



Sustainability Report

November 2022

To our stakeholders,

The Resolution Capital Board believes that a changing climate brings both risks and opportunities for our business, and we are responding to both.

The company achieved our goal of being carbon neutral by the end of 2021 through the purchase of carbon offsets via South Pole supporting EcoAustralia (aimed at reducing emissions and restoring Australian native vegetation) and we are continuing to explore ways to reduce our impact further, including reduced air travel and the introduction of new recycling programs in our office in 2022.

We are also committed to ensuring that the investment portfolios that we manage on behalf of our clients and investors are well-positioned to meet the Paris Agreement target of net zero emissions by 2050, whilst ensuring that our long-held investment philosophy of investing in high quality stocks, strong balance sheets and aligned management is not compromised. This has also formed a key part of our engagement with investee companies this year.

The Board is also committed to strong Corporate Social Responsibility and I am pleased to report that we expanded our partnership program this year to include a fourth charity partnership – the Australian Alzheimer's Research Foundation (AARF). The Foundation is doing important research on the early identification of Alzheimers.

This report provides a comprehensive update on our ESG targets both within the business and at an investment level and outlines the way in which we are integrating sustainability considerations into our investment process.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sonia Luton', written in a cursive style.

Sonia Luton
Managing Director



Our Business

Resolution Capital (ResCap) is majority owned by its staff (50.5%) and is a specialist investment manager focused on investing in global real asset securities listed on major listed exchanges globally.

Our approach and assessment of ESG is two-fold:

- The way that we operate and manage our business; and
- in the assessment of the companies in which we invest on behalf of our clients.

Our clients include large superannuation / pension funds, corporations and government entities from around the world. In addition, we have a number of retail clients in the pooled funds we manage in Australia.

ESG Framework

Board

- Commitment to ESG by the firm and the incorporation of ESG by the investment team
- Approval & Adoption of Responsible Investment, Proxy Voting, Engagement policies. Focus on Diversity & Inclusion
- Commitment to the Principles of UNPRI and UN Global Compact

Company

- Commitment to be carbon neutral
- ESG Committee
- Partnerships with charities
- Membership of UNPRI, UN Global Compact, GRESB & RIAA
- Corporate volunteering

Investment Team

- Incorporation of ESG into the investment process & stock initiations
- Proxy voting
- Engagement with investee companies
- ESG KPIs for investment staff

The ESG Committee was established by the firm in 2019 with the aim of ensuring that sustainability practices were discussed more broadly within the business and to ensure that there was a commitment to improvement across the team. The Committee meets at least quarterly.

The Committee is made up of 7 staff from across the business including:

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

The focus of the committee has primarily been on:

- Continuous improvement of ESG integration in the investment research process – identification of data providers e.g MSCI
- Review of UNPRI and Global Compact submissions
- Reporting on ResCap's sustainability related activities (particularly proxy voting and engagement)
- Education of all employees regarding ESG related matters
- Identifying collaboration opportunities with peers
- Providing an update on various sustainability-related regulatory requirements, including Sustainable Financial Disclosure Regulations (SFDR), EU Taxonomy requirements, and ASIC and SEC focus on the presentation of ESG-related information in marketing materials by investment managers to avoid 'greenwashing'.

Our team of 27 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)



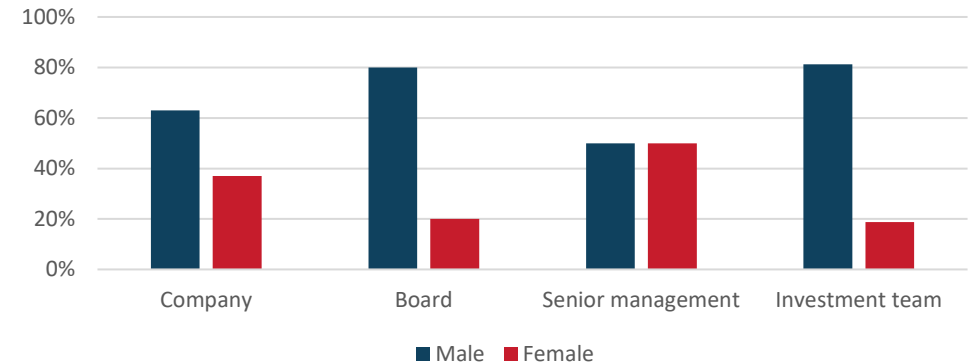
ResCap is an equal opportunity employer and believes that gender and cultural diversity leads to better engagement and decision-making by providing different perspectives and insights.

The Board currently has one female Executive Director (20% female membership) and the broader team currently has 37% female membership.

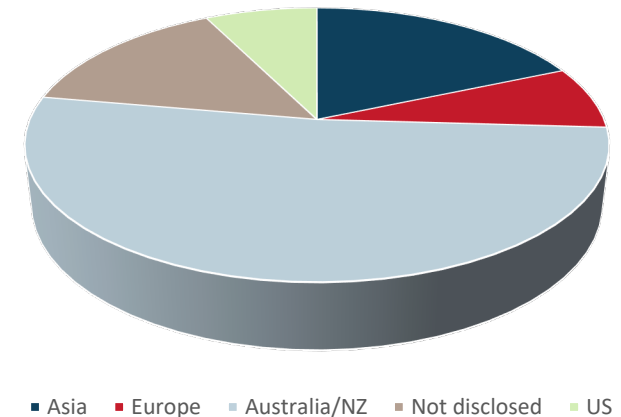
ResCap is also participating in our business partner, Pinnacle Investment Management's Women's Graduate Program and an Internship Program, both of which are open to students who are close to finishing their university studies. Our hope is to encourage female applicants into a career in real estate investment.

In early 2022, a graduate from the Women's Graduate Program joined ResCap for a few weeks as part of her rotation with Pinnacle. We will continue to participate in this Program each year.

Gender diversity



Cultural diversity



ResCap has been a signatory to the PRI (www.unpri.org) since 2010 and our Responsible Investment Policy aligns to the Principles of UNPRI.

Our results for PRI for 2021 are summarised as follows:

4 stars across three assessed modules:

- Investment & Stewardship – 77% vs the median score of 60% (4 Stars vs 3 Stars)
- Listed Equity – Incorporation – 72% vs the median score of 66% (4 Stars vs 4 Stars)
- Listed Equity – Voting – 83% vs the median score of 60% (4 Stars vs 3 Stars)

Signatory of:



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



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



ResCap became a member of the Responsible Investment Association of Australasia in 2022.



ResCap is not a reporting entity under the Australian Modern Slavery Act, however we believe it is important to understand and mitigate the risk of modern slavery in our business and supply chain. During the year, our business partner Pinnacle (and their affiliated investment managers) initiated a supplier register which assists with the risk assessment of common suppliers.

ResCap has policies in place which support the identification, assessment and mitigation of risks relating to modern slavery and human trafficking.

