RESOLUTION CAPITAL

QUARTERLY ESG AND STWEARDSHIP REPORT

GLOBAL REAL ESTATE SECURITIES STRATEGY

MARCH 2025

ESG Commentary

After L.A. wildfires commercial real estate insurance stabilises, but residential insurance still challenging

In January, we wrote about the impact on the Portfolio of the wildfires in the Los Angeles counties of Pacific Palisades and Eaton. These wildfires caused widespread destruction and displacement, damaging or destroying approximately 15,000 structures, including approximately 10,000 homes. While still to be finalised, current estimates of total *insured* property losses are estimated to be between US$30bn and US$55bn. This leaves a significant amount of damage that is uninsured, with actual losses estimated to be more than twice the insured sums. The vast majority of these losses are from residential properties.

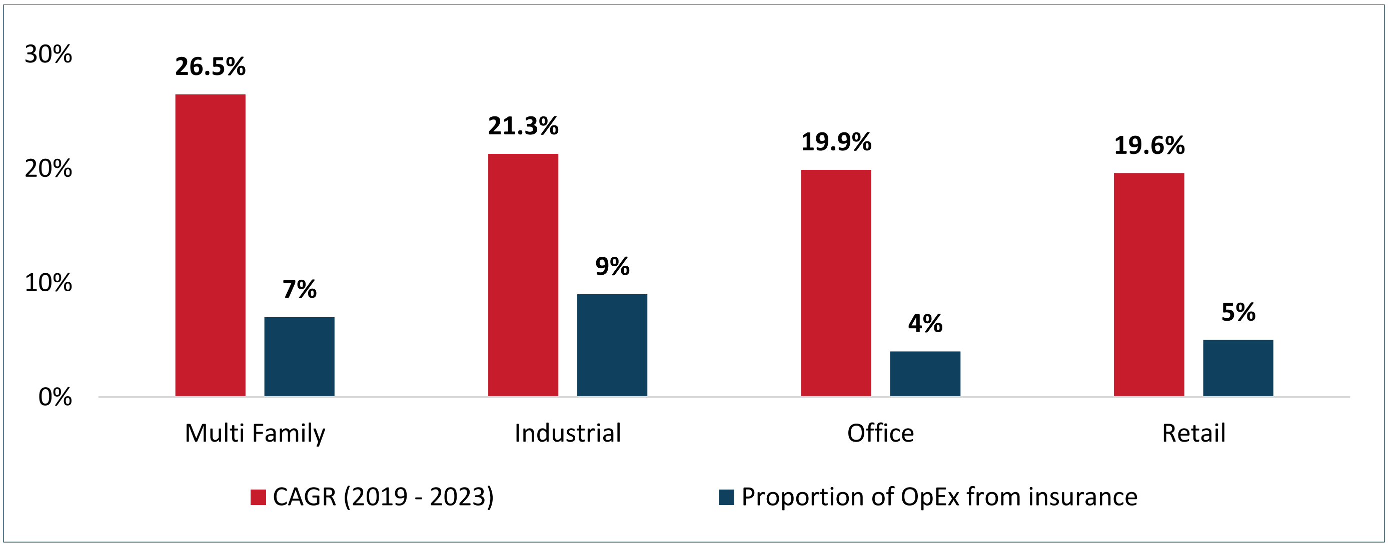
Despite this widespread and significant damage, only one company in the Portfolio, Healthcare REIT Ventas (VTR), reported damage to one of its assets – a seniors housing facility which was evacuated during the wildfires and suffered smoke damage.

Catastrophic climate events have the potential to impact the cost and ability to insure property assets. In particular, California and Florida have been significantly affected by regulatory changes and market dynamics, as well as damage caused by climate events. Recent regulatory changes in California aim to increase competition in residential property insurance markets. These changes include allowing forward looking climate risk analysis to form part of the risk management framework that informs premium pricing and increasing the amount by which insurers are allowed to increase annual premiums. While this is intended to improve competition, residential property owners are likely to experience an increase in insurance costs in the short and medium term as wildfire associated risks are factored into pricing.

In terms of the impact on REITs, we had seen a dramatic increase in premiums over the period from 2019-2023, as shown by the chart below, with multi-family REITs experiencing the highest increases. These premium increases were driven in part by reinsurers attempting to rebuild capital pools after several years of damaging large-scale climate events during 2020-2023. There were also significant construction cost increases during that period as Covid-era supply chain issues influenced access to, and costs of, materials and labour.

