGRESS
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ENERGY REDUCTION

Reduce energy use intensity (EUI) of like-for-like assets in the Core Fund by 20% over their hold period.

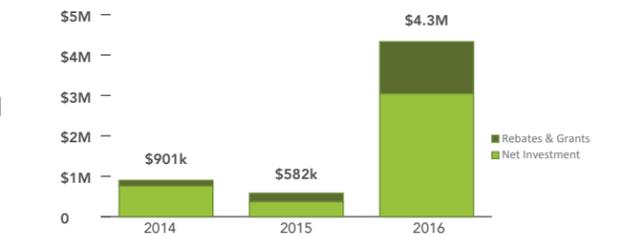
We are beginning to see the results of our energy retrofit activities reflected in energy consumption. Our like-for-like EUI decreased by 1.5% last year. Energy Use Intensity is energy consumption normalized for square footage, occupancy, and weather.



ENERGY INVESTMENT

Invest \$25 million into energy efficiency measures in the Core Fund by 2020.

To date, 37% of the Core Fund has received an energy audit within the last three years, and a total of \$5.8M has been invested in retrofits since 2014.



EMPLOYEE RETENTION

Maintain employee turnover of less than 10%.

In 2016, the financial sector's average turnover rate was 17%. Our firm grew by 15% and our total turnover was only 6%.

It is important to our culture and to our client relationships that our team is strong and consistent, so we strive to hire well and provide an excellent environment for our employees to thrive and grow with us.

2016 EMPLOYEE TURNOVER
6%



LAKEVIEW MEDICAL OFFICE
& GREEN ROOF
LEED SILVER | CHICAGO, IL



PROPERTY VALUE
CREATION



We are committed to increasing the value of our assets through responsible development management, and capital improvements.

We recognize that our assets and business practices have an impact on the natural environment. We share a responsibility with our property managers, tenants, and communities to make balanced, responsible investment and operational decisions that create value for our environment, our society, and our business.

PROPERTY VALUE CREATION

RESIDENTS & TENANTS

The satisfaction and health of our tenants and residents are two of our highest priorities as a firm and are essential to the success of our assets and sustainability goals.

SATISFACTION

The value of an asset lies not only in the quality of the building, but also in the satisfaction of tenants. To date, the diversity in operators made it difficult to collect consistent data on satisfaction, so we have established internal processes to better facilitate tenant satisfaction surveys across our Core Fund.

In 2014, we established the use of the Kingsley survey at most of our medical office properties. We continue to expand and centralize tenant satisfaction surveys. The results of this effort allow us to evaluate the quality of our assets and property managers, and have meaningful conversations with our operators to develop action plans for improvement.

Our goal for 2017 is to achieve 100% coverage of annual third-party tenant satisfaction surveys administered by our operators. This data will provide both a baseline on current performance, as well as highlight areas for potential improvements. We will help facilitate and guide our operating partners in continually improving operations and overall satisfaction by translating these results into meaningful and measurable actions.

HEALTH & SAFETY

Tenant health and safety are of critical importance at our communities and assets. We work alongside our operators to review policies & procedures and help to implement new tools to enhance and expand our health and safety programs.

In 2016 we began implementing enhanced first responder emergency preparedness plan at several of our medical office buildings in and around Washington, DC. Our goal in 2017 is to enhance our Emergency Preparedness and Response Plan for all of our investments and ensure best practices are being following with respect to cyber security, active shooter policy, resident evacuation/relocation procedures, etc. We will continue the implementation of first responder disaster plans at our large assets in densely populated areas in the coming months.

ENGAGEMENT & LEASING

In 2016 we launched a new standard lease form in our medical office portfolio that integrates sustainability language including clauses related to energy efficiency, tenant improvement requirements, certifications, and monitoring. In addition, we deployed a tenant fit-out policy with guidance on required and preferred practices.

HIGHLIGHT

TENANT SUSTAINABILITY GUIDE

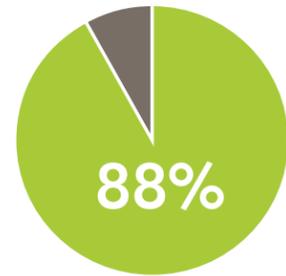
In our student and senior living portfolios we distributed a sustainability tip sheet to be incorporated into all move-in packages for new residents. Though tenant engagement is managed by our operators, this activity demonstrated our commitment to engaging tenants in sustainable behavior to our operators and provided an easy mechanism for them to incorporate it into their practices.



