RESOLUTION CAPITAL

QUARTERLY ESG AND STEWARDSHIP REPORT

REAL ASSETS STRATEGY

DECEMBER 2023

ESG Commentary

UN Principles of Responsible Investment (UN PRI) Assessment

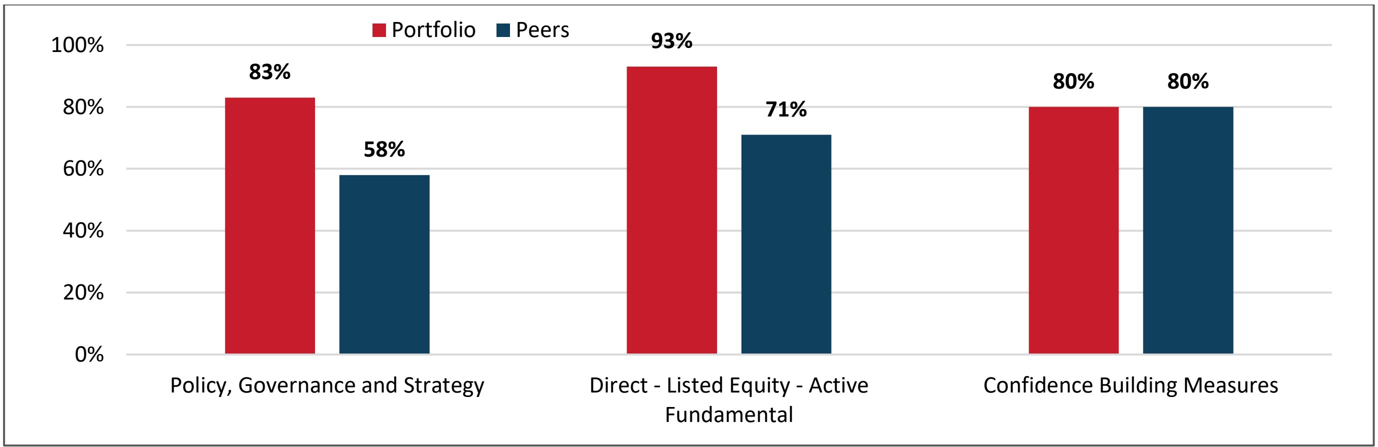
As a signatory to the UN PRI, we are required to report on our responsible investment activities each year, a process that increases transparency and accountability in the responsible investment industry, standardises reporting and provides opportunities for peer comparison and feedback for improvement.

During this quarter we received the results for our 2023 Transparency Assessment, and we were assessed on the following modules:

- **Policy, Governance and Strategy** – This module is the main focus of the overall assessment and examines our governance, policy framework, proxy voting, company engagements and climate change approach.
- **Direct – Listed Equity – Active Fundamental –** This module assesses how we integrate ESG into portfolio construction, investment and company research processes.
- **Confidence Building Measures** – This module assesses our internal quality control processes for our ESG integration practices.

Pleasingly, we scored Four Stars (between 65% - 90%) for the Policy, Governance and Strategy, and Confidence Building Measures modules and Five Stars (over 90%) for the Direct - Listed Equity - Active Fundamental module. We scored above the peer median scores for each of these modules, the results are summarised in the chart below.

UN PRI 2023 Assessment results



Source: UN PRI, December 2023

Resolution Capital named a Responsible Investment Leader in RIAA's 2023 Responsible Investment Benchmark report

In September Resolution Capital was named a Responsible Investment Leader by the Responsible Investment Association Australasia (RIAA) in its 22nd annual Responsible Investment Benchmark Report. The result recognises our commitment to responsible investing as an investment manager and places Resolution Capital in the top 20% of the investment managers assessed in Australia for responsible investment practices.

The Report is the most comprehensive review of the responsible investment sector in Australia, with the 2023 report reviewing the investment practices of 272 investment managers.

This result is recognition of the work we have done in expanding the integration of ESG into our investment and stewardship processes, as well as our commitment to increasing transparency and disclosure of the activities that we undertake as active managers on behalf of our clients.

Victoria's ban on new gas connections for residential and public buildings comes into effect in 2024

As part of its long-term carbon reduction targets of 80% reduction by 2035 and net zero by 2045, the State Government of Victoria announced a ban on new gas connections for new residential buildings, as well as all new public and government owned buildings in 2023. This ban has come into effect as of the beginning of this year, meaning that new residential and public buildings will be fully electric.