During 2024, our discussions with investee companies suggested that insurance premiums were likely to be stable. Wider discussions held with a number of industry stakeholders, including recent engagement with reinsurance specialists, confirmed that reinsurance capital pools were adequate for recent events and construction cost inflation had moderated, therefore premiums were not expected to be materially impacted by the L.A. fires nor the late-2024 hurricane in Florida.

Annual growth (CAGR) in insurance premiums for US REITs compared to contribution of insurance premiums to total operating expenses



Source: Operating expenses rising, Rubin and Firenze, 2024

Meanwhile, the residential homeowners' insurance market is likely to continue seeing significant premium increases due to the heightened risk and frequency of climate events in high-risk zones. The impact for REITs is expected be muted as they are able to spread risk across multiple properties and locations.

Increasing costs and a lack of competition in the residential insurance markets have led to over reliance on state-backed insurers of last resort. These policies are not necessarily cheaper than market-based insurance, but they offer coverage to homeowners who cannot otherwise get it, especially for higher risk climate events, like wildfires or flooding. Additionally, state backed insurers are increasingly forced to take on policy exposure that is potentially beyond their ability to cover in the event of a significant climate event.

In California, the state-backed Fair Access to Insurance Requirements (FAIR) Plan has become particularly oversubscribed in regions affected by wildfires. For example, between 2020 and 2025 there was a quadrupling of residential FAIR Plan policies in the Pacific Palisades area and in total, the FAIR Plan has approximately US$4.8bn of exposure to the areas affected by the wildfires. However, due to its high rate of growth, it may not have sufficient coverage from reinsurance or cash reserves to cover all these claims.

An additional aspect of the recent L.A. wildfires is that the value of the properties damaged by the fires meaningfully exceeds the maximum coverage of a FAIR Plan policy. The average home in Pacific Palisades was valued at US$10m while the FAIR Plan only covers up to US$3m. Combined with likely increases in the cost of construction materials due to tariffs and reductions in the labour pool due to the U.S. Administration's tough immigration policies, there is likely to be significant underinsurance and difficulties in rebuilding like-for-like homes.

SEC Abandons defence of Climate Disclosure Rules, but Disclosure Rules remain at State Level

As was expected with the incoming Trump Administration, the new SEC regime has ended the legal defence of its proposed climate disclosure rules. Although the rules were formally adopted in March 2024, they never actually went into effect due to immediate legal challenges from a multitude of opponents. This means the rules are formally stalled and are unlikely to become active during this administration.

However, this decision does not mean the end of mandatory climate related disclosures in the U.S., there is still legislation at the state level.California has enacted a bill that requires reporting of Scope 1, 2 and 3 emissions, as well as information on material climate risks. This rule applies to companies earning more thatn $1 billion USD and operating in the state. There are also five other states that have climate disclosure bills at various stages of progress, these are summarised in the table below.

Summary of U.S. State level climate disclosure regulations

State	Status	Who Must Report	Key Reporting Requirements
California	Enacted	>$1B (SB 253), >$500M (SB 261)	Scope 1, 2, 3 GHG; climate risk
New York	Bills pending	>$1B	Scope 1, 2, 3 GHG; climate risk
New Jersey	Bill pending	>$1B	Scope 1, 2, 3 GHG; third-party assurance
Washington	Bill pending	>$1B	Scope 1, 2, 3 GHG; third-party assurance
Illinois	Bill pending	>$1B	Scope 1, 2, 3 GHG
Minnesota	Bill pending	>$1B (banks/credit unions)	Climate risk survey

Portfolio Metrics

GRESB Score Update

We are pleased to provide the following update on our Global Real Estate Sustainability Benchmark (GRESB) score[1]. These scores are updated annually and consider environmental, social and governance factors. The latest GRESB update was in October 2024.

This quarter the portfolio GRESB score was above the FTSE EPRA NAREIT Developed Index, against which the portfolio is benchmarked. The table below summarises the end of December 2024 GRESB scores for the global REIT portfolio.

The scores for the Environmental and Governance components of the GRESB score are above the index, and the Social component scoring below. Additionally, the GRESB coverage and Public Disclosure scores for the Portfolio continued to be higher compared to the benchmark. Public Disclosure scores are a GRESB defined measure of the quality of public ESG information, whether they participate in the GRESB assessment or not. Our Portfolio has a higher Public Disclosure Score than the FTSE EPRA NAREIT Developed Index, at 93.7 (out of 100) compared to 89.

GRESB Coverage shows the proportion of companies reporting into GRESB and can show companies at the beginning of their ESG integration journeys, which typically leads to lower overall GRESB scores. Our Portfolio again has higher coverage than the FTSE EPRA NAREIT Developed Index, at 77.9% compared to 70.5%.