PROPERTY VALUE CREATION

OPERATIONS & RESOURCES

Our operators are the single greatest influence on the performance of our properties. We take great care to appoint, engage, and monitor their activities.



CORE FUND ASSETS IN DATA MONITORING PLATFORM

OPERATOR ENGAGEMENT

Our operators are an important part of our team. We have created policies and resources to educate them on our values and expectations surrounding sustainability. Beyond regular asset management calls and property visits by HSRE team members, we annually discuss sustainability opportunities and risks at each asset during budget planning. This activity also provides an opportunity to recognize the individual accomplishments of our operators and share best practices.

MONITORING & MANAGEMENT

To provide our third-party operators and asset managers in the Core Fund with actionable information about asset performance, we utilize a platform to import and monitor energy, water, and GHG emissions. This platform helps our team target operational efficiencies, address spikes, and prioritize retrofits. A small percentage of assets where we do not have control of energy meters are excluded from data monitoring. In addition to data monitoring we have developed a sustainability and environmental management system (SEMS) following the ISO 14001 standard.

BENCHMARKING & CERTIFICATIONS

Through utility monitoring we are able to easily benchmark an asset against like-type buildings and measure the success and financial return of efficiency investments. We also use Energy Star Portfolio Manager to evaluate performance. In 2016 we performed an analysis of all student living and senior housing assets, reviewed their Energy Star Ratings, and prioritized them for certification. At this time, only our student and senior housing portfolios qualify for Energy Star Certification.

SENIOR HOUSING OPERATING PARTNER CONFERENCE PLANNED FOR 2017

Our operating partners each hold a depth of experience and knowledge that is critical to our mutual success. Therefore, we organized a conference to bring them together and discuss key trends, risks, and best practices surrounding the operations of senior housing communities. The conference occurred in Q1 2017 and the results of this engagement will be shared in our 2017 report.

HIGHLIGHT

HIGHLIGHT

WESTHEALTH MEDICAL OFFICE RECEIVES "TOP IN CATEGORY" ENERGY AWARD

Harrison Street's third-party operator Cushman & Wakefield NorthMarq submitted WestHealth to EPA's 2016 Battle of the Buildings competition. WestHealth earned recognition as "Top in Category" for having the greatest reduction in energy consumption in the Medical Office Building category. The team achieved a reduction in energy consumption of 11.5% during the 90-day competition, equal to 21.2 kBtu/sqft and saving an estimated \$65k a year.

The WestHealth team continually evaluates ways to reduce energy usage at the property. To date, LED lighting retrofits have been completed in all common areas, new and existing equipment has been incorporated into the building automation system, low flow plumbing fixtures were added to toilets and sinks, and some of the mechanical systems have been upgraded to high-efficiency models. Monthly meetings are held with an energy consultant to discuss and implement

energy-saving measures. Real-time energy data software is in place and monitored by building staff.

In addition to building-level improvements, HSRE has entered into a Subscription Agreement with Xcel Energy for their solar garden rate reduction program. The solar gardens will be built in 2017 and benefits are expected to start by early 2018. The agreement includes a 25-year fixed energy rate, further reducing the risk of rising energy costs on the building's utility spend.



11.5%

TOTAL ENERGY REDUCTION

\$65k

COST SAVINGS



PROPERTY VALUE CREATION

SUSTAINABLE INVESTMENTS

A key strategy of the Firm is to increase the value of our assets through sustainability-focused investments. Solar installations, retrofits on existing assets, and improved sustainability strategies on new development projects are our key priorities.

SOLAR

We believe that renewable energy is a key driver of value and an important hedge against rising energy prices. In 2013, we installed our first 120 kW photovoltaic system and have since installed an additional five systems. We are actively analyzing each Core Fund investment and select opportunistic fund investments to determine the economic viability of additional solar installations.