These include:

- Code of Conduct – workplace harassment, discrimination and bullying, anti-corruption, whistleblowing
- Worksafe Manual – provision of a safe workplace
- HR Policy – Recruitment, equal employment opportunity, victimisation
- Whistleblowing Policy
- AML-CTF Program (Sanctions Program)
- Responsible Investment Policy

In order to provide investment management services to our clients, ResCap procures services from a number of key suppliers including staff, property management (including cleaning services, electricity supplier), professional services organisations (such as auditors, insurance, lawyers), banks/financial institutions, and shared services (Pinnacle provide IT, legal, regulatory compliance, distribution, finance). Other suppliers to the business include those providing stationary, food and beverage/kitchen supplies, office equipment, office furniture, and recruitment firms.

In order to assess modern slavery risk in the key suppliers, we reviewed (where available) Modern Slavery Statements issued by those companies on the Department of Home Affairs website. We also reviewed whether the companies published any other relevant reports or policies on their websites (such as Human Rights Policy, Code of Conduct/Ethics, Anti-Corruption Policy).

ResCap partners with the Pinnacle Charitable Foundation (<https://pinnacleinvestment.com/foundation/>) to support charities whose work is focussed on children, (including providing education, medical research and supporting mental health), and have added a fourth partnership in 2022 (the Australian Alzheimer's Research Foundation). Our partnerships are reviewed annually to ensure that each donation is being utilised for specific programs, however, we aim to offer support for at least 3 years.

▪ **Yalari**

- Provides 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
- Up to 50 scholarships offered annually to indigenous children who satisfy the selection criteria
- Our contribution is directed towards the annual Orientation Program which is a key initiative bringing together all new Yalari students to help them prepare to embark on their boarding school journey
- In 2021 we also extended this support to sponsor a Rosemary Bishop scholarship for a year 7 student which will continue throughout her high schooling at Kambala School in Rose Bay
- This year the ResCap team had the opportunity to meet with our sponsored student Lilli for an afternoon tea in our office:

"Thank you so much for sponsoring me, I'm so grateful and lucky. Also, I have loved getting to meet you all and had so much fun coming into Resolution Capital. The cupcakes were amazing, my friends and I loved them! Thanks so much."

- <https://www.yalari.org/>





Andrew Parsons (CIO), Jennifer Gibby (Client Service Manager) and Morgan Ellis (ESG Analyst) at the Mirabel Foundation Big Day Out at Luna Park



Julian Campbell-Wood (Portfolio Manager) and Morgan Ellis (ESG Analyst) at the Mirabel Foundation Ladies Lunch

■ **Mirabel Foundation**

- Assists children who have been orphaned or abandoned due to parental illicit drug use and are now in the care of extended family (kinship care)
- Also assists the children's carers – often grandparents
- Mirabel provides opportunities for the children to interact with others in similar circumstances via group based and individual support programs, tutoring, and by holding Big Day Out events where children are taken to venues such as Luna Park and Raging Waters during school holidays. Here they have a fun outing away from their day-to-day lives and form peer connections with others, while Mirabel staff have the opportunity to observe and monitor their social wellbeing.
- Our contribution funds these Big Days Out, which also offer carers a special day of connection
- The ResCap team also has the opportunity to volunteer as chaperones for these events.
- <https://www.mirabelfoundation.org.au/>



■ **Australian Alzheimer's Research Foundation (AARF)**

- Supports medical research into Alzheimer's disease including:
 - Increasing the understanding of the causes of Alzheimer's disease
 - Developing earlier diagnostic techniques
 - Identifying treatments and interventions
- Our joint contribution is helping to research blood biomarkers and the development of a non-invasive, simple, early stage diagnostic blood test to show "markers" for Alzheimer's, and assist in early identification and potential early treatment for the disease
- <https://alzheimers.com.au/>



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

- For over 60 years, CMRI has been helping to save the lives of children through research into causes and prevention of children's genetic diseases and cancer
- Our joint contribution assists with the purchase of cutting edge, vital equipment used across multiple departments including most recently the Eye Genetics Unit and Cancer Research Labs
- Our Managing Director, Sonia Luton, had the opportunity to tour the CMRI laboratories in May 2022 to see the equipment which ResCap assisted in purchasing and hear about the work that the CMRI does
- <https://www.cmri.org.au/>



During the year, ResCap also donated to a number of other charities, including:

- GIVIT - in the wake of the flood disasters in NSW and Queensland, ResCap donated directly to GIVIT and also matched staff donations (in addition to Pinnacle) to charities of their choice during a special appeal in March/April 2022
- Shake it Up and Parkinson's NSW – research and support for those with Parkinson's disease
- UN Central Emergency Response Fund – provides humanitarian assistance to people affected by natural disasters and armed conflicts



Responsible Investment

ResCap is a specialist investment manager focused on investing in the global listed real estate and infrastructure sectors. 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 concentrated portfolios of carefully selected listed real estate and infrastructure 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.

Resolution Capital is focused on fundamentals driven stock selection, which is focused on:

- **High quality, high barrier, hard to replicate strategic assets, which are located in key markets and cities, where there is pricing power;**
- **Entities with sustainable capital structures, which are run by disciplined and aligned management teams; and**
- **Robust earnings profile, with the majority of earnings derived from contractual income**

Our analysis of ESG factors align with this approach and therefore forms an important part of our analysis of investee companies. While analysis of governance structures has long been a primary area of focus as a active owner, we are increasingly incorporating environmental and social factors into our analysis and modelling of existing and potential portfolio holdings.

For all stock initiations, ESG factors are a key part of the analysis to identify any potential concerns, such as poor governance structures, a lack of carbon reduction strategies or poor employee engagement and safety programs. These are then factored into valuations via adjustments to the company's earnings forecasts and / or valuation multiple, where applicable.

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.

We measure the environmental performance of companies by measuring absolute and intensity-based metrics, like for like annual changes, and reduction targets for the following metrics, when available:

- Energy;
- Greenhouse gas (GHG);
- Water; and
- Waste.

We collect data directly from company disclosures as well as from third party data providers, including GRESB, MSCI, Bloomberg and ISS.

