RESOLUTION CAPITAL

QUARTERLY ESG AND STEWARDSHIP REPORT

GLOBAL LISTED INFRASTRUCTURE STRATEGY

DECEMBER 2023

ESG Commentary

UN Principles of Responsible Investment (UN PRI) Assessment

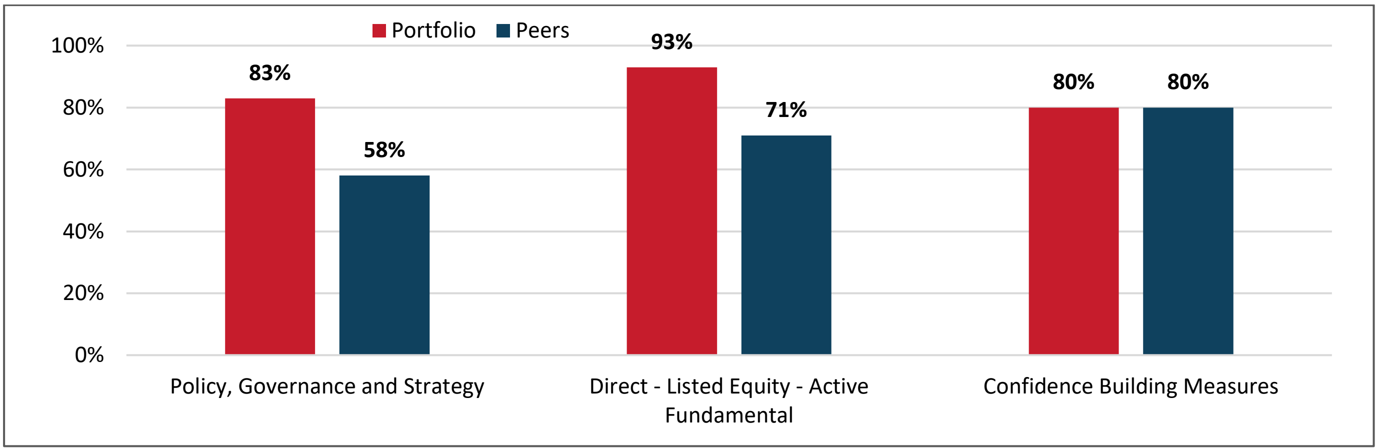
As a signatory to the UN PRI, we are required to report on our responsible investment activities each year, a process that increases transparency and accountability in the responsible investment industry, standardises reporting and provides opportunities for peer comparison and feedback for improvement.

During this quarter we received the results for our 2023 Transparency Assessment. 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.
- **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.

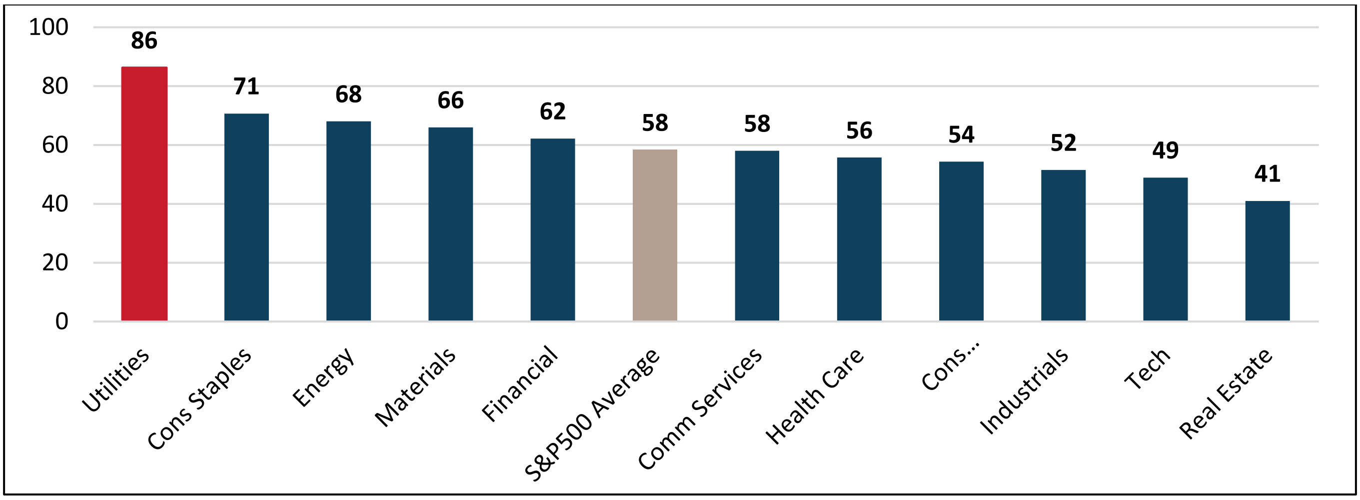
Utilities sector leads the CPA-Zicklin Index in 2023

