RESOLUTION CAPITAL

QUARTERLY ESG AND STEWARDSHIP REPORT

GLOBAL REAL ESTATE SECURITIES STRATEGY

DECEMBER 2025

ESG Commentary

New York City's Local Law 97: Compliance, Challenges, and Decarbonisation Pathways

Local Law 97 (LL97), enacted in 2019, sets emissions reduction targets for large commercial and multifamily properties in New York City (NYC). The law introduces emissions caps, reporting requirements, and financial penalties for non-compliance, creating a framework that influences building operations and investment decisions. While NYC has put several programs in place to assist landlords complying with LL97, there have been a number of factors that are suggestive of the potential for delays and a slightly more relaxed enforcement of the law.

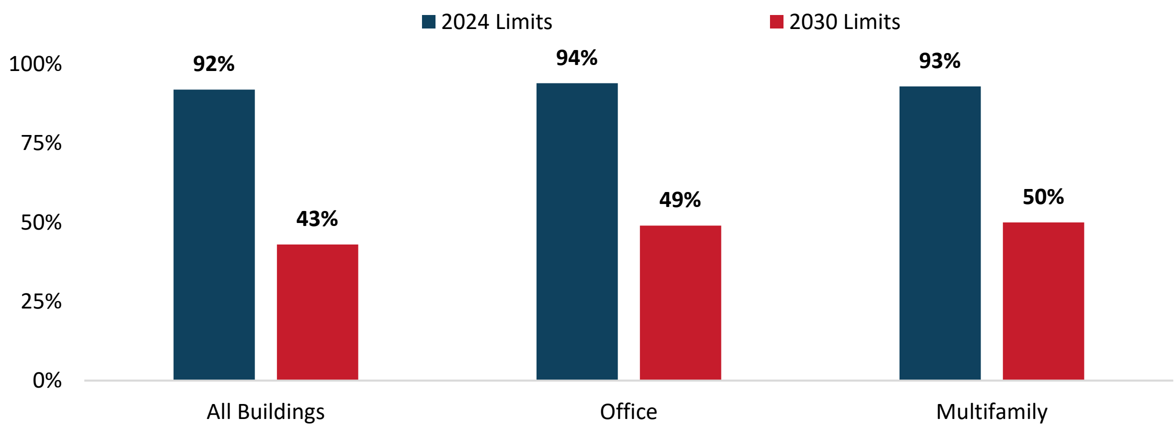
LL97 aims to reduce the carbon emissions of commercial and multifamily properties over 25,000 sqft in NYC by 40% by 2030 and 80% by 2050 compared with 2017 base year. The law also has potentially financially material fines for buildings that exceed carbon limits at $268 per ton of carbon emitted over the regulated limits. This fine applies each year the property is over the emissions limit. There are also fines for landlords that do not submit the necessary reporting or those who submit false reports. There is an increasingly material and ongoing financial incentive for landlords to comply with the legislation and invest in upgrading the performance of their properties, rather than just paying the fine each year for non-compliance.

For most properties covered by LL97, the emissions caps for the 2024 - 2029 period will not cause too many compliance issues. The vast majority of the 50,000 properties covered by LL97 meet the emissions cap for this period. The level of compliance achieved under this first emissions cap will become clearer once reporting is completed for 2024. This reporting is due by the end of December 2025.

However, the emissions cap for the next stage of the law, from 2030 to 2034, is much more likely to cause problems. At a 40% reduction in emissions, landlords need to be planning now and investing in their buildings ahead of 2030 to ensure their properties meet that emissions target.

The chart below shows the proportion of properties that meet the 2024 emissions and cap as well as the 2030 cap. Approximately 43% of the buildings covered by LL97 do not currently meet the 2030 requirements.

Proportion of properties meeting emissions reduction requirements



Source: Urban Green Council, “Local Law 97 Progress”, 2025.

Given the significant number of properties that are not meeting the 2030 target, shown in the chart above, there have been increasing concerns that these limits might not be as strictly enforced as needed for the legislation to achieve its decarbonisation goals.