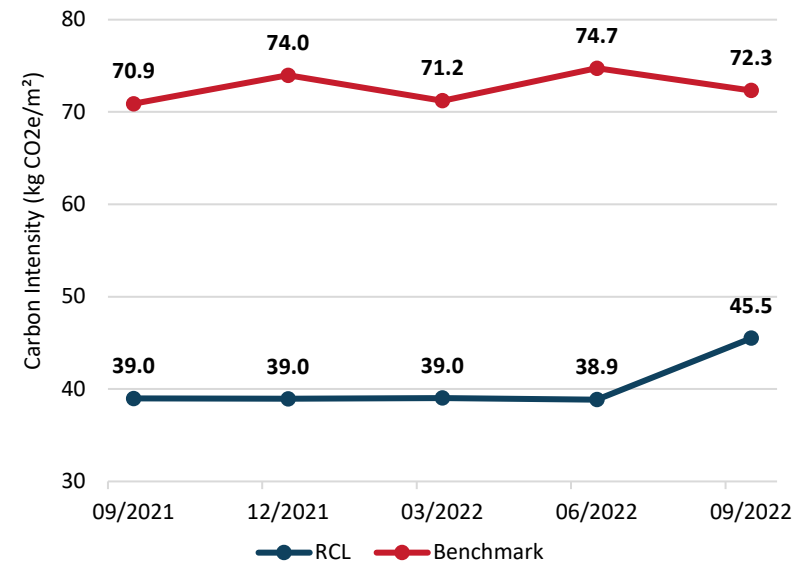
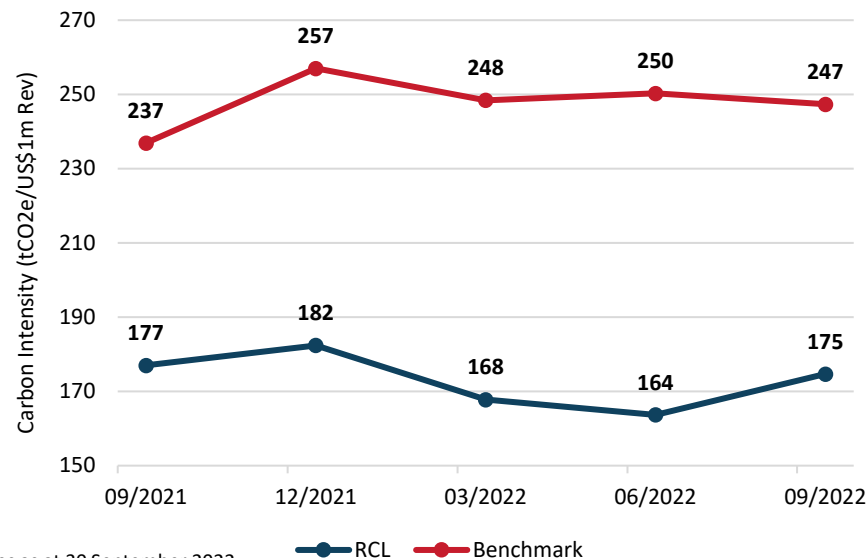
Our focus is not just on the position of our portfolios at a point in time, but also on the changing nature of our environmental performance and whether investee companies are improving or whether a declining level of performance requires engagement with company management. We also support the increase in transparency in company reporting and ESG disclosure in the sector, as well as the introduction of TCFD recommendations for company reporting, which can increase the standardisation and comparability of company disclosures.

Consideration of the objectives and track record of company management is another critical component of our analysis, which gives us confidence that a company can achieve its environmental goals. We use meetings with management, as well as asset tours to discuss environmental credentials and review how they are incorporated into asset management and development.

As the number of net zero carbon emissions commitments from both landlords and tenants increase, lowering the resource consumption of properties becomes an ever-increasing business necessity to lower operating emissions of a portfolio. Lower resource consumption from greater energy, water and waste efficiencies will make assets more profitable through lower operating expenses and increasing occupancy levels, as tenants with their own sustainability goals increasingly seek out properties that align with their climate ambitions.

In our analysis, we look at companies' carbon reduction plans to assess whether they are aligned to the Paris Agreement's carbon reduction requirements, and how their carbon emissions are changing over time to track their progress. We do this by using data from sources such as GRESB, MSCI and Bloomberg and compare the performance of our portfolio to that of our benchmark indices.¹ While there was a slight increase in carbon intensity in the third quarter due to an increased exposure to two Australian Retail REITs and while these REITs are industry leaders with respect to ESG performance, they do have higher than portfolio average carbon intensities. Nonetheless, the Global REITs portfolio still has a carbon intensity significantly lower than the benchmark's.

Carbon intensity of Global REITs portfolio vs the benchmark, 12 months to 30 September 2022



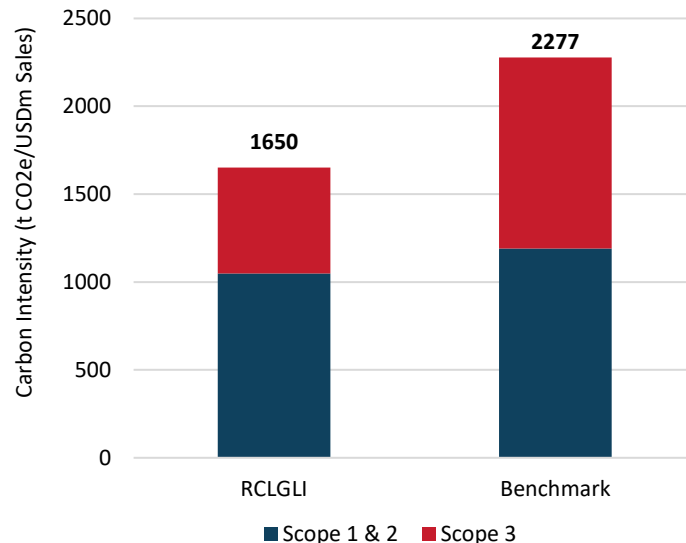
* Figures as at 30 September 2022

1. Global REITs benchmark is the FTSE EPRA/NAREIT Developed Index

In our GLI strategy, one of the areas of focus is on taking advantage of companies that can participate in, and enable, the transition to a net zero world and so we are interested in listed infrastructure companies that can generate clean energy, decarbonise their operations and enable other companies to achieve the same goals.

We assess a company's carbon reduction plans, carbon emissions trajectories, proportion of renewable electricity generated for Utilities, and compare our portfolio performance versus the fund's benchmark index*. As shown in the charts below, this focus on the clean energy transition and those companies that can enable it have led to our portfolio having lower carbon emissions intensity, lower fossil fuel energy generation and higher renewable energy generation.

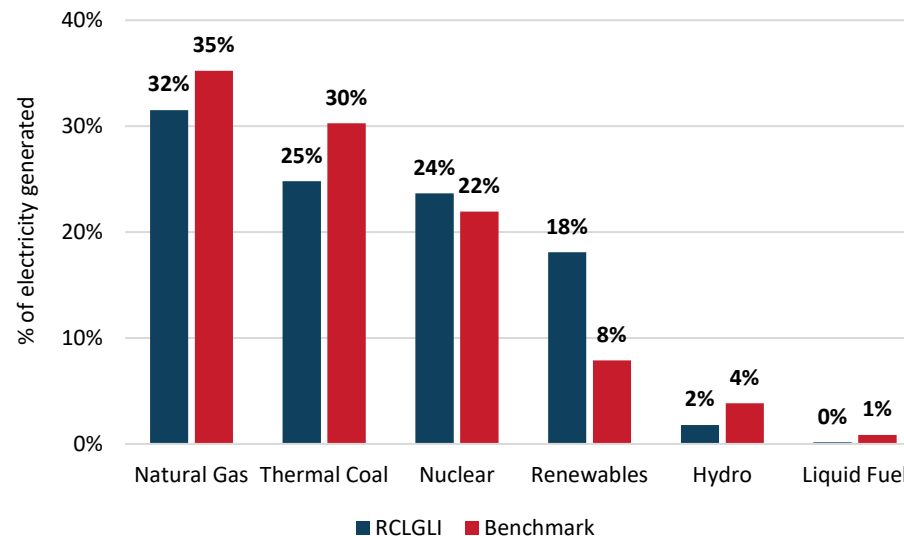
Carbon intensity of GLI portfolio vs the benchmark