RETROFITS & AUDITS

Tracking the energy consumption of our Core Fund allows us to target high-use properties that present the greatest opportunity for savings. Comparing property performance to peer benchmarks provides an estimate on the capacity for annual financial savings and justification for an energy audit. The resulting audit report details various retrofit and operational changes that have viable returns.

NEW DEVELOPMENTS

We seek to develop or acquire assets that prioritize third-party certification and sustainable design best practices. We've defined these preferred practices in our Sustainability Policy for New Construction, and have shared them with our development partners. This activity served as an opportunity to educate our development partners on the benefits of these building practices and prioritize sustainable strategies in current and future projects.

46
ENERGY
AUDITS
IN CORE FUND IN
2016

CASE STUDY

USING SOLAR TO HEDGE RISING ENERGY COSTS IN ENERGY STRAINED MARKETS

Solar installations are a key strategy to reduce carbon consumption and increase property values within the Core Fund portfolio. While not every property is ideal for a solar installation, there are an increasing number of opportunities throughout the portfolio based on the declining cost of solar panels/installations. We have created criteria to identify the most accretive projects based on (1) the price of energy in particular markets, (2) the availability of utility rebates and other state/local incentives, and (3) the feasibility of the roof to accommodate a cost-efficient installation.

2016 marked a banner year for solar installations and acquisitions within the portfolio, as it was the most active by both number of projects and total installed system size. We acquired three installations totaling 3.4 MW and completed four installations totaling 388.4 kW.

For the systems we completed, we closed on them with an innovative financing strategy that provided significant economic benefits. The combined gross system cost of these installations \$1.35M compared to the net cost of \$937k that we ultimately incurred. This represents \$416k (30%) in savings.

The highest projected returning system within 2016's solar portfolio is the 91.6 kW installation at Storage Post Ozone Park. The gross system cost was \$339k, but we received \$61k in utility rebates and an additional \$67k in benefit from

the financing structure resulting in a net cost of \$211k. Compared to a projected savings of \$18k annually, the ~8.4% unlevered year 1 yield for the system would have been accretive to the valuation today. However, because the property is located in Queens, one of the five boroughs in New York City, there is an additional real estate tax abatement under the PlaNYC program that we qualify for, providing a further benefit of ~\$53k paid out over the next four years. Thus, we are thrilled with what we are viewing as an effective net cost of \$158k (54% discount to the gross) and projected yield of 11.2%.

We look forward to executing on a similar pipeline of accretive solar installations in 2017.

9
SOLAR INSTALLATIONS

50 GWH
SOLAR PRODUCTION TO
DATE



CASE STUDY

PROVING RETURNS OF RETROFIT INVESTMENTS THROUGH ROBUST M&V

PIKESVILLE, MD MEDICAL OFFICE

PROJECT STATS

Gross Investment **\$1.4 M**

Rebates & Grants **\$450k**

Net Investment **\$990k**

Year 1 Savings **\$118k**

Net ROI **12%**

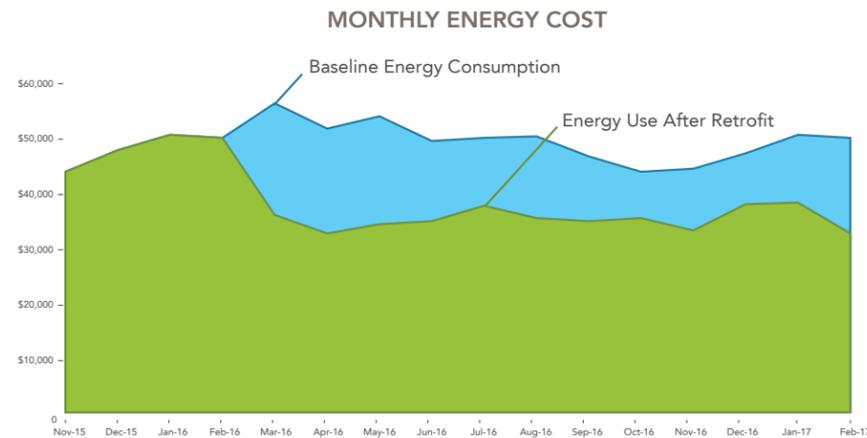
The process the Firm has implemented for energy audit and retrofits is fully integrated, from initial evaluation to ongoing measurement and verification of savings. The success of this process is being illustrated by the utility savings displayed by 2015 retrofits, which now have a year of operational data.