This shows our Portfolio continues to have a higher proportion of companies disclosing their ESG information and formally reporting on their ESG journey than the FTSE EPRA NAREIT Developed Index, reflecting our investment and engagement focus on companies that have ESG disclosures and that are improving their performance.

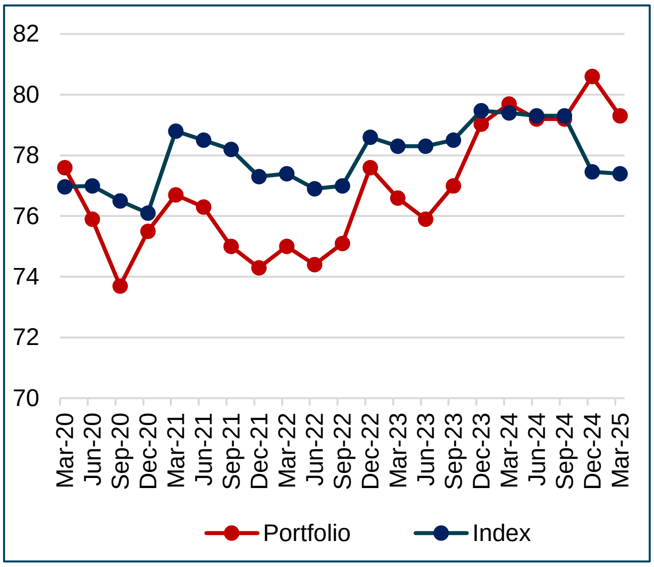
Period Ending 31 March 2025

	GRESB Score Dec '24	GRESB Score Mar '25	Environmental	Social	Governance	Public Disclosure Score
Portfolio	78.2	79.3	69.2	96.5	95.0	93.7
Index	77.5	77.4	66.9	94.9	94.1	89.0
Difference	*0.7*	*1.9*	*2.3*	*1.6*	*0.9*	*4.7*

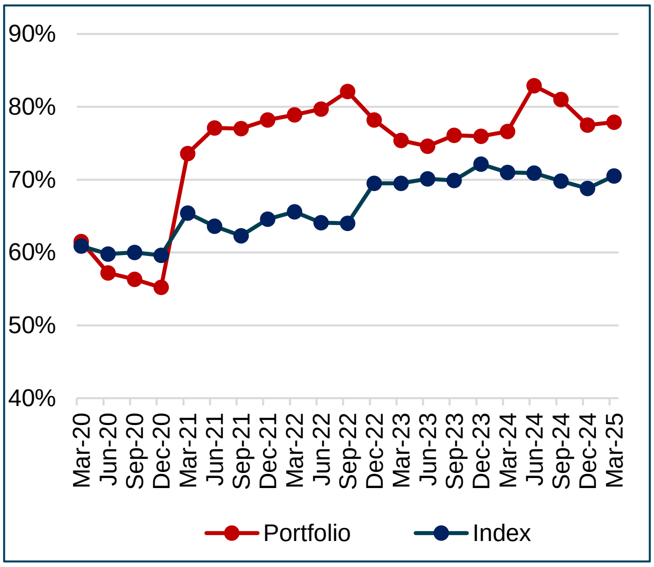
Even though our Portfolio GRESB coverage remains higher than the index, we continue to focus our engagements with Portfolio holdings that do not report to GRESB and encouraging them to report to GRESB as an industry standard for ESG assessment.

[1] GRESB provides a rigorous methodology and consistent framework to measure the ESG performance of individual Real Estate assets and portfolios based on self-reported data, guided by what real estate investors and industry consider to be material issues.

Weighted average GRESB score (0 – 100)