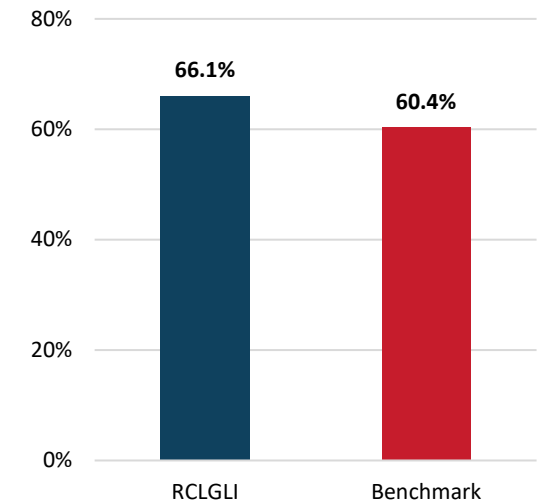
All figures as at 30 September, 2022

* GLI benchmark index is the FTSE Developed Core 50/50 Infrastructure Index

Electricity generation sources of Utilities companies in the GLI portfolio and the benchmark



Proportion of companies with net zero operational carbon emissions target, by portfolio weight



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

In assessing the modern slavery risk within the portfolio, we engaged with companies to understand whether they had stated a commitment to address modern slavery risks in their business and in their supply chain and had the policies and processes in place to identify and remediate any areas of concern. The results of that review are stored in our proprietary research database and more information is provided on page 34 of this report.

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



Source: ResCap research, Company reports

* The Global REITs portfolio held one company domiciled in Canada, as at 30 September 2022

As at 30 September 2022

We also assess how companies are working to attract and retain employees so that they are not losing productivity with regularly training new employees, advertising positions and onboarding, as well as loss of institutional knowledge. We also look at diversity within companies, whether gender, racial or cognitive, as it is well established that companies with diverse employee groups tend to perform better over time.

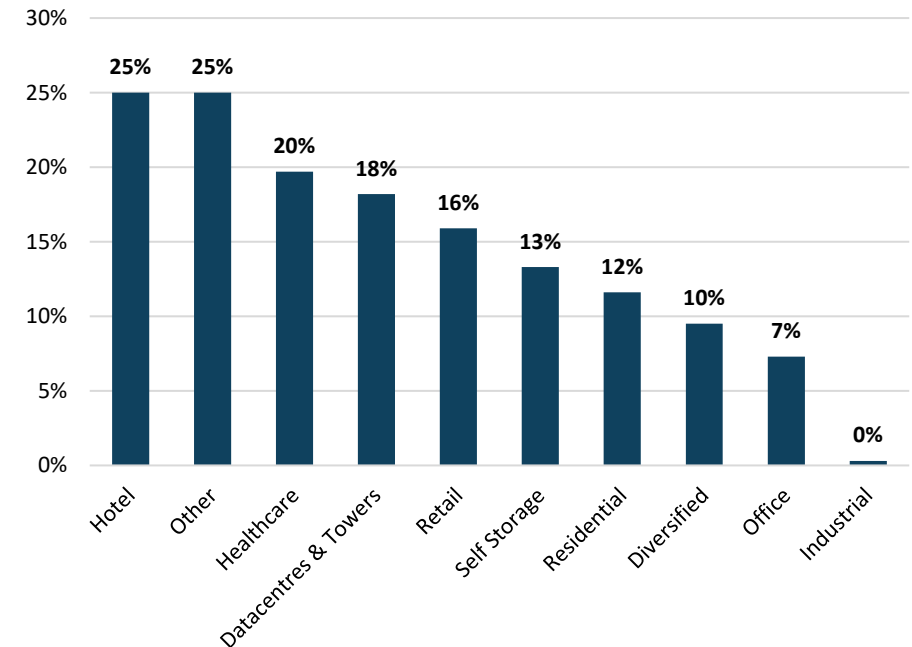
Where practicable, we review the following factors, looking for evidence of how companies are working to attract and retain key employees, and evidence that these programs are effective through:

- Employee engagement and training;
- Staff turnover, either through voluntary attrition or through redundancies; and
- Diversity.

Other factors that we consider, in terms of a company's social license include:

- The overall social impact of activities of the company;
- How strong are the regulations in the jurisdictions a company operates, ie how severe are penalties for controversial events?
- 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)?

Average % of female executives, by sector, for companies within ResCap global REIT portfolio



Source: ResCap research, Company reports

As at 30 September 2022

We believe that good governance and good management are imperative to a company's long-term success. We have observed that companies with aligned management typically outperform companies with inferior alignment over the long term.

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.

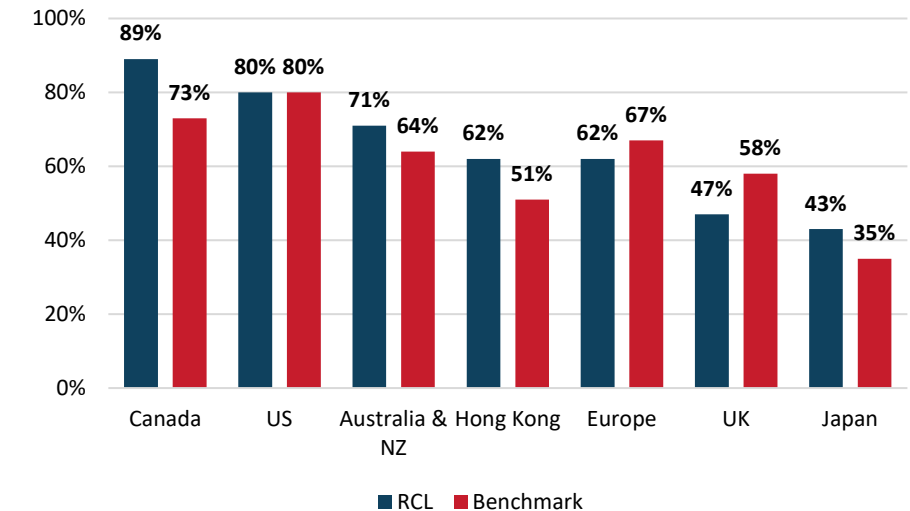
To assess this alignment, we focus on:

- Whether companies are internally or externally managed;
- The level of share ownership by management;
- Remuneration structure and KPIs;
- Board composition, including independence, diversity, director tenure, ;
- Track record, transparency, integrity;
- Minority shareholder protection; and
- The presence of conflicts of interest or related party transactions.