To address affordability concerns tied to the necessary decarbonisation upgrades, NYC introduced a comprehensive support system for LL97 compliance. The NYC Accelerator provides free technical assistance to over 22,500 buildings, helping owners understand compliance requirements, develop project scopes, and connect with contractors and financing options, with a specialised track for affordable housing properties. Financial support is also available across a range of programs that could include up to 100% project funding repaid through property taxes, NY State programs that could cover 30-50% of upgrade costs, as well as utility rebates that provide per-measure incentives for affordable buildings (such as $500 per boiler tune-up). Multifamily buildings with substantial rent-regulated units can also use a prescriptive compliance pathway, implementing specific energy conservation measures rather than meeting numerical carbon caps in the early years.

However, NY’s previous mayor, Eric Adams, had sent conflicting messages about the strictness of LL97 enforcement. While launching a "Getting 97 Done" initiative in September 2023 to emphasize enforcement, the administration simultaneously created flexibility mechanisms through Department of Buildings rules that allow building owners to mitigate fines via "Good Faith Effort" provisions by demonstrating progress on implementing decarbonisation projects and submitting compliance plans. There has been criticism of these measures arguing that the rules could push back effective compliance dates by two years and may delay compliance, allowing non-compliant building owners to avoid consequences through a process called "mediated resolution". This could allow a significant amount of agency discretion and unclear standards.

Implementation concerns also extend beyond policy design to operational capacity and timeline management. It is not clear if the Department of Buildings, which is responsible for enforcing compliance with the law, has sufficient capacity to monitor the 50,000 buildings covered by LL97. It is estimated that the department has under resourced its staff by 50% of what is required. Staffing shortfalls coupled with multiple deadline extensions have raised concerns that New York city may potentially be underprepared, and there may be a political unwillingness to enforce the law strictly.

At the New York State level there have also been some regulatory and legislative decisions that could complicate LL97 compliance in later years. The most prominent is the decision to indefinitely delay enforcement of the All-Electric Buildings Act. NY Governor Kathy Hochul cited affordability concerns as justification for delay. The Act was passed in 2023 and required almost all new buildings under seven stories use electric-only systems from the start of 2026 and all new buildings after 2029.

Major U.S. REITs with exposure to LL97 have stated that they are well placed to comply with the upcoming targets, with almost all highlighting full compliance with the 2024 emissions caps. NY focused office REITs including portfolio holdings Vornado (VNO) and Empire State Realty Trust (ESRT), as well as SL Green (SLG) have publicly stated they expect to be compliant or face minimal impact through to 2029, having made significant decarbonisation related investments. All three have acknowledged, however, that the 2030 emissions caps will be more difficult and require additional investments.

Local Law 97 remains a pivotal element of NYC’s climate strategy, setting ambitious targets that will shape the real estate sector for decades. While early compliance trends are encouraging, the next phase, particularly the 2030 emissions caps, will require sustained investment, clear guidance, and effective collaboration between policymakers, building owners, and industry stakeholders. Continued support programs and transparent enforcement will be essential to balancing affordability concerns with the city’s long-term decarbonisation objectives.

Portfolio Metrics

GRESB Score Update

The Global Real Estate Sustainability Benchmark (GRESB) scores[1] are updated annually and consider environmental, social and governance factors. 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 September 2025 GRESB scores for the global REIT Portfolio.

This quarter the scores for the Environmental, Social and Governance components of the GRESB assessment of our Portfolio are above those of the index constituents. 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 93.0 (out of 100) compared to 89.3.

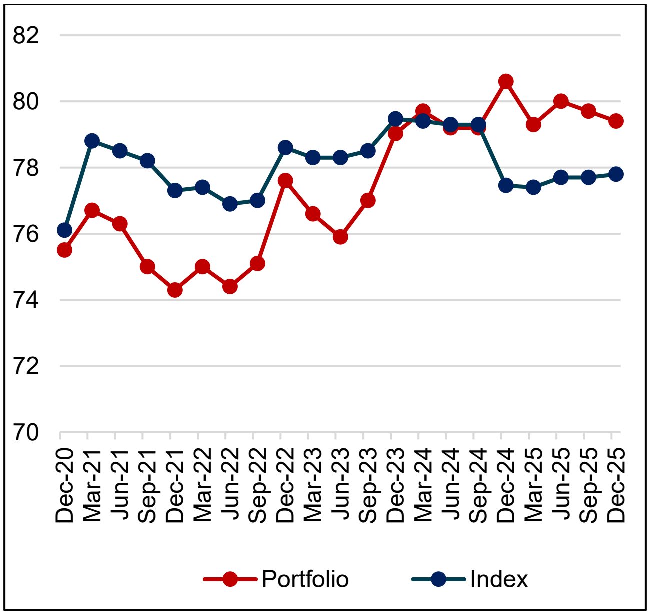
GRESB Coverage shows the proportion of companies reporting into GRESB and can show companies at the beginning of their ESG integration journeys, which typically leads to lower overall GRESB scores. Our Portfolio again has higher coverage score than the FTSE EPRA NAREIT Developed Index, at 72.4% compared to 70.9%.