Weighted average GRESB coverage

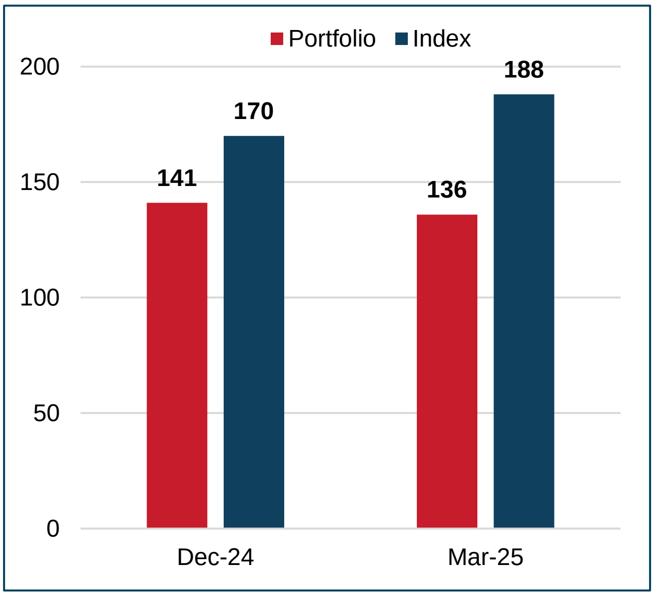


Source: Resolution Capital, GRESB, 31 March 2025

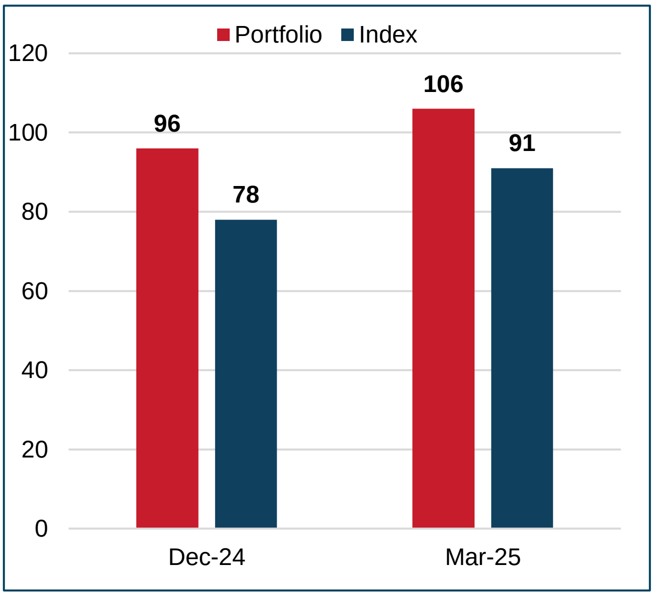
Carbon Emissions

The carbon emissions and carbon intensity of the Portfolio versus the index are monitored and measured on a quarterly basis, this data is sourced from the GRESB company assessments, MSCI, Bloomberg and company disclosures. The charts below illustrate the carbon intensity of the Portfolio versus the index as of 31 March 2025. Unfortunately, while the Portfolio's carbon intensity on a revenue basis remains below that of the index, the area-based carbon intensity of the Portfolio has risen, increasing the spread between the Portfolio and the index.

Carbon intensity (Ton/US$1m Rev)



Carbon intensity (kg/m²)

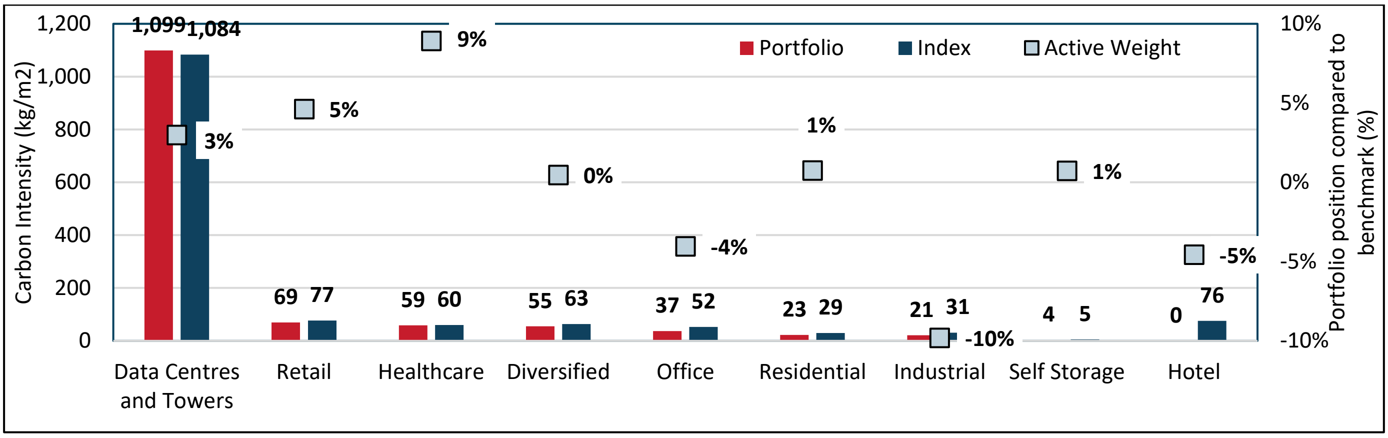


Source: Resolution Capital, GRESB, Bloomberg, company disclosure, 31 March 2025
Index: FTSE EPRA NAREIT Developed Index

The level of carbon emissions intensities of our Portfolio can be attributed to a combination of sector positioning and stock selection. Our stock selection within each sector leads to a lower area based carbon intensity for the portfolio compared to the index for every sector, except for Data Centres and Towers. Despite a reduction in our positioning in this sector, Digital Realty's carbon emissions increased from 564kgCO_2/m² to 1,099 kgCO_2/m² in 2024.