Our medical office asset in Pikesville, Maryland is a great example of proving the returns of our energy investments. This facility showed a lot of opportunity for savings when audited. The audit also revealed the condition of the equipment and opportunities for replacing components that were nearing the end of their useful life.

The energy efficiency measures that were implemented at Pikesville included LED lighting retrofits, a high-efficiency chiller replacement,

installation of variable frequency drives on motors, cleaning of the cooling tower, a new building management system, and predictive energy optimization controls. Systems were commissioned to ensure proper installation and operating schedules after the retrofit occurred.

Measurement and verification of our energy retrofits are ongoing and are conducted by our energy consultant, Green Generation Solutions, and overseen by our internal asset management team.



29%
AVERAGE MONTHLY UTILITY SAVINGS

HIGHLIGHT

CORE FUND AUDITS & RETROFITS TO DATE

37%

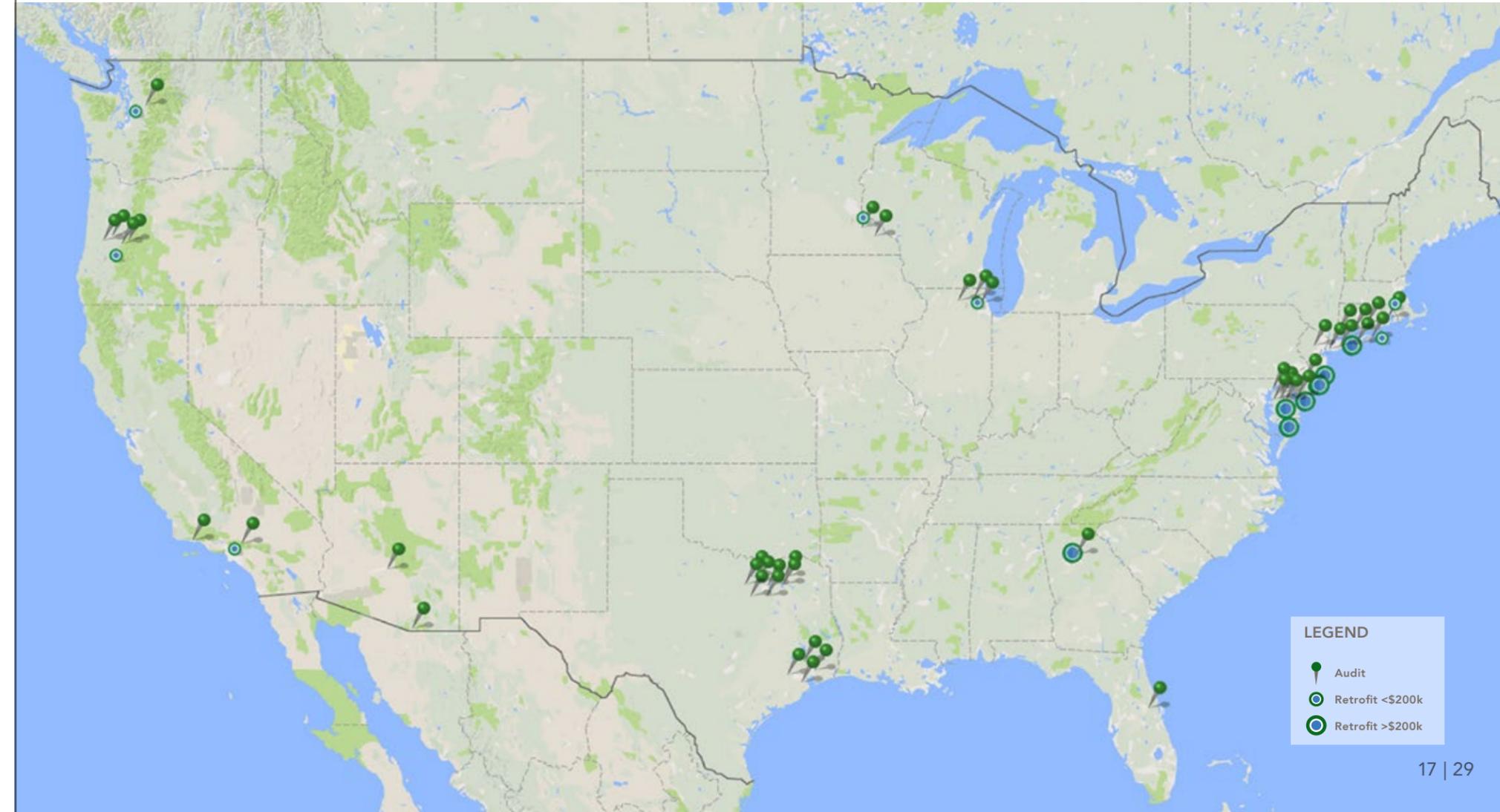
CORE FUND
AUDITED SINCE 2015

\$5.8M

IN ENERGY
RETROFITS

\$1.7M

REBATES & GRANTS



LEGEND

- Audit
- Retrofit <\$200k
- Retrofit >\$200k



PEOPLE & COMMUNITIES

Support the well-being and vitality of our employees and the communities where we live and conduct business.

Through our social initiatives we seek to create a lasting positive change. This includes a focus on employee-driven philanthropy, investing in healthy built environments, and building philanthropic partnerships with our community of Chicago.

PEOPLE & COMMUNITIES

GIVING & SERVICE

At Harrison Street we believe in giving back and helping to strengthen communities. Our corporate philosophy is to improve the lives of others by volunteering in our local communities and giving back whenever possible.

EMPLOYEE-DRIVEN PHILANTHROPIC GIVING

Harrison Street's Charitable Gift Match Program supports the generosity of employees, and allows us to spread our impact to all corners of the communities in which we live and work. Our employees are able to engage with organizations and causes that they are personally committed to through a dollar-for-dollar match of their donations.