Resolution Capital uses the Center for Political Accountability's CPA-Zicklin Index which measures the level of transparency and accountability of U.S. companies with respect to their political donations. This Index is an annual assessment that measures performance in three areas: disclosure; company political spend decision-making policies; and board oversight and accountability policies.

We consider this an important metric to assess, particularly for the U.S. utilities sector, as it incentivises best practices in corporate accountability and transparency, it helps protect shareholders and others concerned about increasing risks of company political spending, as well as enabling companies to compare their policies and practices with those of their peers and leaders in their industries.

The CPA-Zicklin Index released its annual update at the end of 2023, allowing us to observe the improvement, or deterioration, of our Portfolio holdings' scores compared to those of companies in the S&P500. Overall, the utilities sector was the highest scoring sector in the S&P500 for 2023, shown in the chart below.

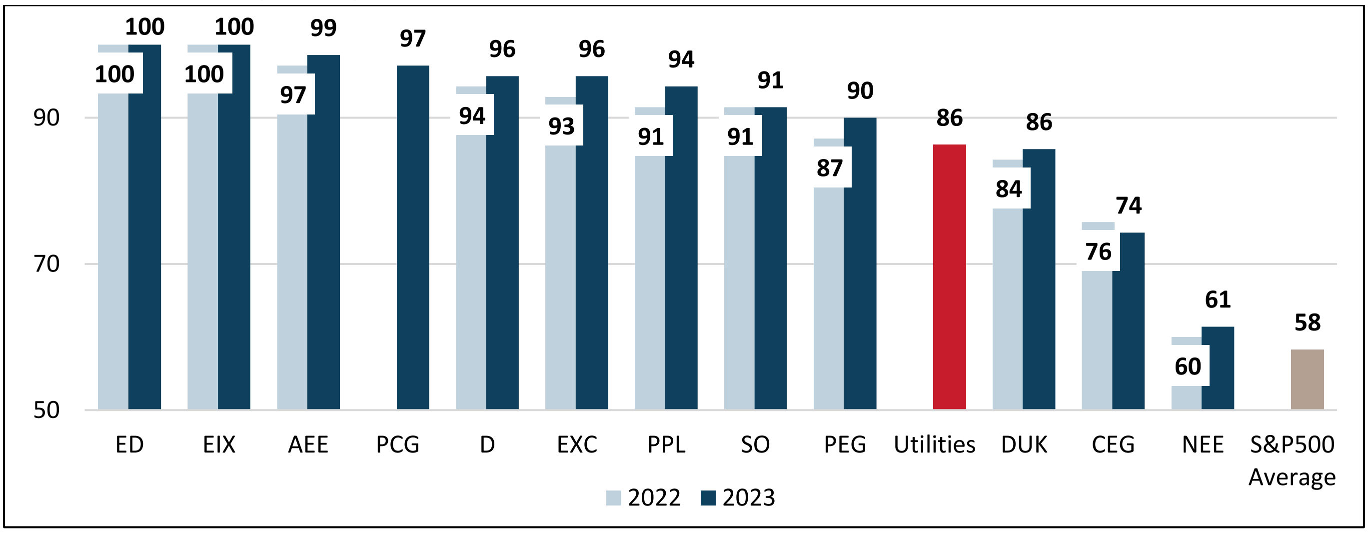
CPA-Zicklin Scores (0 – 100) by sector in the S&P500



