



Sustainability Report

November 2020



Our Commitment

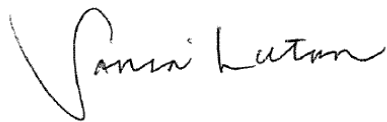
To our stakeholders,

Resolution Capital is proud to present this, our first, Sustainability Report. In this report, we describe the ways in which we have integrated environmental, social and governance considerations into our business, culture and daily operations. In addition we have identified specific targets for the coming 12 months.

A changing climate brings risks and opportunities for our business, and we're responding to both. We're working to reduce our emissions across our supply chain and implementing efficiency measures that save on energy and bills. We are committed to reduce our environmental impact and as a firm have set a target goal of being carbon neutral by the end of 2021.

ResCap has been a signatory to the UN Principles for Responsible Investment since 2010 and became a signatory to the UN Global Compact in November 2019.

Sincerely,

A handwritten signature in black ink, reading "Vanessa Luton". The signature is fluid and cursive, with the first name "Vanessa" written in a larger, more prominent script than the last name "Luton".

Managing Director





Our Business

Resolution Capital (ResCap) is a specialist investment manager focused on investing in the listed global real estate and listed infrastructure sectors of the stock market.

Our approach to ESG is twofold – in the way that we operate our business, as well as forming part of the assessment of the companies in which we invest funds on behalf of our clients. Our clients include large superannuation / pension funds, pooled investment vehicles (available to both retail and wholesale investors), corporations and government entities.

ESG factors are considered in all aspects of our business including:

Board

- Commitment to support the business to incorporate sustainable initiatives into business operations
- Policies including Code of Conduct, Privacy, WHS, Whistleblowing
- Commitment to UNPRI, UN Global Compact

Company

- ESG Committee
- Initiatives to lessen environmental impact of our operations
- Partnerships with charities
- Membership of GRESB
- Corporate volunteering

Investment process

- Incorporation of ESG metrics into research/analysis
- Active ownership
- Engagement with investee companies
- Responsible Investment, Engagement and Proxy Voting policies

Our team of 23 is made up of investment professionals, middle office/operations staff and a dedicated client services team.

Policies in place to protect the safety and rights of our staff are approved by the Board and include:

- HR Policy (including Recruitment & Selection, Leave, Termination, Employee Behaviour & Grievance Resolution)
- Privacy Policy
- Workplace Health and Safety Program
- Code of Conduct (including anti-corruption and bribery, gifts and entertainment policy)



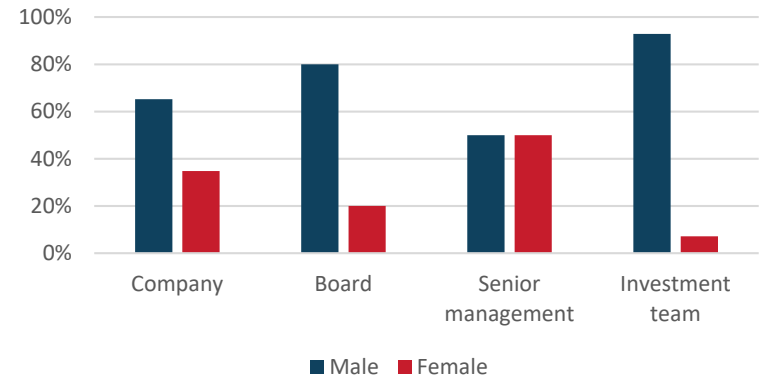
ResCap is an equal opportunity employer and believes that gender and cultural diversity leads to better engagement and decision-making by providing different perspectives and insights.

The Board has 20% female participation and the senior management team is made up of 50% female team members, including the Managing Director.