As well as its contribution to meeting carbon reduction targets (gas use contributes 17% of Victoria's greenhouse gas emissions), the Victorian Government cited the rising cost of gas bills for households and health concerns as reasons for introducing this ban.

The main way this type of ban helps reduce emissions is that electrification of a building allows all energy consumption to be provided by renewable electricity and therefore have zero carbon emissions from its operations. This impacts a company's downstream Scope 3 emissions, which are caused by the use of the products a company sells by the purchaser of that product (i.e. the occupiers or tenants' use of energy in that property).

In past the 12 months we have engaged with Australian REIT developers to understand whether they have been preparing for all electric developments, as electrification is a vital part of the economy's overall decarbonisation.

As examples of what developers are doing already in this area, both Mirvac and Stockland have set ambitious net zero carbon emissions targets for their Scope 1, 2 & 3 emissions. Reducing the emissions from the buildings they develop and sell will help them achieve those Scope 3 goals. To achieve this, both companies have prioritised building all electric residential properties combined with onsite renewable generation for several years in developments around Australia, not just in Victoria. So, both companies understand this type of development and have been building up the skills and supply chains to deliver them.

Prohibition on use of engineered stone in Australia

At the end of 2023, the Australian Federal, as well as all State and Territory governments approved a ban on the manufacture, supply and use of engineered stone in property construction. The ban will come into effect from 1 July 2024.

This ban was put into place given the serious health impacts from working with engineered stone, which generates Silica dust when it is cut, shaped, or polished. Exposure to silica dust from engineered stone has led to a rapid increase in the number of workers developing the serious lung disease silicosis in Australia.

The prohibition will ban a person conducting a business from carrying out work with engineered stone. This includes manufacturing, supplying, processing and installing engineered stone.

Last year we engaged with several A-REITs (Mirvac, Stockland, Ingenia, Vicinity and Scentre Group) about whether they were preparing for this ban and phasing out the use of this material. They all stated that they had started to move away from using engineered stone in their developments in anticipation of the ban and should therefore be prepared for this new regulation.

Portfolio Metrics

Carbon Emissions

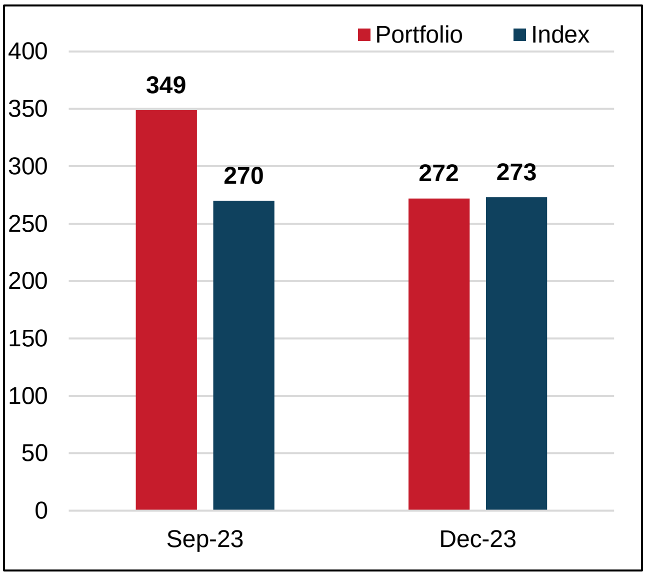
The carbon emissions and carbon intensity of the Portfolio versus the index are monitored and measured on a quarterly basis from data sourced from the GRESB1 company assessments, MSCI, Bloomberg and company disclosures. The charts below illustrate the carbon intensity of the Portfolio versus the benchmark[2] as of 31 December 2023.

This quarter the portfolio's revenue-based carbon intensity reduced to be in line with that of the benchmark's, however, the area based intensity remained about the benchmark's. The area-based carbon intensity for the portfolio remains higher than the index due to the larger portfolio positions (by weight) in several retail REITs (particularly Scentre Group (SCG), Vicinity Centres (VCX) and Region Group (RGN)). Retail REITs are typically more carbon intensive than other property types due to a number of factors, including high interior and exterior lighting density, increased demands on central air conditioning from more open spaces, increased interior lighting levels, and from cooking and refrigeration activities.