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

Average % of independent directors, by region, for companies within ResCap global REIT portfolio and the benchmark



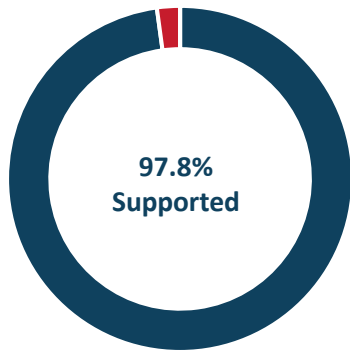
Source: ResCap research, Company reports

As at 30 September 2022

Resolution Capital considers the exercise of proxy voting key to our role as an active investor. ResCap takes its voting responsibility seriously and will vote on all resolutions that it has the ability to (in accordance with client agreements). Where we do vote against management, we advise the company of our reasons for doing so prior to the meeting wherever practicable. The Portfolio Managers cast the votes for all proxies, in consultation with the investment team, and while we do not use a proxy advisory service, we do utilise proxy research from ISS.

Proxy Voting summary for Global REITs strategy

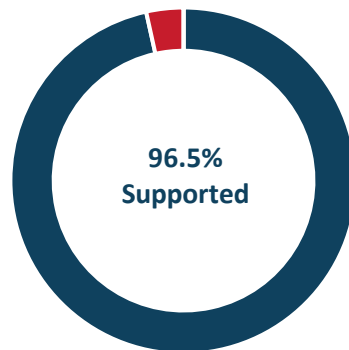
2022 Total Resolutions*



- Voted For: 681
- Voted Against: 15
- Abstained: 0

57 Meetings
696 Resolutions
*12m to 30 September 2022

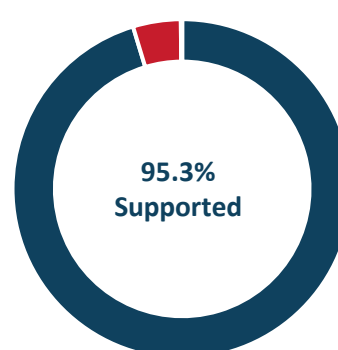
CY21 Total Resolutions



- Voted For: 806
- Voted Against: 29
- Abstained: 0

82 Meetings
835 Resolutions

CY20 Total Resolutions

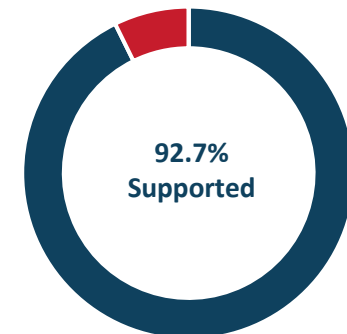


- Voted For: 732
- Voted Against: 35
- Abstained: 1

87 Meetings
768 Resolutions
Vote abstained where unable to vote against resolution proposed (URW)

Proxy Voting summary for GLI strategy

2022 Total Resolutions*



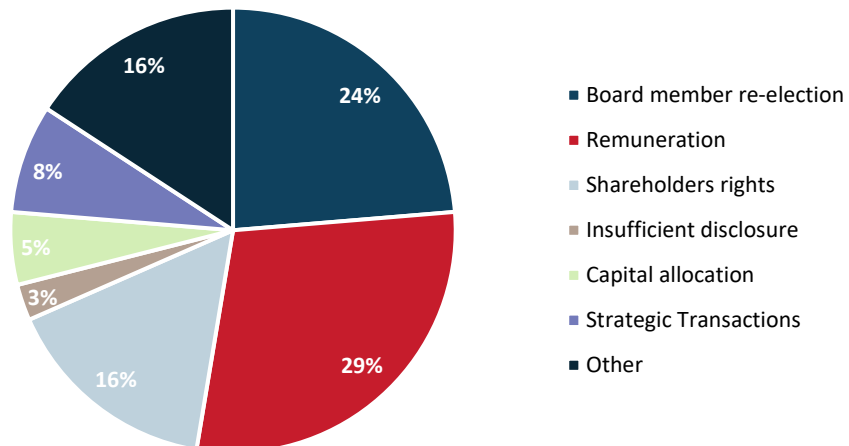
- Voted For: 369
- Voted Against: 29
- Abstained: 0

29 Meetings
398 Resolutions
*Votes since GLI Fund inception Oct 2021

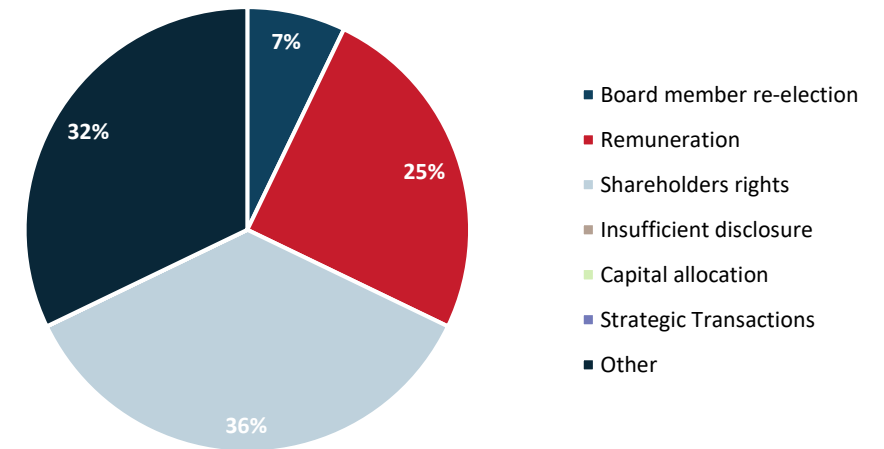
While we consider company resolutions on a case-by-case basis, we lay out five main themes in our Proxy Voting policy, in which we describe our guidelines for casting our votes. These themes are:

- Director elections
- Remuneration
- Shareholder rights
- Other proposals
- Environmental and Social proposals

Votes against management for Global REITs*



Votes against management for GLI*



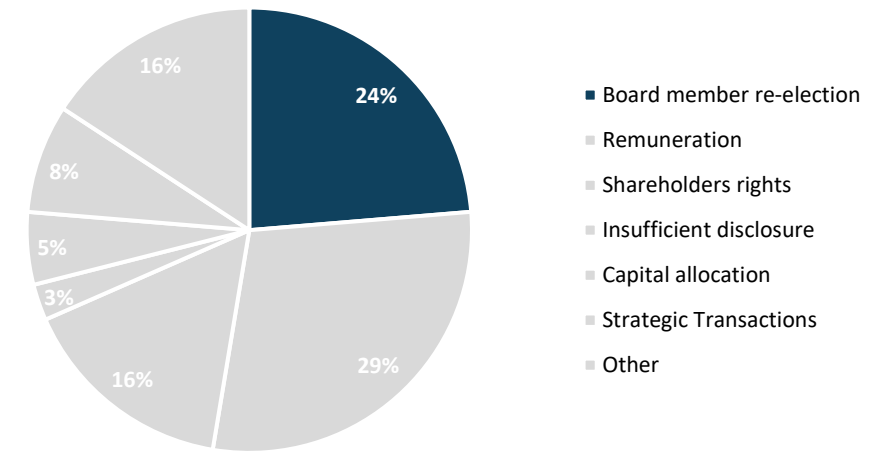
*12 months to 30 September 2022

When voting for directors, we assess whether a company has a board that shows sufficient independence from management influences, has the necessary skills and experience to fulfill their duties and has an overall cognitively diverse background.

