

Resolution Capital Limited
Responsible Investment Policy

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1. Introduction

This Responsible Investment Policy has been approved by the Board of Resolution Capital Limited (ResCap) and should be read together with ResCap's Engagement and Proxy Voting Policies. These Policies can be found on our website: www.rescap.com

2. Investment objectives and philosophy

ResCap is a specialist global real assets manager. Our investment objective is to deliver superior risk adjusted, long term returns, compared with relevant benchmarks.

We believe this can be achieved by investing in a concentrated portfolio of carefully selected listed real asset securities. There is an emphasis on avoiding fundamental flaws which could reasonably result in permanent impairment of the underlying investments. This aligns our investment process and security selection with clients' objectives of long-term wealth creation.

Primarily through bottom-up research, ResCap seeks to identify and invest in a select group of high-quality stocks which exhibit unique characteristics that the market continues to under appreciate. Our stringent filtering process focuses on identifying and exploiting three key attributes:

- High barrier markets where owners have the best potential for long term pricing power;
- Strong balance sheets which can successfully withstand and exploit market cycles; and
- Management teams with skill, discipline and alignment.

Environmental, Social and Governance (ESG) considerations are an integral part of ResCap's investment philosophy. We believe these initiatives benefit the broader community and that strong ESG practices of the companies in which we invest are likely to be additive to their performance and lead to investors ultimately being rewarded through superior investment outcomes.

ResCap continues to integrate ESG considerations into its investment process to align itself with the six Principles of UNPRI. ResCap has been a signatory to the United Nations Organisation initiated Principles for Responsible Investment (www.unpri.org) since 2010. The UNPRI refers to Responsible Investing as an "approach to investing that aims to incorporate environmental, social and governance factors into investment decisions, to better manage risk and generate sustainable long-term returns".

We incorporate ESG factors in stock analysis and as discussion points for broader engagement activities.

ResCap is a member of the GRESB (Global Real Estate Sustainability Benchmark) and we benchmark our global securities portfolio GRESB rating versus the relevant benchmark's rating. We target a portfolio GRESB rating above the benchmark.

In October 2019 ResCap became a signatory to the UN Global Compact.

The following sections highlight some of the ESG factors we consider in our investment process.

3. Environmental

Environmental policies that lead to greater energy, water and waste efficiencies reduce operating expenses, making assets more profitable and environmentally sustainable. Additionally, tenants and consumers are increasingly setting minimum standards for sustainability. Buildings that meet such requirements have higher occupancy. Buildings with high environmental standards may receive better pricing upon sale due to a wider pool of potential buyers.

Where possible we measure the company's consumption (per square metre), like-for-like change and targets for:

- Energy consumption;
- Carbon intensity via greenhouse gas emissions (GHG);
- Water; and
- Waste.

However, in our opinion, environmental ratings can't be measured and used in isolation for a number of reasons, including:

- Limited data availability across all listed companies;
- Inconsistent methodology between different regions and sectors; and
- Ratings do not take into account properties acquired for the intention of retrofitting to raise sustainability ratings.

Hence, we do not think it is always appropriate to rank the environmental rating of the static portfolio, but rather we track how each company is improving over time.

Whilst we take industry measures of sustainability into account, it is critical to consider the objectives and track record of management. We use meetings with management and property tours to discuss environmental credentials and review how they are incorporated into asset management and development.

4. Social

Real assets touch many facets of our everyday lives and therefore it's important to consider how companies interact with all stakeholders. A company's social footprint reflects management's ability to engage with both internal and external stakeholders to generate constructive outcomes. A good social record is a signal that a company's management have implemented proper controls to minimise risk/safety incidents, manage supply chain integrity and adhere to relevant diversity and human rights requirements. We consider, partly from a risk perspective, a number of the company's policies and performance, including:

- Stakeholder relationships, including customers, local community and government;
- Safety track record (including fatalities/total recordable incident rate);
- Adherence to human rights (in the supply chain), in particular, adoption of modern slavery standards or equivalent in the jurisdictions in which the companies operate; and
- History of illegal activities/corruption.

In terms of company employees we, where practicable, review the following factors:

- Employee engagement and training;
- Staff turnover (turnover); and
- Diversity.

5. Governance

We believe that good governance and good management are imperative to an entity's long-term success. We have observed that companies with aligned and committed management typically outperform companies with inferior alignment over the long term. To assess this, we focus on:

- Management share ownership;
- Remuneration structure and KPIs;
- Board composition (including diversity);
- Track record, transparency, integrity;
- Minority shareholder protection; and
- Conflicts of interest/related party transactions.

Management is one of the key screening criteria within our investment process. We seek companies that have strong alignment of interests with shareholders, a consistent strategy, disciplined capital management and a track record of active asset management.

We are active owners and we regularly engage with companies on different ESG issues and seek to improve disclosure where relevant. Please refer to our Proxy Voting and Engagement policies for more details.

6. Approach

Incorporating ESG factors into the investment process is the responsibility of the Investment team. Investment Analysts and Portfolio Managers are responsible for identifying and assessing relevant ESG factors. A discussion of these factors is included in stock initiation and research reports and are explicitly factored into valuations via adjustments to the company's earnings forecasts and / or valuation multiple, where applicable.

The Investment team is required to engage with sustainability staff of (potential) investee companies to increase their company specific *and* general knowledge of sustainability. ESG is an important component of Investment team staff variable remuneration.

7. Exclusions

Within the infrastructure strategy, ResCap applies a negative screen which will exclude any company that generates a significant percentage of its revenue from coal-based activities, unless there is a stated commitment to reduce this in the medium term. This is based both on environmental concerns and the declining economics of coal versus other energy sources.