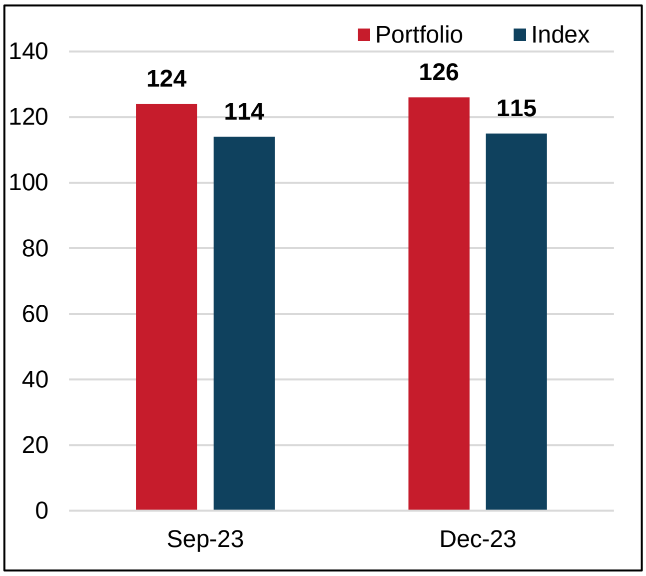
[1] GRESB is the Global Real Estate Sustainability Benchmark, an independent organization providing validated ESG performance data and peer benchmarks for investors and managers to improve business intelligence, industry engagement and decision-making

[2] Index is the S&P ASX300 / A-REIT

Carbon intensity (Ton/US$1m Rev)



Carbon intensity (kg/m²)

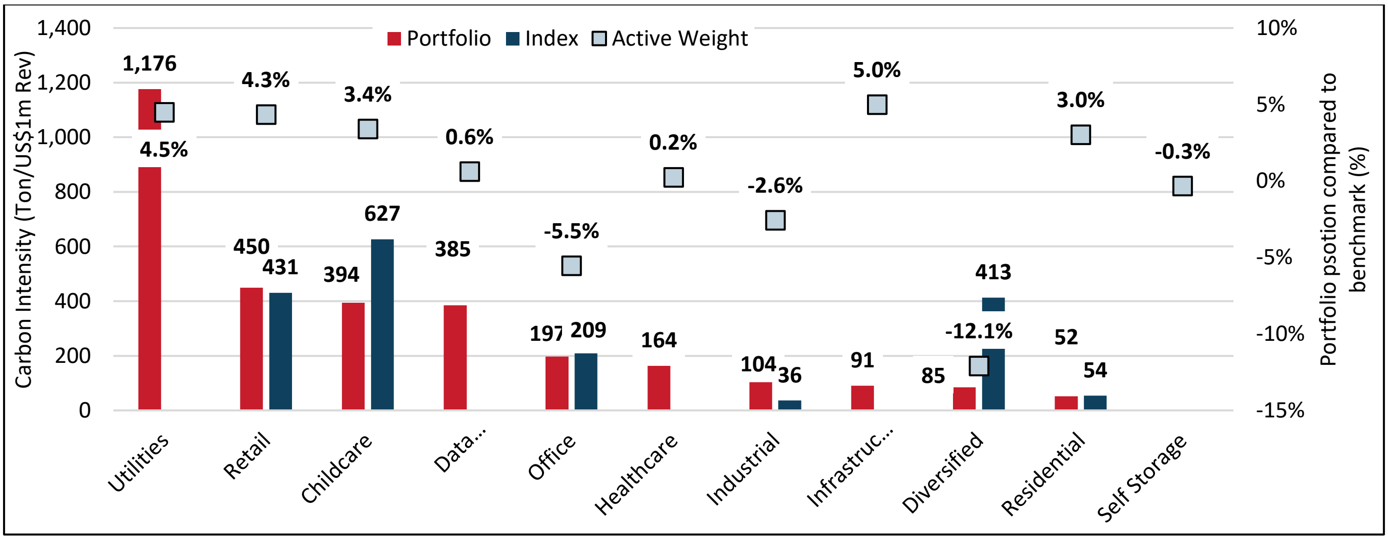


Source: ResCap, GRESB, Bloomberg, company disclosure, 31 December 2023
Index: S&P ASX300 / A-REIT constituents

The reduction in revenue-based carbon intensity this quarter was primarily driven by replacing US utility Ameren Corp (AEE-US) with Dominion Energy (D-US), which has a much lower carbon intensity (2,523 Ton/US$1m Rev compared to 4,427 Ton/US$1m Rev).