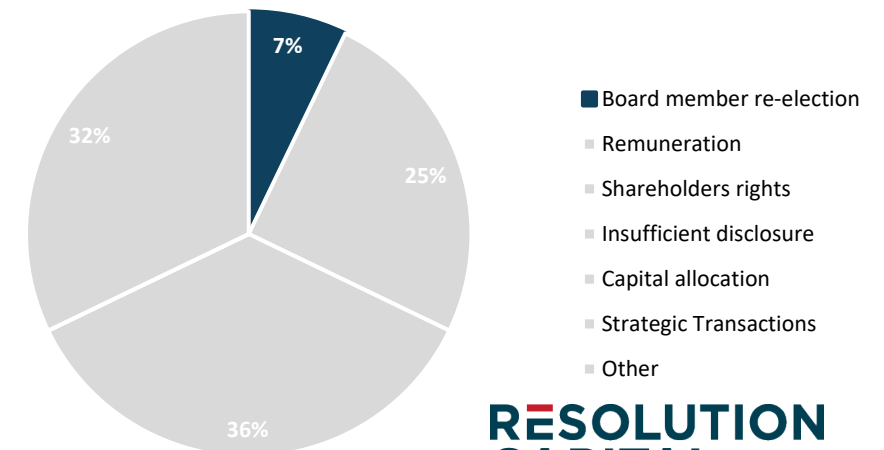
For both the Global REITs and GLI strategies, in last 12 months we have voted against management proposed director elections due to:

- Poor track record in previous director or executive positions
- Involvement in governance related controversies
- Over-boarding
- Electing a director that reduces the independence of a board, including reducing independence of key board committees

Votes against management for Global REITs*



Votes against management for GLI*



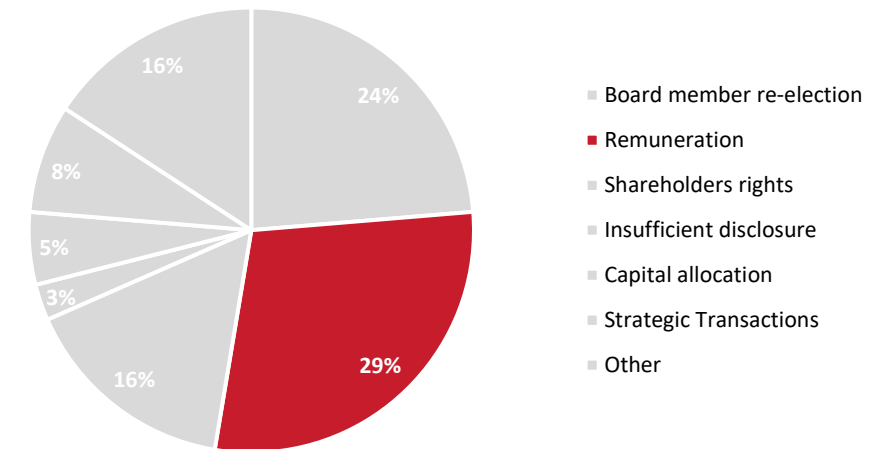
*12 months to 30 September 2022

Remuneration of key senior executives is a subject of intense scrutiny in our assessment of company proxy votes. As shareholders we strive to assess whether remuneration plans are structured to provide value for money and are reflective of company performance, as well as being sufficiently transparent.

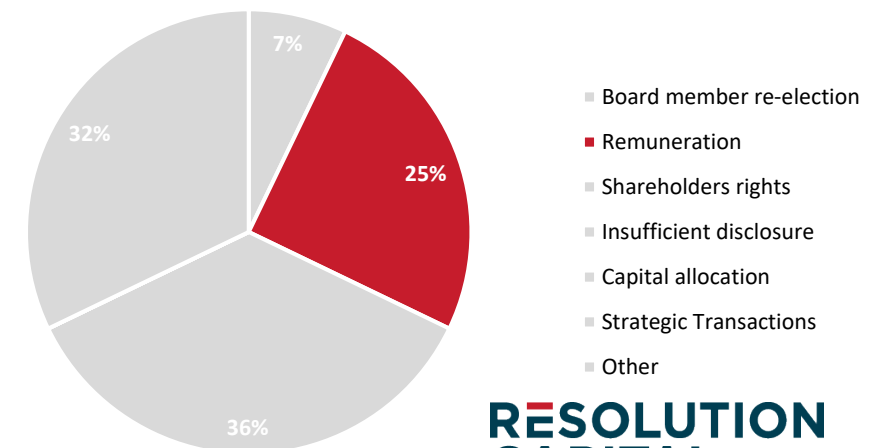
For both the Global REITs and GLI strategies, in last 12 months we have voted against remuneration plans due to:

- Insufficient disclosure of performance hurdles, peer set comparisons or achievements in Short, or Long, Term Incentive plans
- Overly generous Golden Parachute or severance packages
- Compensation schemes allowing for share awards that could lead to significant dilution of existing shareholders
- Performance hurdles that award management for company performance below that of its peer set median
- Overly generous pension schemes
- Discretionary bonuses awarded without details on why the bonuses were awarded

Votes against management for Global REITs*



Votes against management for GLI*



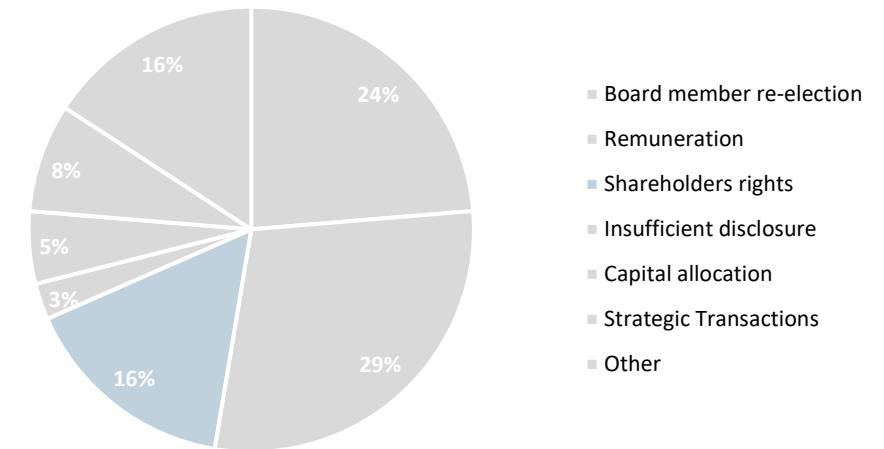
*12 months to 30 September 2022

When assessing proposals relating to shareholder rights, we are looking at whether there are governance structures that are restrictive of shareholders, particularly minority shareholders, or inhibit shareholders' ability to keep directors accountable.