The Healthcare sector remained the largest overweight sector this quarter, at 9% over the index, which helps to mitigate some of the high area based carbon intensity of the Data Centre and Towers sector at 3% overweight (59 kgCO_2/m² vs 1,099 kgCO_2/m²). Additionally, changes to our positioning in the Retail sector have contributed to a large reduction in carbon intensity this quarter further below that for this sector in the benchmark (69kg CO_2/m² vs 77kg CO_2/m²).

Sector based carbon intensity (kg/m²) of portfolio vs index



Index: FTSE EPRA NAREIT Developed Index, 31 March 2025

The most significant impact on the Portfolio's area-based carbon intensity remains the increasing overweight holdings in the Data Centres and Towers sector, with positions in Digital Realty Trust (DLR) and Equinix (EQIX). The chart above shows the carbon intensive nature of this sector compare to other sectors in the portfolio. The increase in carbon intensity driven by this increase in DLR is mitigated to a limited extent by increases in existing positions (8801, BLND, EXR, CUZ and ESS).

Proxy Voting

In the three months to 31 March 2025, Resolution Capital voted on 14 resolutions at 1 shareholder meeting and voted against two 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 March 2025	**Vote statistics**
Meetings	1
Resolutions	14
Voted For	12
Voted Against	2
Shareholder Resolutions	0
Abstained	0
No Action	0

Votes against management

Kojamo Oyj (KOJ-FI)

In the first quarter of 2025, we voted at Kojamo's AGM, voting against two resolutions. One was related to executive compensation and the other was a shareholder proposed resolution related to authorising a share buyback.

In terms of the compensation resolution, we voted against this resolution due to poor disclosure of performance targets in both the Short Term Incentive (STI) and Long Term Incentive (LTI) that ultimately make it more difficult to assess the effectiveness of how the company is compensating its CEO. The STI did not have a "per share" metric related to the company's operating income, such as Funds From Operations (FFO). The LTI did not have any performance relative to peers, or shareholder return related metrics, both of which provide an indication of the longer-term strategy direction and incentivises a CEO to align his or her interests with those of the company's shareholders.

We also voted against a shareholder resolution that asked the company to undertake a share repurchase program equal to 25% of outstanding shares, this shareholder holds 2% of the company's outstanding shares. Notwithstanding the fact the amount to be repurchased in this proposal would be more than double the amount of that considered standard market practice, the shareholder did not provide sufficient justification for this program.

The compensation resolution was passed with 80.5% of shareholders voting FOR, and the shareholder resolution for authorising a share repurchase plan did not pass, with 51.5% voting FOR. There was also a management proposal to seek shareholder authorisation for a share buyback program equal to 10% of outstanding capital, which was passed by shareholders.

Corporate engagements

In March this year, we had a meeting with Scentre Group, focusing on corporate governance related issues, particularly focusing on remuneration changes ahead of their AGM and continuing our discussion on director elections.

In terms of the remuneration discussion, this was to present the board's proposed changes to the executive remuneration structure following the pay strike at last year's AGM due to shareholder concerns around disclosure of the thresholds and targets for performance metrics, as well as an approximate 10% increase in the overall amount of CEO compensation, which is already above the median pay of ASX peers. The company presented an increase in transparency in performance metrics, which assists in evaluating the effectiveness of the plan, as well as clarifying how the LTI performance metrics are intended to provide stretching goals, without incentivising excessive risk taking. We were pleased to see the increased transparency in the performance metrics targets and voted for the remuneration policy at this year's AGM.

In this meeting we also continued our regular discussion with the board regarding their processes and rationale for nominating new directors, after strongly disagreeing with two board appointments in the last three years. This discussion focused on the selection of Steve McCann's replacement, Craig Mitchell, and the retirement of Michael Ihlein. Firstly, Craig Mitchell was selected primarily for his broad property experience and financial leadership expertise, since he is also taking over as Head of the Audit Committee from Michael Ihlein when he retires. Although he had planned to retire after his current tenure, Ihlein will stay on for another cycle to help transition Mitchell to the Audit Committee and provide stability to the board during that time. After several director nominations that we considered to be less than optimal, we have better confidence in the board's director selection practices and will continue to monitor the selection of directors in the future.

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