Source: CPA- Zicklin Index, 2023

In general, utility companies face elevated reputational and legal risks related to political donations and lobbying compared to other industries due to the regulated nature of their business models. In the face of this elevated risk, utilities generally have strong policies and procedures to govern their political donations activities and have a greater degree of transparency around their practices than other industries. The CPA-Zicklin scores of our U.S. utilities Portfolio holdings are all above the S&P500 average as shown in the chart below.

CPA-Zicklin Scores (0 – 100) for utilities portfolio holdings



Source: CPA- Zicklin Index, 2023

Out of our 12 U.S. utilities holdings, nine are above the Utilities sector average, Consolidated Edison (ED) and Edison International (EIX) have perfect scores and Ameren (AEE), PG&E (PCG), Dominion (D) and Exelon (EXC) all have nearly perfect scores.

In 2023, carbon free electricity generator Constellation Energy (CEG) was our only holding to have a small score reduction from the prior year. This was due to a change in the assessment of the company's level of disclosure of a detailed policy on political expenditures from corporate funds.

The largest improvements among our Portfolio holdings were from Public Service Enterprise Group (PEG) (3.3% improvement in its score), Exelon Corporation (EXC) (3.1% improvement), PPL Corporation (PPL) (3.1% improvement) and Nextera (NEE) (2.4% improvement).

These scoring improvements were the result of improving disclosures of the specific issues that inform its political spending decisions (PEG), public policy allowing employee contributions, but not corporate contributions, for direct political expenditures (PPL), and clearly identifying the specific board committee that reviews the company's political spending (EXC).

NEE appointed a board committee to approve political expenditures from corporate funds, which improves transparency. However, the company still lags its utilities sector peers and is our lowest scoring holding. We will continue to monitor their performance in this area and push for further improvements to be made.

Portfolio Metrics

For the Portfolio, a key focus is on taking advantage of the transition to a net zero emissions world. The Portfolio seeks to achieve this by investing in companies that can align with the decarbonisation requirements of the Paris Agreement by 2050.

We compare our Portfolio emissions reduction performance to the benchmark for the Portfolio, the FTSE Developed Core 50/50 Infrastructure Index, using ESG data sourced from MSCI ESG Research, Bloomberg and ISS.

Carbon Emissions

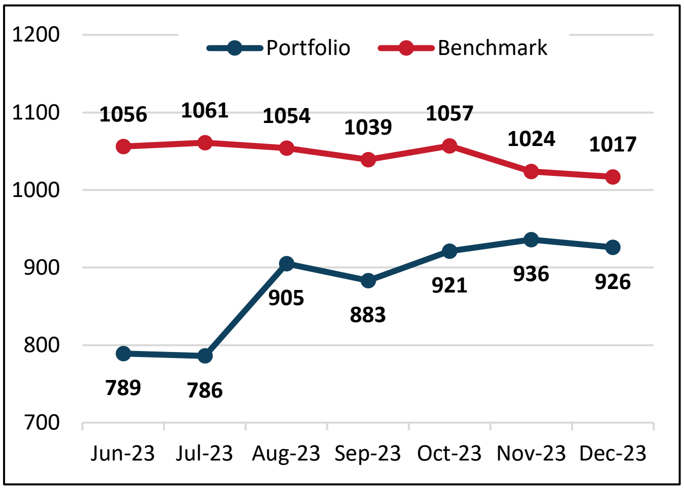
The carbon emissions and carbon intensity of the Portfolio versus the index are monitored and measured on a quarterly basis. The charts below illustrate the carbon intensity of the Portfolio versus the index, as of 31 December 2023, separated into Scopes 1 and 2, and Scope 3 emissions. Pleasingly, the carbon intensity of the Portfolio holdings remains lower than that of the index, especially for Scope 3 emissions, given our much lower holdings in companies with gas generation, and lower holdings in the midstream sector compared to the benchmark.