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.

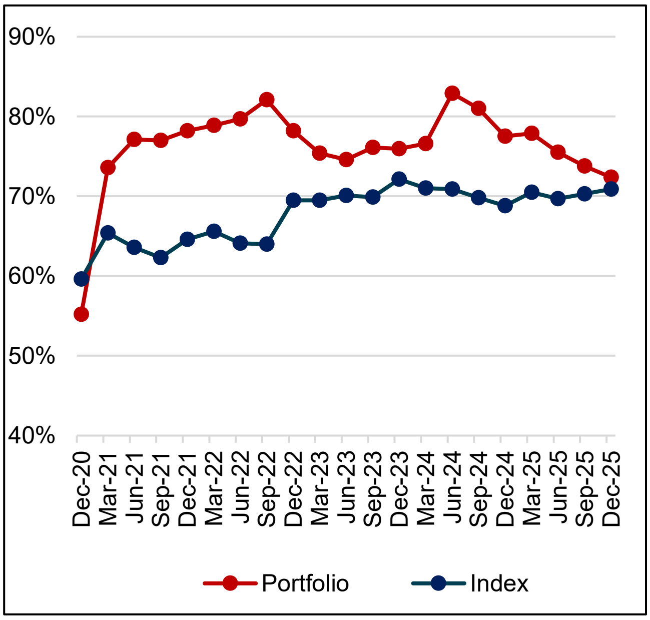
Period Ending 31 December 2025						
	GRESB Score Sep '25	GRESB Score Dec '25	Environmental	Social	Governance	Public Disclosure Score
Portfolio	79.7	79.4	69.6	95.9	94.6	92.3
Index	77.7	77.8	67.4	95.0	94.4	89.4
Difference	*2.0*	*1.6*	*2.3*	*0.8*	*0.2*	*2.9*

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.

Weighted average GRESB score (0 – 100)



Weighted average GRESB coverage

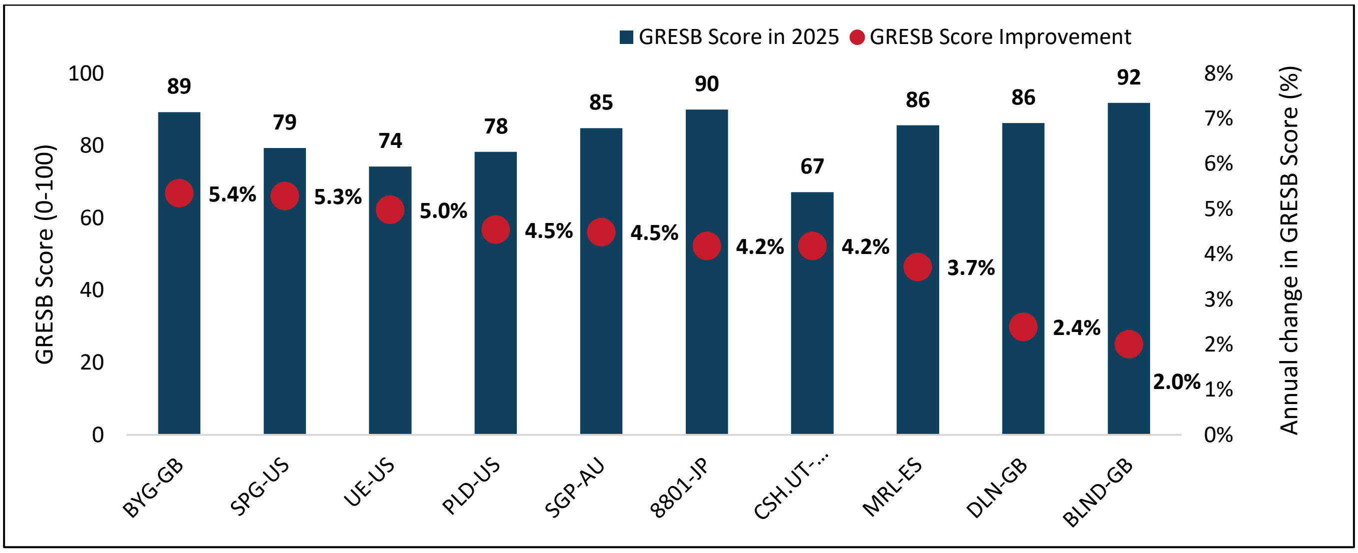


Source: Resolution Capital, GRESB, 31 December 2025

[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.