In 2016 Harrison Street employees gave to 40 different organizations that impact education, youth programs, animal welfare, health, and hunger.

SERVICE

Every year, our company partners with local organizations and charities to clean up neighborhoods and enhance local community buildings. On July 21, 2016, Harrison Street Real Estate partnered with Chicago Cares for our fourth annual volunteer event. This year, employees spent their time at Randolph

Elementary School in the Englewood neighborhood on Chicago's Southside. Volunteers donated their time by creating plywood letters welcoming staff, students, and guests; building benches and planter boxes; painting canvas murals that promote healthy lifestyles; and sprucing up the inside of the building by painting stairwells. The accomplishment of these projects makes Randolph Rockets Elementary a more inviting school for students and families.

In addition, we coordinated three small team volunteer events including cooking brunch with senior residents, and baking cookies and dinner for the families staying at Ronald McDonald House.

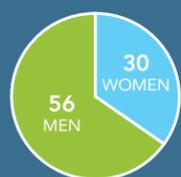
432
VOLUNTEER HOURS
IN 2016

40
CHARITIES
SUPPORTED
THROUGH GIFT
MATCH

2016 STATS

86

PERMANENT FULL-TIME EMPLOYEES



100%

EMPLOYEES RECEIVE ANNUAL REVIEWS

4.9/5

SATISFACTION RATING BIENNIAL SURVEY

PEOPLE & COMMUNITIES

TEAM MEMBERS

We are committed to providing the best possible climate for the maximum development and achievement of all employees through providing a progressive workspace and culture that embody respect, dignity, fairness, caring, equality, and self-esteem.

DIVERSITY & INCLUSION

We value diversity and inclusion by taking into account individual circumstances and the individual employee while acknowledging and honoring the fundamental value and dignity of all individuals. We pledge ourselves to creating and maintaining an environment that respects diverse traditions, heritages, and experiences. We support this by offering various leaves of absences to honor life events and support diversity. Our employees are not represented by collective bargaining agreements.

RETENTION & DEVELOPMENT

Our team has grown substantially since we were established in 2005, and by the end of 2016 we employed 83 individuals. We are proud of our retention rates—our three-year average turnover is 4.6%.