Achieving portfolio carbon emissions below that of the benchmark can be attributed to a combination of sector positioning and stock selection in the Portfolio. While the Portfolio has a significant position in electric utilities, the selection within that sector results in a carbon emissions intensity slightly lower than the index (1,480 ton/US$1m Rev vs 2,028 ton/US$1m Rev) for Scope 1 and 2 emissions.

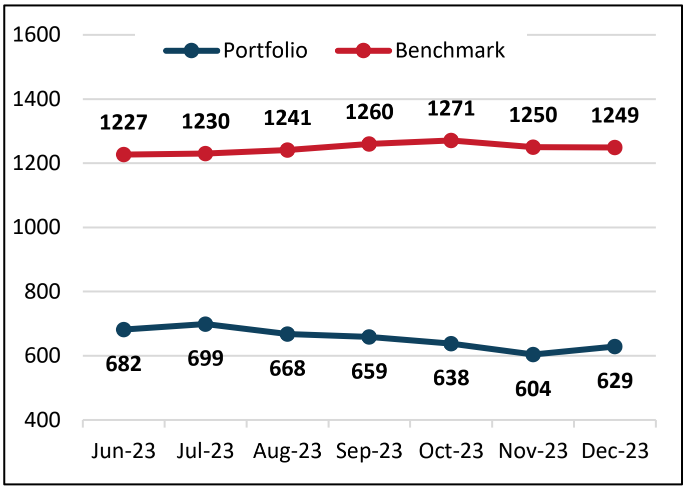
Portfolio Scope 1 and 2 emissions intensity remained stable over the last quarter. New positions in lower carbon intensity companies, such as Crown Castle Inc (CCI-US) and Fraport AG (FRA-DE) and decreasing positions in carbon intensive utilities (Ameren (AEE-US) and PPL Corp (PPL-US)), helped to offset new positions in carbon intensive electric utility Dominion Energy Inc (D-US) increasing positions in RWE AG (RWE-DE).

Having no holdings in companies in the gas and diversified utilities sectors, combined with an underweight position in the midstream sector, results in a significantly lower Scope 3 emissions intensity for the Portfolio compared to the index (659 ton/US$1m Rev vs 1,260 ton/US$1m Rev).

Carbon intensity – Scope 1&2 (Ton/US$1m Rev)



