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 securities manager, which includes both listed real estate and infrastructure. 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 concentrated portfolios of carefully selected listed real estate and infrastructure securities. Within the investment process there is an emphasis on avoiding fundamental flaws which could reasonably result in permanent impairment of the underlying investments. This aligns our 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 securities 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 or attractive regulatory frameworks / concessions;
- 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 and are incorporated in stock analysis. We believe that strong ESG practices benefit the broader community and are additive to performance, ultimately rewarding investors through superior investment outcomes.

ResCap has been a signatory to the United Nations Organisation initiated Principles for Responsible Investment (www.unpri.org) since 2010. We report annually to the PRI and make our Transparency Report publicly available on our website (https://rescap.com/about/). The PRI 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".

ResCap continues to integrate ESG considerations into its investment process to align itself with the six Principles of the PRI:

1: Incorporate ESG issues into investment analysis and decision-making processes.
2: Be active owners and incorporate ESG issues into our ownership policies and practices.
3: Seek appropriate disclosure on ESG issues from the entities in which we invest.
4: Promote acceptance and implementation of the Principles within the investment industry.
5: Work together to enhance our effectiveness in implementing the Principles.
6: Report on our activities and progress towards implementing the Principles.

In addition to their use in stock analysis, ESG factors also influence the focus for engagement topics and companies that are targeted.

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

For both real estate and infrastructure strategies, we compare each portfolio's carbon footprint and weighted average carbon intensity against the relevant strategy's benchmarks, targeting carbon intensities below these benchmarks.

In the Global Listed Infrastructure strategy, we exclude companies that we do not believe can achieve net zero carbon emissions by 2050 and therefore succeed in the transition to a low carbon economy.

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

ResCap recognises the need to limit average global temperature rises to well below 2°C, and ideally 1.5°C, compared to pre-industrial levels by 2100 in line with the goals of the Paris Agreement of 2015. To achieve this, the global economy needs to be net zero carbon emissions by 2050. The level of decarbonisation needed to achieve this will provide significant opportunities for companies that can enable and take part in this transition to a low carbon economy and significant risks for those companies and assets that cannot.

In light of this, for our real estate strategies we assess:

- Whether companies have carbon reduction targets that align with the requirements of the Paris Agreement, as well as policies to increase energy, water, and waste efficiencies in their properties. These practices lower operating expenses, making properties more profitable and sustainable in operations;
- A company's capability to meet the sustainability standards of potential customers through high levels of energy, water and waste efficiency, as well as healthy indoor environments. Having the capability to meet these standards will enable the company to take advantage of the greater tenant, and buyer, demand for properties with high environmental standards; and
- Plans to renovate acquired properties with poor environmental ratings to increase their environmental performance.

For our Global Listed Infrastructure strategy, we assess:

- Whether a company can decarbonise in line with the requirements of the Paris Agreement and exclude it from the strategy if more than 30% of its operations are in business segments that cannot decarbonise, ie Gas Utilities, Oil and Gas transportation and storage companies;
- A company's carbon emissions trajectory and whether it has a carbon reduction target in line with the Paris Agreement, as well as a viable plan to reach that target; and
- Economic and market factors that can cause assets and businesses to become stranded, including increasing costs from national climate and energy targets and policies, carbon pricing, emissions and energy efficiency minimum standards, and increasing insurance costs.

For all strategies, where data is available, we also measure a company's consumption, like-for-like change and reduction targets for the following environmental metrics:

- Carbon intensity via greenhouse gas emissions (GHG);
- Energy consumption;
- Water consumption or harvesting; and
- Waste generation and diversion to landfill.

Whilst we take industry measures of sustainability into account, it is also critical to consider the objectives and track record of management. We use meetings with management and asset 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, what actions are taken to identify and address modern slavery risks in a company's operations and supply chain;
- History of illegal activities/corruption;
- Transparency of political influence and donations; and
- Provision of affordable products, or safeguards, for low-income or key workers, such as for housing or utilities bills.

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

- Employee engagement and training;
- Staff turnover (treatment); 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 independence, tenure, diversity and other board commitments);
- 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

In addition to our investment universe focusing only on the real estate and infrastructure sectors, within the infrastructure strategy, ResCap applies a negative screen which excludes any company that we believe cannot align with the Paris Agreement, i.e. be net zero carbon by 2050. This is based both on environmental concerns and the declining economics of businesses that are unable to transition to a low carbon economy.