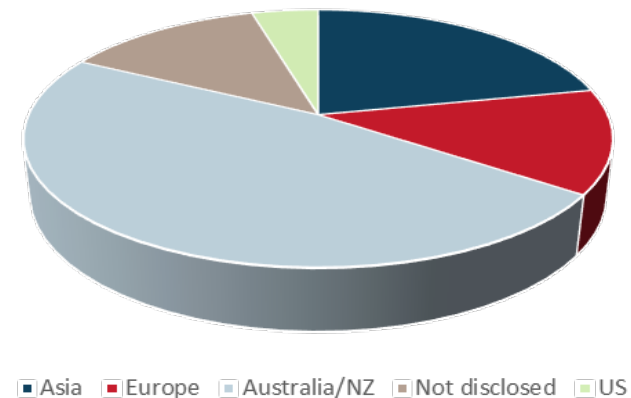
Currently the investment team has one female team member which is a product of the competitive market for talented female candidates. We are committed to building better diversity in the investment team going forward.

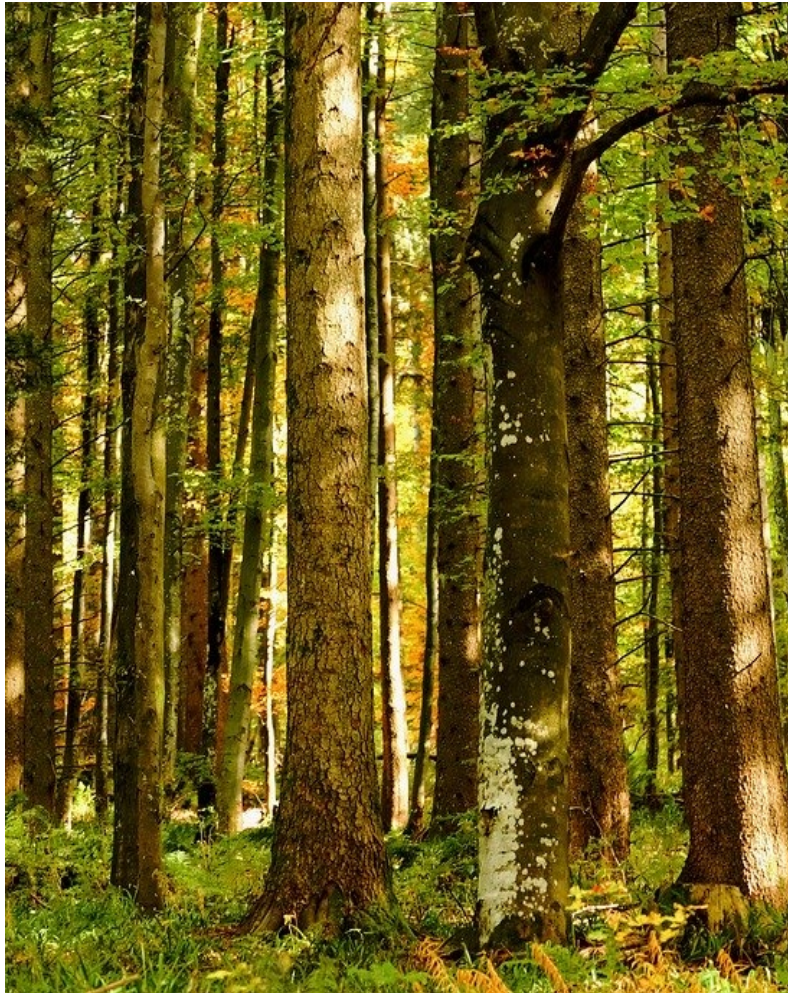
ResCap's business partner, Pinnacle Investment Management, have a Women's Graduate Program and an Internship Program which are open to students who are close to finishing their university studies. ResCap is participating in the Internship Program, and hopes to encourage female applicants into a career in real estate investment.

Gender Diversity



Cultural Diversity





Caring for the environment

We have implemented the following initiatives in order to reach our company goal of being carbon neutral by the end of 2021.