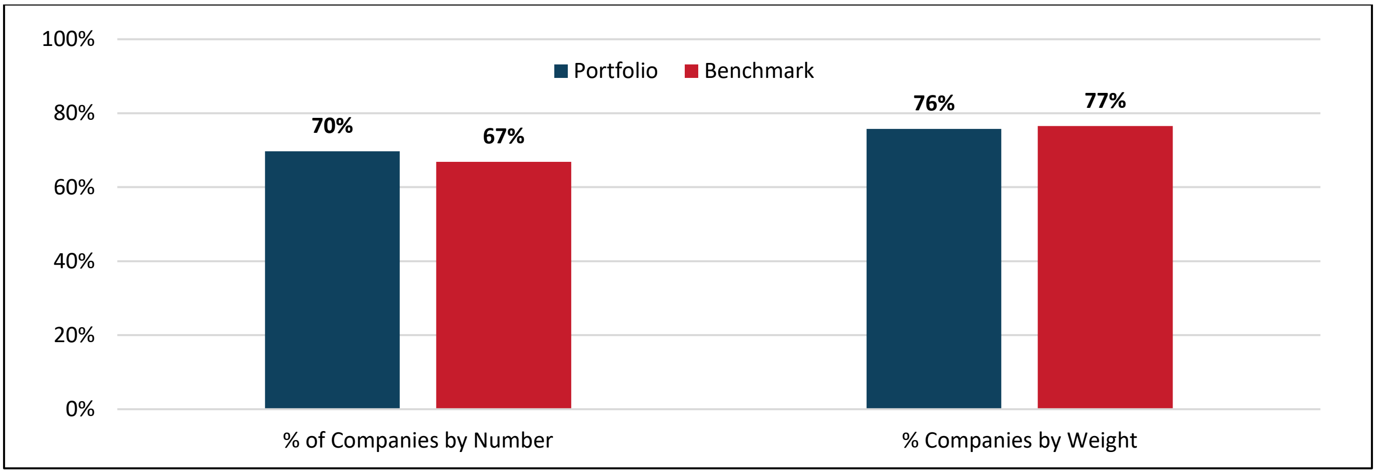
Carbon intensity –Scope 3 (Ton/US$1m Rev)



Source: ResCap, MSCI ESG Research, 31 December 2023
Index: FTSE Developed Core 50/50 Infrastructure

Another measure we are monitoring to gauge a company's decarbonisation ambitions is whether a company is targeting a net zero state, or alignment with the Paris Agreement. The proportion of Portfolio companies with net zero carbon emissions targets is shown in the chart below, with 76% of the Portfolio, by weight, having a net zero target by 2050, compared to 77% of the benchmark.

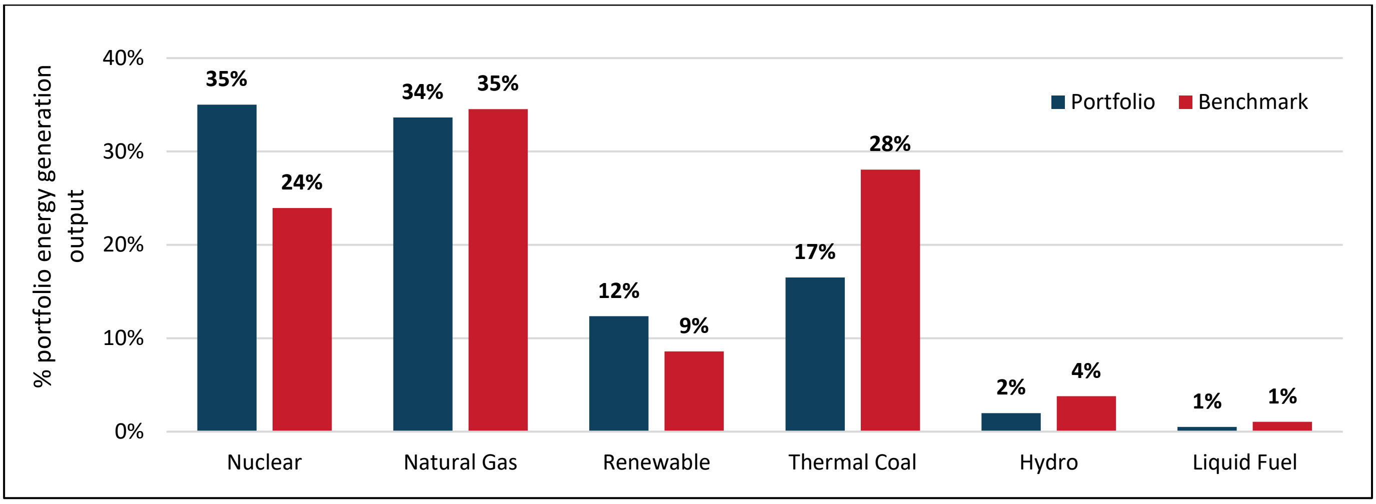
Proportion of companies with net zero carbon reduction targets by 2050