Our Commitment to Retention includes providing a positive and comfortable working environment with best-in-class culture and employee relationships, dedication to employee development and growth, and competitive compensation.

BENEFITS

Our stand-out employee benefits include coverage of 90% of medical insurance premiums for employees and their families with no deductible. Plus, maternity and paternity policies include 12 weeks and 2 weeks of paid leave, respectively.

Full List of Benefits:

- Medical, dental, vision, & flex spending
- Life/AD&D/disability insurance
- Employer-paid dependent care account
- Free employee assistance program
- Comprehensive wellness program
- 401(k) plan with 3% company contribution
- Tuition and professional development reimbursement
- Supplemental life
- Paid time off (PTO)
- Paid maternity/paternity leave
- Public transit benefits

PENSIONS & INVESTMENTS

BEST PLACE TO WORK IN MONEY MANAGEMENT



HIGHLIGHT

INVESTING IN THE DEVELOPMENT OF LEADERS

STUDENT MENTORSHIP PROGRAM

Harrison Street is committed to developing and supporting the next generation of leaders by having a robust internship program at our corporate office. We strive to give each intern an experience that will help them succeed in their future careers by providing them with valuable, hands-on experience in the workplace. To date, Harrison Street has mentored about 25 interns in the areas of asset management, transactions, research, and back-end development; as well as provided 2 externships.

Employees at Harrison Street also engage in mentorship programs like America Needs You and Chicago Scholars. These unique organizations select, train, and mentor academically ambitious students from under-resourced communities to complete college and become the next generation of leaders who will transform their neighborhoods and our city.

2016 LEADERSHIP TRAINING

The value of the HSRE corporate experience is fueled by our talent development efforts. Through our employee learning platform, Harrison Street University (HSU), we foster the growth of Harrison Street's most valuable resource: our people. HSU offers employees the opportunity to participate in a broad array of personal and professional development opportunities. Our commitment to developing our employees directly relates to our low turnover and aids in maintaining relationships with investors and partners.

In 2016, a group of 11 managers went through an extensive leadership training program called Management Insights, which helped prepare the team to lead more effectively. The leadership program also enhanced the ability of our managers to mentor junior staff by creating a positive learning environment for their teams through regular feedback sessions and a collaborative working environment.

2016 INTERN TESTIMONIAL

I had the opportunity to participate in Harrison Street's internship program in the summer of 2016. Investing has always been an interest of mine, and Harrison Street helped me realize my true passion for the real estate markets, as well as my respect for such a unified company culture.

From day one, I was given responsibilities and tasks that provided direct value to the Firm. There was never a time that I felt like I couldn't ask a question, and every person was willing to take time out of their day to give me an in-depth answer. In addition to a summer-long research project, I had the opportunity to experience both the acquisitions and asset management side of the business, developing a foundation of real estate knowledge that I will use for the rest of my career.

The internship program teaches innovation, collaboration, and entrepreneurial thinking. Harrison Street invests its time in employees and united culture. This experience will be an irreplaceable component of my professional career.





CORPORATE LEADERSHIP

Lead through our corporate governance by operating with utmost integrity and transparency.

We seek to operate with integrity and transparency in order to hold the trust of our stakeholders. Our governance structure, audits, and self-evaluations ensure that these values are at the core of our culture, daily operations, and disclosure.

CORPORATE OFFICE
RIVER POINT, CHICAGO
SEEKING LEED GOLD

CORPORATE LEADERSHIP

ETHICS & INTEGRITY

A core principle of our Firm is to operate at all times with complete integrity and transparency. We believe that our culture of integrity, openness, and honesty has been critical to our success.

GOVERNANCE

Our highest governing body is the Board of Directors, comprised of Christopher Merrill, Chris Galvin, and Michael Galvin. The Board of Directors is responsible for setting the Firm's overall purpose, values, and Firm strategies. The Firm's strategy is reviewed often with the Board of Directors, who sit on each Fund's investment committee; as a result, the Board of Directors is able to oversee the risk management at the property, Fund, and Firm level.

The Firm also has a Valuation Committee, Allocation Committee, Management Committee, Executive Committee, Investment Committee, Technology Committee, and Sustainability Committee, which influence the Firm's strategic direction. Committees are composed of those best suited, based on experience and purpose of the committee.