- Using renewable energy in our office space.
- Purchasing carbon credits for all business flights (via South Pole)
- Supporting waste minimisation and encouraging recycling

Targets:

Include other business travel expenses including taxi/Uber travel and accommodation into the carbon offset program.

Our social initiatives

- Providing a supportive, flexible and healthy and safe environment for all staff;
- Providing access to the Employee Assistance Program to support the mental health of employees and family members;
- Equal pay for equal work;
- Commitment to a flexible working environment;
- Access to training and ongoing education;
- Community involvement;
- Donating to various charitable causes; and
- Encouraging staff in their charitable and community involvement, including one day off for community work per year and an annual corporate volunteering day.

Targets:

Increasing donations to selected charities from \$10k per charity p.a. to \$25k per charity p.a.



The ResCap team at Indigigrow for corporate volunteering day October 2019



Strong compliance culture

- Board includes 3 executive and 2 non-executive directors – meets quarterly;
- Compliance and risk frameworks reviewed at least annually and approved by the Board;
- Policies are reviewed at least every two years;
- Compliance training is undertaken by all staff quarterly;
- Daily oversight of all trading and investment activities – pre and post trade compliance, reconciliations to custodians, segregation of duties, 4-eye checks;
- Oversight of key service providers;
- Partner with Pinnacle Fund Services, ACA Compliance and KB & Associates to ensure regulatory compliance in all jurisdictions in which we operate

ResCap partners with the Pinnacle Charitable Foundation (<https://pinnacleinvestment.com/foundation/>) to support charities with a focus on children, including providing education, medical research and supporting mental health.

The charities we support include:

▪ **Yalari**

- provide trusted, quality educational opportunities for indigenous children by offering secondary education scholarships at leading Australian boarding schools to indigenous children from regional, rural and remote communities
- Aim is to encourage generational change
- Up to 50 scholarships offered annually to indigenous children who satisfy the selection criteria
- Our contribution is directed towards the Orientation Program which brings together students about to start their boarding school journey with those who have started/completed their education, to teach new students about living in a completely different environment. In 2021 we will also be providing a scholarship for one year 7 student, who will be commencing their first year of boarding.
- <https://www.yalari.org/>



■ *Children's Medical Research Institute (CMRI)*

- 60 years performing research into causes and prevention of children's genetic diseases and cancer
- Jeans for Genes major fundraising event annually
- Our joint contribution assists with the purchase of specific equipment
- <https://www.cmri.org.au/>



Our partnerships are reviewed annually to ensure that our donation is being utilised for specific programs, however, we usually support a charity for at least 3 years. We are in the process of selecting an additional partner for 2021.

The ESG Committee was created in late 2019 with the aim of ensuring that sustainability practices were discussed more broadly within the business.

The team members are made up of:

- Managing Director
- Head of Operations
- Head of Client Services
- Real Assets Portfolio Manager
- Quantitative Analyst
- Investment Analyst

The focus of the committee has been on:

- Continuous improvement of ESG implementation in the research process – particularly with better data and disclosure becoming available
- Enhancement of ESG functions within our proprietary research database
- Coordinate TCFD initiative within ResCap
- Expanding the knowledge base of all employees regarding ESG

ResCap has been a signatory to the United Nations Organisation initiated Principles for Responsible Investment (www.unpri.org) since 2010. We are pleased with our result for 2020 which shows continued progress year on year, as well as versus our peers.

Signatory of:



| Category | 2018 Score | 2019 Score | 2020 Score | 2020 Median |
|-----------------------|------------|------------|------------|-------------|
| Strategy & Governance | A | A | A+ | A |
| Incorporation | A | A | A | A |
| Active Ownership | A | A | A | B |

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



In November 2019, ResCap became a signatory to the UN Global Compact which encompasses ten principles which focus on four key issue areas (human rights, labour, environment, and anti-corruption).





Responsible Investing

Our investment objective is to deliver superior risk adjusted, long term returns, compared with relevant benchmarks.