Source: ResCap, MSCI ESG Research, Company disclosure, 31 December 2023
Index: FTSE Developed Core 50/50 Infrastructure

Our focus on Paris Alignment also means we are looking closely at the utilities sector and their efforts to decarbonise, since this is a significant part of our investable universe, both in terms of market capitalisation and carbon emissions. Tracking electricity generation by source is of interest given this focus on decarbonisation and the transition to clean energy generation. The breakdown of electricity generation by source for the Portfolio and the benchmark is shown in the chart below, with a greater focus on electricity generation from low-carbon sources, such as Nuclear and Renewables, and less from high carbon intensity sources, like Thermal Coal and Natural Gas, than the benchmark.

Proportion of energy generation output, by source, for the portfolio versus the benchmark



Source: ResCap, MSCI ESG Research, Company disclosure, 31 December 2023
Index: FTSE Developed Core 50/50 Infrastructure

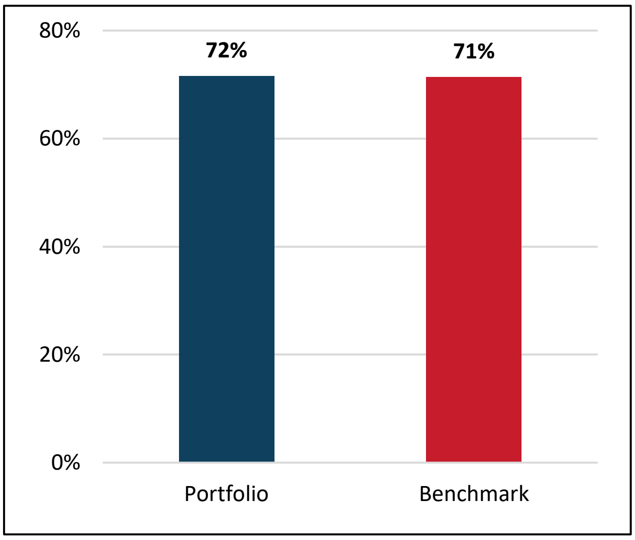
EU Taxonomy Alignment

The EU Taxonomy enables the European Union to classify and define activities that are "sustainable" and "green", i.e. if an activity or a company aligns with the EU Taxonomy's requirements it is considered sustainable and contributes to the achievement of the broader goals of the Paris Agreement.

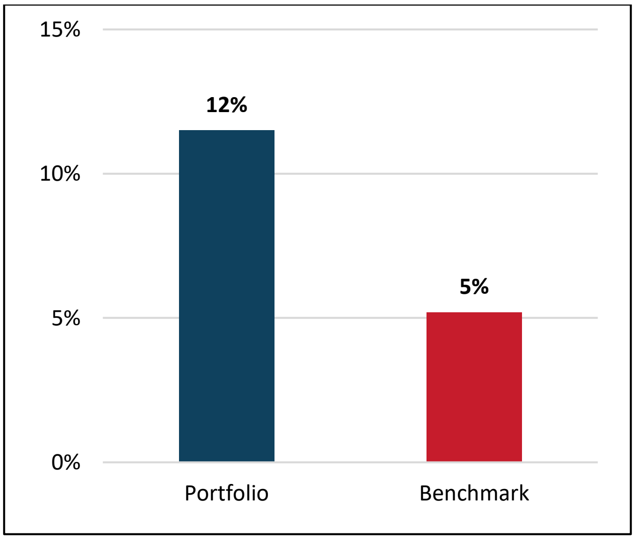
Using data from MSCI ESG Research, we can identify the potential alignment of our portfolio companies to the EU Taxonomy's minimum criteria. This includes doing no significant harm to the six environmental criteria; making a substantial contribution to climate change adaptation and mitigation; and satisfying the minimum safeguards of UN Global Principles on Business and Human Rights and OECD Guidelines.