INTERNAL REVIEWS

We perform internal valuation quarterly and secure annual external audits of all funds. In addition to our ongoing reviews of the assets and the Funds, on at least an annual basis we go through an extensive valuation process where we evaluate risk factors, perform sensitivity analyses, and review basic assumptions in

our financial models. We check our efforts by working with outside consultants to confirm we have appropriate insurance coverage and real estate taxes, as well as accurate operating and development exposure budgets.

COMPLIANCE & CODE OF ETHICS

Employees must attest quarterly that they are in compliance with our Code of Ethics and can share any ethical concerns to Human Resources or our Chief Compliance Officer.

We provide ethics and anti-corruption training at company meetings three times a year, during quarterly certifications, and 100% of employees receive training at hire date. Specialized trainings (e.g., foreign corrupt practices) are provided on an as-needed basis.

We utilize a system called Compliance Science to report and monitor Code of Ethics items such as political contributions, personal trading, and gifts and entertainment. Anti-money laundering checks are conducted for every new investor. Finally, background checks are conducted on all new employees as well as key members of all new joint venture partners.



WE PROMOTE A CULTURE OF THE "4 E'S+1" IN ALL BUSINESS AND PERSONAL ENDEAVORS

SUSTAINABILITY TEAM MEMBERS

Christopher Merrill
Co-Founder,
President & CEO

Mark Burkemper
Director,
Transactions

Brian Mutchler
Managing Director

Stacy Nyenbrink
Director, Human
Resources

Tonia Nelson
Director & Chief
Compliance Officer

Jill Brosig
Director, Operating
Partner Services

Lindsey Rongstad
AVP, Asset
Management

Michael Borchetta
Senior Associate,
Transactions

Nina Abraham
AVP, Accounting

Eric DeWees
AVP, Transactions

Melissa Brown
AVP, Client
Services &
Marketing

Cassie Wilson
VP, Accounting

Jessica Leggett
Associate, Client
Services &
Marketing

David Sokol
AVP, Legal



INSTITUTE FOR THE
BUILT ENVIRONMENT
COLORADO STATE UNIVERSITY

CORPORATE LEADERSHIP

SUSTAINABILITY DECISION-MAKING

Our continued growth as a firm is dependent on sophisticated risk management and future planning. Sustainability management is key to our success.

LEADERSHIP TEAM

Our sustainability initiative is led by a diverse team of employees. Team members are chosen based on their skills, interest, and representation across departments. The team meets monthly to review progress on the strategic initiatives and reports to the Firm through quarterly newsletters. Directors report quarterly to the Harrison Street Leadership Group. The team conducts an annual formal review of the action plan and conducts ongoing reviews of management processes, goals, metrics, monitoring, internal training, and reporting.

Our sustainability team is advised by our external sustainability consultant, the Institute for the Built Environment. IBE assists with defining strategic initiatives, analysis, and reporting.

SUSTAINABILITY DUE DILIGENCE & RISK MANAGEMENT

Sustainability metrics are integrated into due diligence processes, and evaluation criteria include alignment with HSRE governance and ethics standards, presence of certifications, and opportunity for increased efficiency in the future.

Sustainability risk assessments are an active part of HSRE's risk mitigation plan. Prior to acquisition of a property, HSRE will order a third-party environmental report and property condition report that detail the presence of indoor and external pollution. In the event that such pollution exists, HSRE will engage an additional third party with significant experience assessing and mitigating environmental pollutants.

Outside of environmental risk, HSRE also evaluates social risk including employment practices of its operating partners and site aspects such as walkability, proximity to healthcare, and access to public transportation. Finally, regulatory risk including minimum wage increases and changes to Medicaid/Medicare reimbursement are evaluated.

Climate change is evaluated through adjusting insurance costs impacted by increased flooding in coastal regions, energy prices, regulations on electricity generation, and water prices due to water scarcity.

Risk Assessments are an integrated component of annual business planning.

CORPORATE LEADERSHIP

TRANSPARENCY & REPORTING

We seek to provide balanced and transparent information to our stakeholders and partners by reporting regularly through a variety of mediums.