This we believe can be achieved by investing in a concentrated portfolio of carefully selected listed real estate 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. Companies that we invest in are situated in some of the largest markets in the world and are traded on major stock exchanges.

Our stringent filtering process focuses on identifying and exploiting three key attributes:

- **High barrier property markets where landlords 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.**

ESG factors form an important part of our analysis of investee companies. Governance has long been a primary area of focus for the investment team however, increasingly environmental and social factors are included in our assessment of existing and potential portfolio holdings.

Both the 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.

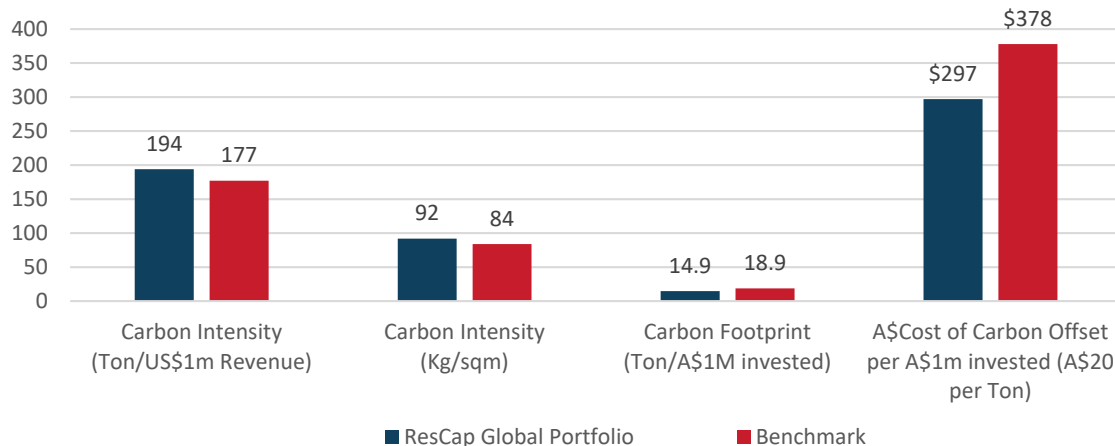
ResCap considers a company's environmental, social and governance factors when assessing whether a company should be included in the primary investable universe. These factors include the availability and quality of environmental metrics, the existence of 'green buildings' in the portfolio, and the company's ESG/sustainability practices as well as the social impact of the company as employers, landlords and customers. ResCap also screens for responsible and effective management and governance of the company.



ResCap believes that climate change is both an investment and financial risk. Through its analysis, ResCap has observed that environmentally friendly assets make better business sense, as they have greater tenant demand due to lower expense ratios.

GRESB data is used to measure the carbon footprint of the investee companies within the portfolio. This forms part of the GRESB score which is benchmarked against the GRESB score of the FTSE EPRA/NAREIT Developed Index. We aim to ensure that the portfolio score is higher than the index. Currently 65% of portfolio holdings and 60% of the companies that make up the index provide information to GRESB.

Environmental metrics from various 3rd party service providers (including Bloomberg, FactSet, and ISS) is entered into our proprietary research database and is used by the investment team to track a company's progress towards their stated sustainability goals, and to compare how companies are performing relative to their peers.



Source: ResCap research, Company reports, Bloomberg, FactSet, ISS
 As at 30 September 2020
 Portfolio: ResCap Global Property Securities Fund (Unhedged) – Series II
 Benchmark: FTSE EPRA/NAREIT Developed Net TRI AUD

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. Finally, 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;
- Greenhouse gas (GHG);
- Water; and
- Waste.