The updated GRESB scores showed steady progress across the majority of our holdings made incorporating ESG practices and improving the environmental performance of their operations. Big Yellow Group (BYG), Simon Property Group (SPG) and Urban Edge (UE) all achieved over 5% improvements in 2025. These three companies have shown incremental improvement across all areas of their assessments, with particular focus from all on improving both the coverage and performance of green building certifications. While Big Yellow and Simon Property both showed improvements in their data monitoring, as well as energy, water and waste intensities.

Companies with the largest changes in GRESB Score between 2024 – 2025, at 31 December 2025



Source: Resolution Capital, GRESB, 31 December 2025

Net Zero Investment Framework

Using the Net Zero Investment Framework (NZIF)[2], we are assessing whether companies not only have a track record of decarbonising, but also whether a company has disclosed detailed decarbonisation and capital allocation plans to achieve long term decarbonisation targets.

The primary objective of the NZIF is to enable investors to decarbonise investment portfolios and increase investment in climate solutions, in a way that is consistent with achieving global net zero emissions by 2050 or sooner and which maximises decarbonisation of the real economy.

A company's categorization, and therefore its level of alignment, is determined by a combination of the following attributes:

1. A commitment to being net-zero carbon emissions by 2050;
2. A short- or medium- term carbon reduction target in line with the Paris Agreement, i.e. targets that are in line with a 50% reduction in carbon emissions by 2030;
3. Actual carbon emissions reductions in line with this target over a rolling five-year period[3];
4. Disclosure of Scope 1, 2 and 3 emissions;
5. Publicly disclosed decarbonisation strategy; and
6. A capital allocation plan that shows how a net zero target will be resourced and achieved.

[2] The Net Zero Investment Framework (NZIF), developed by the Institutional Investor Group on Climate Change in 2021, has a robust framework for determining a company's alignment with these requirements.

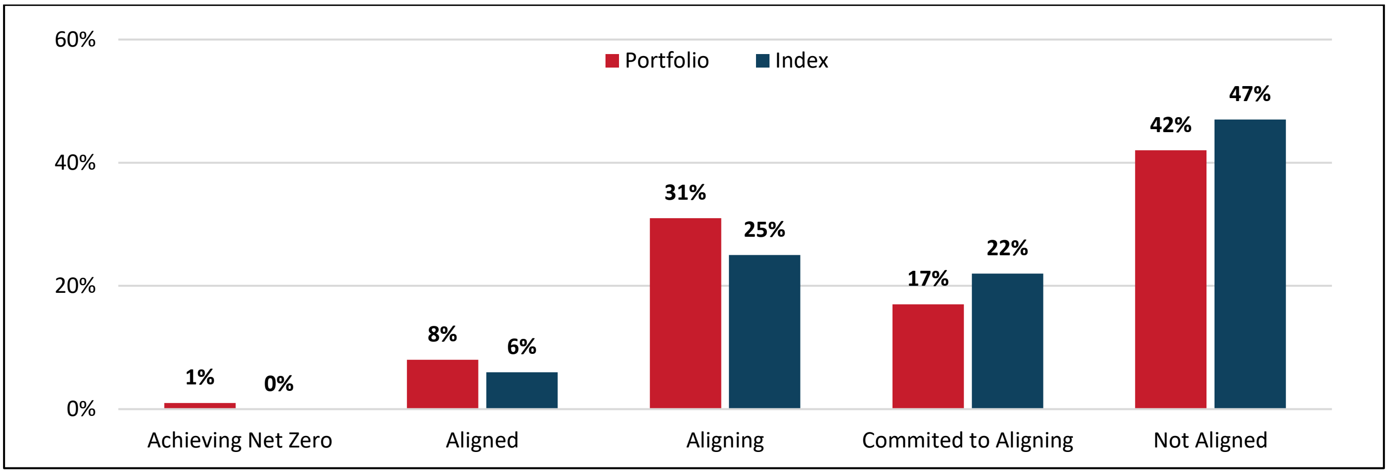
[3] We are currently only including Scope 1 and 2 carbon emissions in our assessments of carbon reduction performance given the difficulties in the collection and reporting of Scope 3 emissions. We are investigating how we can integrate Scope 3 emissions performance and targets into our assessments.