GRI REPORTING

This report summarizes our environmental, social, and governance (ESG) performance for the 2016 calendar year. This report seeks to cover the impact of material sustainability topics shown on p. 7. The contents of this report were defined by our sustainability leadership team with guidance from our sustainability consultant. The sustainability team used input gathered during stakeholder engagement and materiality assessment to prioritize and organize report content. We have organized this report using the Global Reporting Initiative (GRI) Standards and are reporting at the Core level. This report has not been externally assured but has been checked for accuracy and completeness by our sustainability team and consultant.

GRESB

We have committed to completing the annual Global Real Estate Sustainability Benchmark (GRESB) survey in order to compare our funds to our peers and identify opportunities. In 2016 our Core Fund performed above our peers in 4 of 6 categories.

INVESTOR REPORTING & ENGAGEMENT

The Firm provides transparency to its investors by providing quarterly flash reports, webinars, annual investor reports, and annual valuations of all assets. Beyond broad fund performance, we are committed to providing in-depth information on our assets, acquisitions process, and management approach to our investors including ad hoc requests.

We hold an annual investor conference open to all investors to inform them on fund performance and expectations, and to respond to questions. In addition, we hold annual advisor meetings for each fund, which gives our investors the opportunity to meet our team. Further, we visit investors at their offices throughout the year and host them at our office at their request to develop and maintain positive relationships.



STANDARDS



G R E S B
MEMBER

CASE STUDY

BUILDING OUR VALUES IN OUR NEW CORPORATE HEADQUARTERS

99%

LED LIGHTING

90%

CONSTRUCTION WASTE
DIVERTED

85%

ENERGY STAR APPLIANCES
& EQUIPMENT

INTERIOR FIT OUT SEEKING
LEED ID+C GOLD



Due to our growth as a firm, we needed to expand our office space. We chose to move to Chicago's new River Point office space. The 52-story tower is located in Chicago's west loop on the edge of the Chicago River. The project is seeking LEED Gold Certification and provides a multitude of amenities, including a fitness center, outdoor plaza and river walk, and a prime location in one of the richest transit areas in Chicago, within blocks of three commuter rail lines and multiple bus lines.

When we began designing our interior fit out we set aggressive sustainability goals and used LEED for Interior Design to guide many of our decisions. We reduced energy consumption by using Energy Star appliances and installing 99% of light fixtures with low-energy LED bulbs. Mechanical and lighting systems were also commissioned in order to ensure they were installed and functioning as designed.

To support a healthy working environment, low-emitting paints and sealants were used and daylighting and views were prioritized for all employees. We also chose office systems that were ergonomic and customizable for our staff. Many on our team prefer to stand during the work day, therefore many stations have custom configurations. Break rooms are also stocked with healthy snacks and drinks.

Reducing waste was also a priority in the design. Much of our furniture, systems, and doors from our previous office were used in our new design. In addition, 90% of construction waste was diverted from the landfill and our use of LED lighting will insure that we won't contribute to mercury in our ongoing operations waste stream.

"When we realized the need to expand our corporate offices, we saw the opportunity to create a best in class working environment for our best in class team. We envisioned a space that was comfortable, familial, and environmentally friendly. Our new office at River Point is all that and more."

- Stacy Nyenbrink, Director of Human Resources



2017

CORPORATE RESPONSIBILITY

STRATEGIC INITIATIVES

The following initiatives have been identified by our sustainability leadership team as high priority activities for 2017. We will report progress on these strategic initiatives in our 2017 report.

CORE FUND

Explore the WELL building standard and evaluate pilots at select senior living assets

Reach 100% coverage of third-party tenant satisfaction surveys in all sectors

Develop more robust processes and data collection procedures around sustainability data monitoring and metric collection.

Expand number of ENERGY STAR awards in student and senior communities, and operations certifications in medical office assets

Establish water consumption baseline in senior and student housing portfolios

FIRM-WIDE

Enhance our data security and management capabilities to better protect client information

Further refine and enhance annual review process by establishing formalized check-ins between managers and employees to provide regular feedback and set clear expectations

Enhance our organizational footprint by evaluating company-wide policies and procedures

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