The charts below show the proportion of company revenues that are generated from activities that are eligible for EU Taxonomy alignment and that are deemed to satisfy the requirements of the EU Taxonomy, for the portfolio and benchmark. The chart on the left shows the estimated proportion of revenues generated by activities that are covered by the EU Taxonomy, i.e. these revenues can become aligned over time. The chart on the right shows the estimated proportion of revenues that are potentially aligned to the EU Taxonomy.

EU Taxonomy Eligible Revenue (% Revenue)



EU Taxonomy Aligned Revenue (% Revenue)



Source: ResCap, MSCI ESG Research, 31 December 2023
Index: FTSE Developed Core 50/50 Infrastructure

These charts show the focus of the portfolio on companies that can transition to a net zero world, with a greater potential alignment to the requirements of the EU Taxonomy, compared to the benchmark. This is due to the bias away from oil & gas transportation & storage and gas utilities, and towards companies with renewable generation and those utilities that have clear decarbonisation plans.

Proxy Voting

In the three months to 31 December 2023, Resolution Capital voted on 8 resolutions at 2 shareholder meetings. We voted against 0 resolutions this quarter. 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	2
Resolutions	8
Voted For	8
Voted Against	0
Other Significant	0
Abstained	0
No Action	0

Votes against management

There were no votes against management this quarter.

Corporate engagements

Across the last three quarters, we approached five of our holdings to better understand their approaches to identifying and assessing modern slavery in their supply chains. American Tower Corporation (AMT), a multinational operator of wireless communications towers, was one of the companies we engaged with on this topic. As a reminder, we asked the following questions:

1. How are you addressing modern slavery, or forced labour, risks through your procurement of goods and services?
2. Do you engage or collaborate with your suppliers beyond requiring compliance with a vendor code of conduct, or similar, document?
3. Do you have any training or capacity building programs for employees, suppliers, and subcontractors to raise awareness of forced labour risks and promote responsible business practices?
4. Have you developed accessible whistle-blower / grievance mechanisms to address human rights issues raised by workers or other affected stakeholders?
5. Are you taking any other steps to minimise these risks in your supply chains?

We felt that AMT had a reasonably strong response to the above questions and did not think that they required any follow up calls for clarifications at this time. Their response is summarised below.

AMT had become a signatory to the UN Global Compact in 2022 and has aligned its business practices with the Universal Declaration on Human Rights and UN Guiding Principles on Business and Human Rights. Giving the company a good foundation on which to build its policies.

As part of its Vendor Code of Conduct, AMT requires its vendors to adhere to the same protection of human rights commitments they do. This requirement is standard practice. However, they do conduct screening and vetting of new and existing international vendors on potential human rights related risks, which goes beyond the usual market practices.

Those vendors with higher risks are required to undertake additional training and have increased oversight from AMT quality assurance supervisors. AMT also conducts regular audits on these suppliers and requires annual certification to ensure compliance is maintained.

AMT also maintains a whistleblower function that can also be used to report human rights violations through their third-party administered confidential website or hotline, which is also accessible to third parties and other impacted stakeholders. Each misconduct case is individually tracked and managed, with significant allegations reported to the Board via the Audit Committee.

There are also extensive training programs for all employees and suppliers, covering the company's expectations, policies and procedures regarding its human rights and modern slavery requirements. This training also covers relevant regulations, such as the Foreign Corrupt Practices Act and the requirements of the Office of Foreign Assets Control.

Contact Details

Morgan Ellis
ESG Analyst
Email: morgan.ellis@rescap.com

Jan de Vos
Portfolio Manager
Email: jan.devos@rescap.com

Sarah Lau
Portfolio Manager
Email: sarah.lau@rescap.com

Mark Jones
Portfolio Manager
Email: mark.jones@rescap.com

Resolution Capital Limited
Tel: +61 2 8258 9188
Email: clientservices@rescap.com