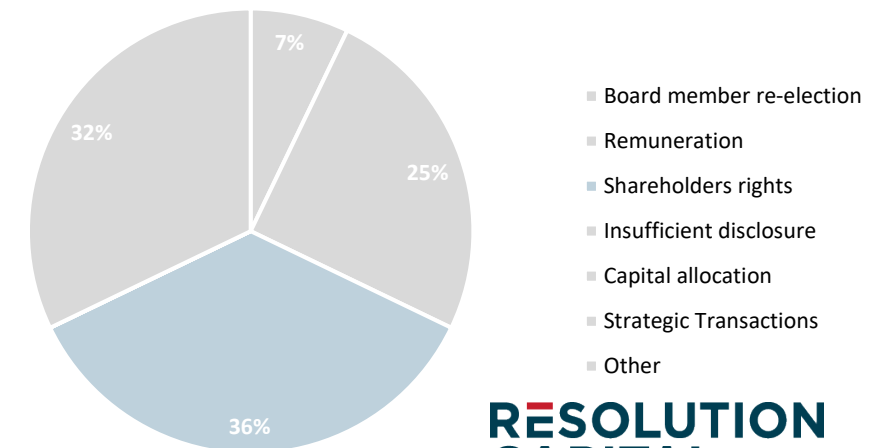
For both the Global REITs and GLI strategies, in the last 12 months, one of the main resolutions we have voted against has been the proposed change to company constitutions to allow companies to hold AGMs virtually. While during the periods of lockdowns and restrictions on physical meetings this made sense, since these restrictions have eased having only virtual AGMs could reduce the ability of certain shareholders to take part in the AGM process.

We also assess whether a company restricts shareholders amending company by-laws, by having onerous requirements in terms of either level or time of shareholding. If a company does have such limits, we believe they should be set as low as possible so more shareholders can participate.

Votes against management for Global REITs*



Votes against management for GLI*

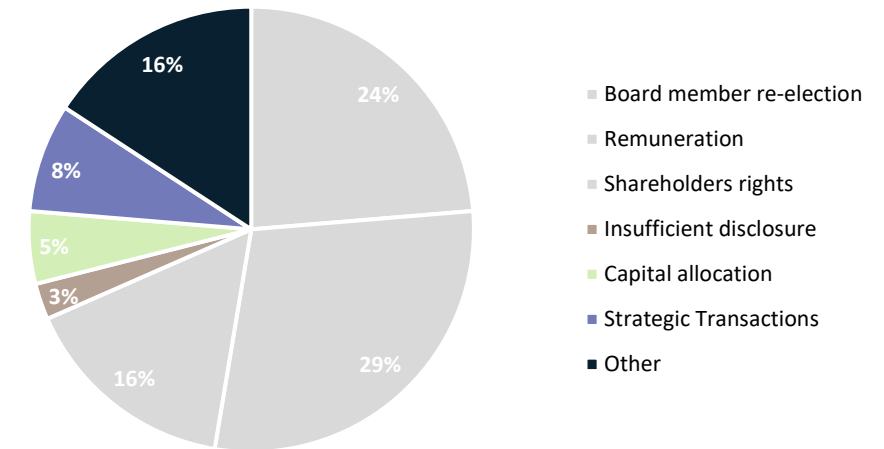


*12 months to 30 September 2022

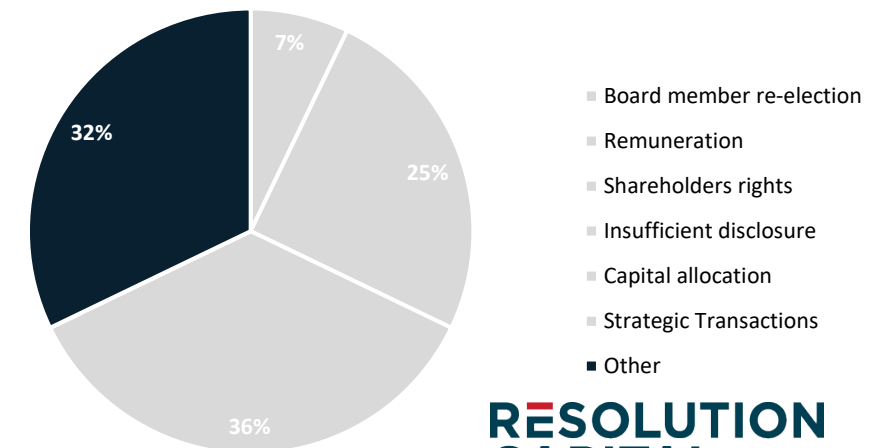
Management and shareholder proposals that do not fall into the preceding categories are classified in Other Proposals. These types of proposals can include votes on:

- Voting against takeover protections, such as poison pills, that could be overly restrictive for shareholders
- Merger and acquisitions, asset sales or purchases that do not represent good value for shareholders
- Share issuances with no clear investment usage that allow a company to unnecessarily dilute existing shareholders
- Whether companies are rotating, or considering rotating, their auditors to avoid to avoid a loss of independence in that relationship.

Votes against management for Global REITs*



Votes against management for GLI*



Company engagement is a critical part of ResCap's investment process.

As active owners, engagement provides the investment team 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 of how the company operates.

We also conduct some engagement with companies that we see as potential investments or industry leaders, so that we can understand their plans and what their intentions are going forward.

The engagement agenda is set annually by our ESG Analyst and agreed upon by all the Portfolio Managers responsible for the strategy.

ResCap Engagement process

Identify companies we need to engage with

- Poor ESG score/disclosure: no/low GRESB score, sustainability report, no disclosed targets
- Y/Y deterioration in ESG scores
- Poor board diversity



Discussion with company

- Poor effort or poor disclosure?
- Acceptable risk profile?



Follow up in 6/12 months

- Hold company accountable
- Apply pressure
- Propose resolution

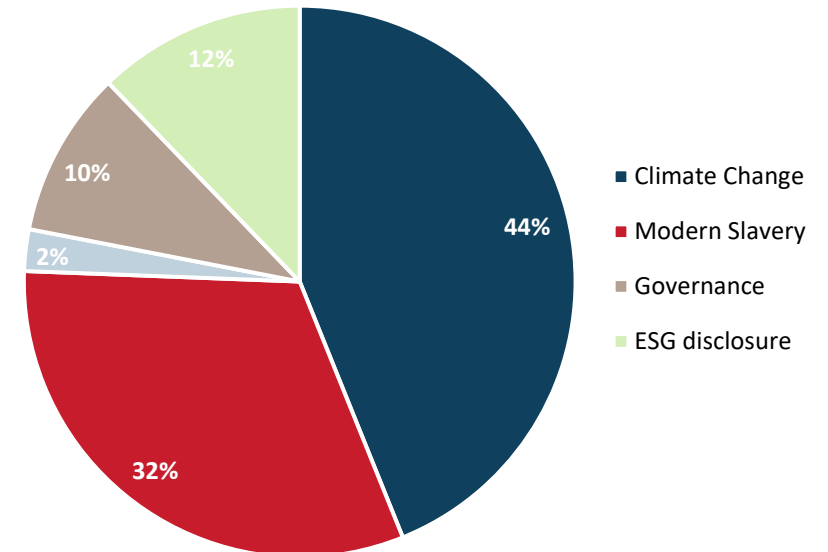
Key engagement initiatives this year have included further analysis and discussion in areas we have focused on previously including:

- Climate risk – disclosures in line with TCFD recommendations, emissions reductions targets and physical risk assessment
- Modern Slavery – business and supply chain analysis
- Company specific - strategy, capital allocation, remuneration, governance

A key area of focus has been on encouraging companies to improve their ESG related disclosures through recognised frameworks aimed at robust reporting and increasing standardisation. Therefore we encourage companies to report in line with the recommendations of the TCFD and for REITs to report through the GRESB assessment.