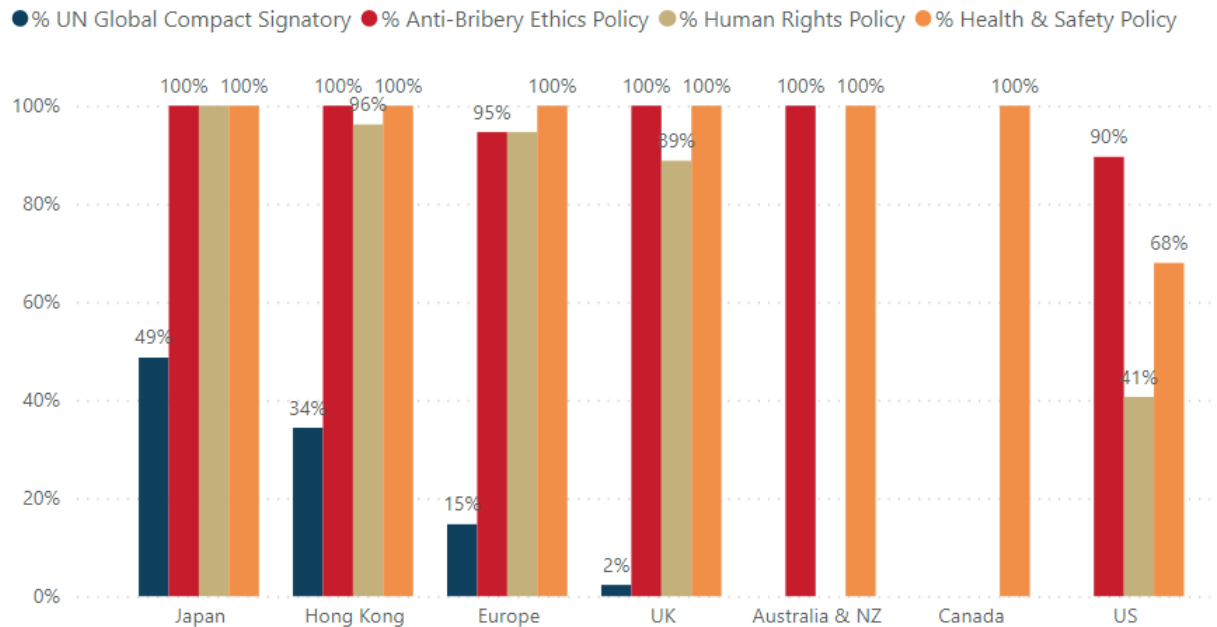
Rather than rank the environmental rating of the static portfolio at a point in time, we track how each company is improving over time. ResCap supports the introduction of TCFD which we believe will assist in increasing disclosure and comparability.

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.

Real estate touches many facets of our everyday lives and therefore it's important to consider how companies interact with all stakeholders. 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);
- Adherence to human rights (in the supply chain); and
- History of illegal activities/corruption.

% of companies within ResCap global portfolio with Social Policies by region



Source: ResCap research, Company reports

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

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

Other factors that are considered include:

- The overall social impact of activities of the company;
- Where activities do have a detrimental social effect, how strong is the regulation of the company's activities?
- Does the company adhere to all the regulatory requirements that apply to them; and
- Has the company been subject to many complaints from stakeholders (whether they are employees, shareholders or other parties interacting with them)?

Companies may be excluded from consideration where the social impact of their activities is so great that the companies are considered non-investment grade regardless of other factors. For example:

- mistreatment of employees or other stakeholders (such as suppliers or purchasers), particularly in jurisdictions where regulations surrounding such activities are poor or non-existent, and
- engaging in any illegal activities.

We believe that good governance and good management are imperative to an entity's long term success. We have observed that companies with aligned 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.

Metrics that we incorporate into our analysis of the governance framework/practices of investee companies include:

- Percentage of independent directors
- Size of the board
- CEO total compensation compared to market cap and competitors

Company engagement is an important part of ResCap's investment process. As active owners, engagement provides us the opportunity to share our philosophy and corporate governance values and make a positive contribution to investee companies. Furthermore, it often provides us with a deeper and different perspective on how the company operates.