The chart below shows the revenue-based carbon intensity for the different sectors covered by the portfolio and the index. The largest Portfolio overweight sectors are the infrastructure and utilities sectors, given they are outside the ASX300/ A-REIT index, and the residential and childcare sectors. Stock selection within the overweight positions in the residential (3%) and childcare (3%) sectors, as well as in the large underweight position in the diversified sector (-14%), contribute to offsetting the rise in carbon intensities caused by the increase in the utilities sector (4.5%).

Sector based carbon intensity (Ton/US$1m Rev) of portfolio vs index



Index: S&P ASX300 / A-REIT constituents, 31 December 2023

Proxy Voting

In the three months to 31 December 2023, Resolution Capital voted on 95 resolutions at shareholder meetings and voted against management on 4 resolutions. Note that in all cases where we intend to vote against resolutions, we communicate our rationale to the company ahead of the vote.

Proxy voting overview	
31 December 2023	**Vote statistics**
Meetings	17
Resolutions	95
Voted For	91
Voted Against	4
Other Significant	0
Abstained	0
No Action	0

Votes against management

Dexus (DXS)

In October we voted against one resolution related to the executive remuneration plan.

While we were generally supportive of the overall remuneration structure this year, there was an adjustment to the hurdle rate for the Short Term Incentive (STI) award that reduced the required performance to achieve the award. The reason given by the company for this adjustment was that market conditions had deteriorated for the company, making the achievement of the STI too difficult at its original level.

This discretionary adjustment by the board follows an extra-ordinary incentive and retention award in the FY21 period to supplement the standing remuneration structure of that year.

This resolution passed, but with 29.8% of votes cast against the resolution. This counts as a first pay strike since there were more than 25% votes against the remuneration resolution.

Abacus Group (ABG)

At the Annual General Meeting in November, we voted against the company's remuneration report and the reelection of its Chair, Myra Salkinder.

We voted against the remuneration report due to several aspects that do not align with the company's recent poor performance. These include an increase in incentive potential of 20%, a one-off payment for the CEO for the recent Abacus Storage King de-stapling completion and the change in an incentive KPI from Funds From Operations (FFO) to Earnings Before Interest and Tax (EBIT) and changing the threshold hurdle to a 2% growth rate, which appears to be an unchallenging hurdle. This change could lead to a focus on growth for growth's sake, rather than incentivising shareholder value creation.

We voted against the reelection of the Chair, Myra Salkinder, due to the corporate governance concerns related to an off-market share purchase of approximately $38m AUD, about which there was little public disclosure.

These resolutions were passed, with 89% for the remuneration resolution and 92.9% for the reelection of Myra Salkinder.

Corporate engagements

This quarter we engaged with Aspen Group (APZ), an Australian based REIT focused on residential communities and retirement villages, about whether it has plans to adopt a net zero carbon emissions target.

Currently the company has a short-term target of a 50% reduction in emissions by 2030 for the properties that it controls but does not have a longer term or a net zero target. While there is no plan for a net zero target at the moment, the company is focused on reducing its emissions through practical initiatives.

This includes a focus on recycling existing buildings to make them more energy efficient rather than demolition and construction of new buildings. This helps to save the embodied carbon of the upgraded properties. APZ focuses on energy efficiency upgrades, renewable energy systems for hot water heating and street lighting and

APZ has also clearly stated that they do not intend to use carbon offsets as part of their carbon reduction plans, since they want to achieve provable carbon reductions and focus on achieving their targets by reducing their own emissions.

We also asked about whether they had undertaken any physical risk assessments on their portfolio. APZ stated that this is something that they review regularly and that also comes under scrutiny from their insurance providers. There has not been material damage suffered at their properties and while their assessments have found that three properties are within a 1 in 100-year flood zones, only one of these properties have buildings or resident owned properties on them.

We will continue to engage with APZ to monitor its progress towards achieving its carbon reduction goals.

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