This allows for better understanding of the risk profile and comparability between holdings in the global REIT portfolio. Furthermore, better disclosure typically results in increased focus by the company on areas including waste reduction, water usage and the company's environmental footprint.

Reasons for engagement



- 42 company engagements were undertaken for the 12 months to 30 September 2021.
- One company can have multiple engagements.
- Measured per company.

Given the Global Listed Infrastructure strategy launched in 2021, this is our first year of formal engagement. We are currently engaging our Global Listed Infrastructure companies on the issues outlined below.

Climate change

In our opinion infrastructure will play a key part in decarbonising the world, and enabling it to decarbonise, through the electrification of everything and the decarbonisation of electricity generation, which can provide secular growth opportunities for decades. Therefore, we are asking companies that do not currently have carbon reduction targets that are aligned with the Paris Agreement if they are planning on implementing one, and if not, why not.

Modern slavery

Due to the elevated demand for solar panels to achieve their decarbonisation goals, companies will now have to show that their supply chains avoid contact with solar panels and components, from the Xinjiang region of China, where there has been serious allegations of human rights violations against the Uyghur population. The U.S. prohibits the importing of products from Xinjiang, through the Uyghur Forced Labor Prevention Act, the EU has proposed its own legislation to prohibit the sale of products made with forced labour. In order to avoid disruptions to their supply chains, we are asking companies how they are dealing with these risks in their solar panel supply chains.

Political donations

Given the regulated nature of infrastructure companies and Utilities in particular, they are highly impacted by decisions made by regulators and both state and federal legislators. Given this dynamic, we are interested in how transparent companies are with respect to their political donations and seeing whether they are supporting political candidates, or industry bodies that are opposed to their stated decarbonisation goals, for example.

Climate Change – Urban Edge (Retail REIT)

This company was included for engagement this year because it did not have a carbon reduction target aligned with the Paris Agreement.

While they have not set such a carbon target yet, they are working to understand their portfolio's footprint so that they are not making commitments they might not be able to achieve. While they have not publicly announced a carbon reduction target in line with the Paris Agreement, they are planning on releasing a target for Scope 1 & 2 emissions in their next Sustainability Report.

Improvements in their approach include clear responsibility and oversight for ESG strategy that includes designated board and management committees, a systematic approach to collecting Scope 3 Tenant emissions during regular site visits, increasingly incorporating Green Leasing language that provides for tenant provision of utility data and purchasing onsite solar generation where available.

Climate Change – Welltower (Healthcare REIT)

This company was also engaged with due to their weaker than peers carbon reduction target and were asked about whether they were planning on increasing their current target.

The company was going through a process of updating their broader sustainability strategy and are planning on implementing a Science Based Targets Initiative (SBTi) target, which would be a pleasing improvement in their approach to carbon reduction.

In terms of their physical risk assessments, they have made strong efforts to integrate these assessments with their insurance and risk management teams. This assessment has shown the largest physical risks they are facing is from heat stress and flood risk. The company said that due to these risks, they have seen an increase in insurance premiums and regularly discuss adaptation measures to try and reduce both physical risks and insurance premiums.

Modern Slavery and Political Donations – NextEra (Electric Utility)

We engaged with an Electric Utility on their approach to modern slavery and political donations.

In terms of modern slavery, the company works to ensure the solar panels they purchase are not manufactured, or assembled, with modern slavery practices. This is in light of the Uyghur Forced Labor Protection Act (UFLPA) which prohibits the importation of products made by forced labour in Xinjiang Region of China. The company works with suppliers to prepare the required documentation to satisfy UFLPA.

When talking about Political Donations, while there appeared to be clear controls and approval processes for donations to charities and industry bodies, there was not a clear process for donations to political candidates or parties. This is an issue as there is the potential for reputational damage if the company donates to causes that are working against the stated aims of action on climate change and decarbonisation.

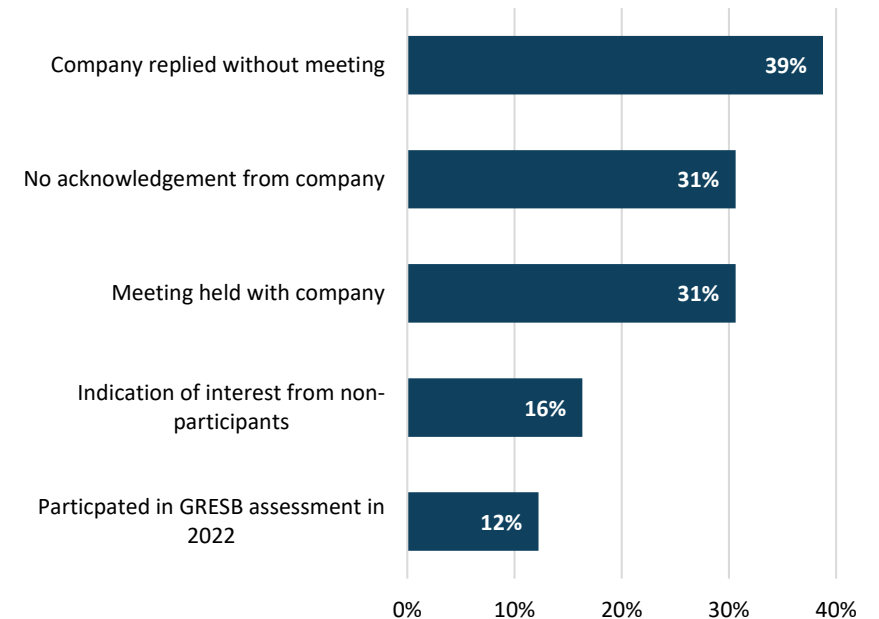
This year we also participated in a group engagement collaboration led by GRESB. The firm was one of 16 real estate investors that participated.

The aim of this engagement program was to target real estate companies in the APAC region that were not participating in the GRESB assessment to encourage them to participate and in so doing improve their ESG disclosures and the transparency of ESG reporting in the region. GRESB representatives contacted 49 companies, across 12 APAC markets.

One of the encouraging aspects of the series of engagements was the response from 8 companies that they were seriously considering participating in the 2023 GRESB assessment for the first time.

Their indicated intention is to improve both their ESG disclosures and their ESG performance.

Summary of collaborative GRESB engagement outcomes



*Source: GRESB

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