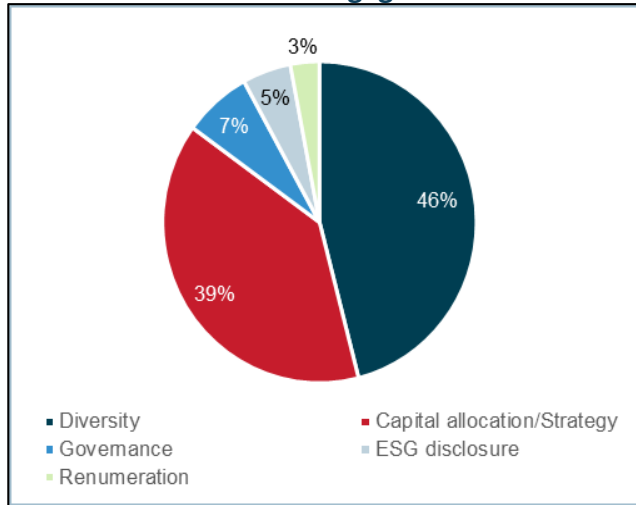
The two main areas in which we have engaged with companies over the last 12 months are

- lack of gender diversity on the Board (<30% female representation) and
- insufficient ESG disclosure (partially based on GRESB data).

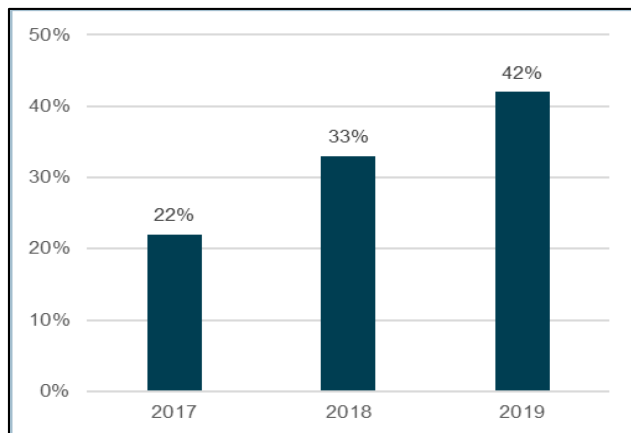
We have also discussed executive remuneration with companies where we have felt that it was excessive compared to peers and in light of their results.

ResCap takes its responsibility as an active shareholder seriously and will vote on all resolutions that it has the ability to (in accordance with client agreements).

Reasons for engagement



Portfolio holdings with 30% or more women on the Board



The engagement agenda is reviewed annually and agreed upon by the Portfolio Managers.

Topics for engagement over the last 12 months have included governance, remuneration and capital structure of the company.

In addition, as part of our engagement activities over the last 3 years, ResCap has discussed female Board representation with companies within our portfolio. ResCap encourages companies to consider having at least 30% female representation on their Board as we believe that this leads to better decision making due to different perspectives and insights being considered by the Board. While there has been wide dispersion between the different regions, there has been an encouraging trend, however more work needs to be done.

Another key area of focus has been on encouraging companies to improve their ESG related disclosure and join GRESB. This allows for better understanding of the risk profile and comparability between holdings in the portfolio. Furthermore, better disclosure typically reduces waste and improves environmental footprint due to the additional focus on these areas.

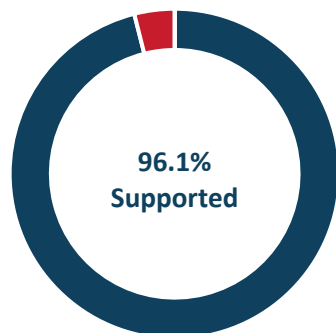
Source: ResCap research, company reports, Bloomberg
As at 30 September 2020

We have a strong bias towards high quality companies with aligned management, therefore we are disappointed when we need to vote against management.

The Portfolio Managers vote the proxies. ResCap does not utilize a proxy advisory service, however, we use ISS as an additional information resource.

ResCap Proxy Voting Record

2020 Total Resolutions

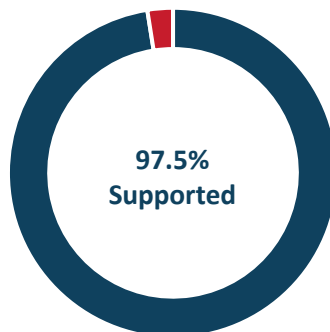


■ Voted For: 584
■ Voted Against: 24
■ Abstained: 0

60 Meetings
608 Resolutions

*As at 30 September 2020

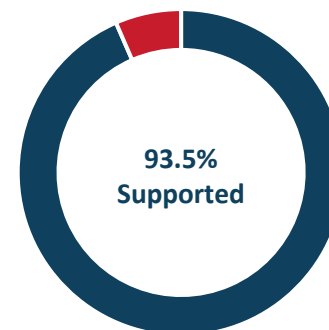
2019 Total Resolutions



■ Voted For: 703
■ Voted Against: 18
■ Abstained: 0

74 Meetings
721 Resolutions

2018 Total Resolutions



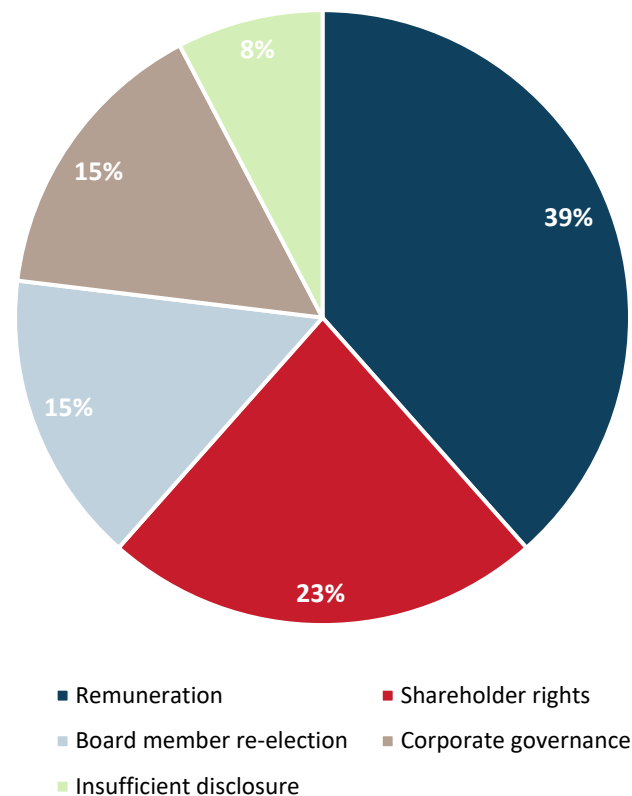
■ Voted For: 616
■ Voted Against: 43
■ Abstained: 0

67 Meetings
659 Resolutions

Where ResCap votes against management, we inform management prior to the vote wherever practicable, or as soon as possible afterwards. The main reasons for ResCap to vote against management include:

- Remuneration: # 1 reason to vote against
 - Absolute level excessive
 - Too low bonus hurdles
- Shareholders rights
 - Right to amend Bylaws
 - Shareholder rights not overly restrictive
- Board members should
 - Have capacity
 - No conflicts of interest
- Corporate governance
 - Vote against board member due to insufficient shareholder rights

Reasons for voting against management*



*12 months to September 2020

While we are proud of our efforts to date, we have put in place particular targets to improve sustainability in our business.

Specific measures that we are targeting for the next 12 months include:

- Increasing the number of female team members in the investment team (via graduate/internship program or as new roles become available)
- Business carbon neutral by end 2021
- TCFD reporting disclosures
- Engagement agenda with investee companies – gender diversity on boards, transparency/disclosure of environmental metrics to improve comparability

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