Summary of NZIF categories and their requirements

NZIF Category	Requirements
Not Aligned to a Net Zero Pathway	No net zero carbon emissions target in place
Committed to Aligning	A company has a public target to be net zero carbon emissions by 2050
Aligning to a Net Zero Pathway	A company also has a science based short term target, disclosure of its Scope 1, 2 and 3 carbon emissions and a decarbonisation strategy. Meaning that the settings are in place to be able to transition, but real-world emissions reduction performance is missing
Aligned to a Net Zero Pathway	A company has progressed beyond the Aligning to Net Zero Pathway category by having the real-world carbon emissions reduction performance to match its decarbonisation plans and targets
Achieving Net Zero	A company has achieved its net zero goals

The breakdown of how our Portfolio holdings and the index constituents are categorised is shown in the chart below.

Net Zero Investment Framework categorisations for our portfolio compared to the index, as at 31 December 2025



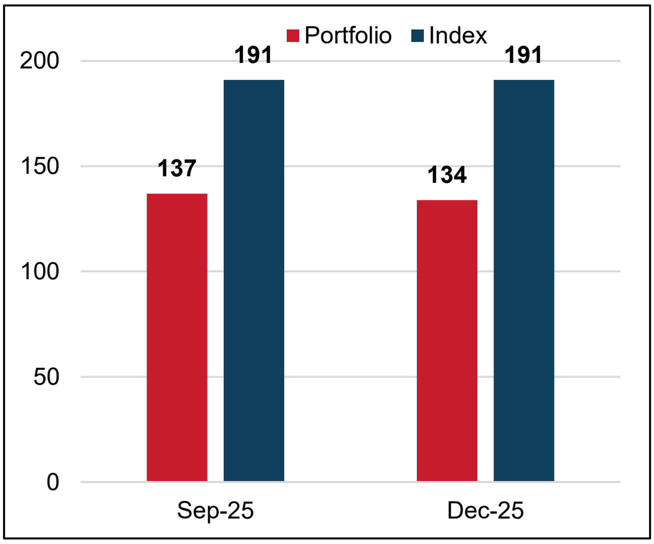
Source: MSCI ESG Research, Resolution Capital, Corporate Disclosures, 31 December 2025
Index: FTSE EPRA NAREIT Developed Index

These categorisations will also help to inform our company engagements, prioritising companies in the Not Aligned and Committed to Aligning categories and encouraging them to implement policies and practices to move to higher categories. Ultimately, this is intended to progress all companies to the Aligned category and achieve Net Zero by 2050.

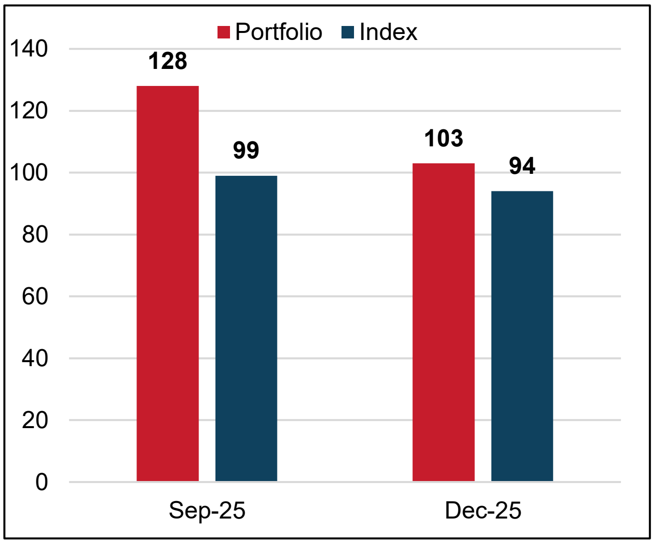
Carbon Emissions

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 December 2025. While the Portfolio's carbon intensity on a revenue basis remains below that of the index, the area-based carbon intensity of the Portfolio continues to be above that of the Index, although this difference has decreased over the last quarter.

Carbon intensity (Ton/US$1m Rev)



Carbon intensity (kg/m²)

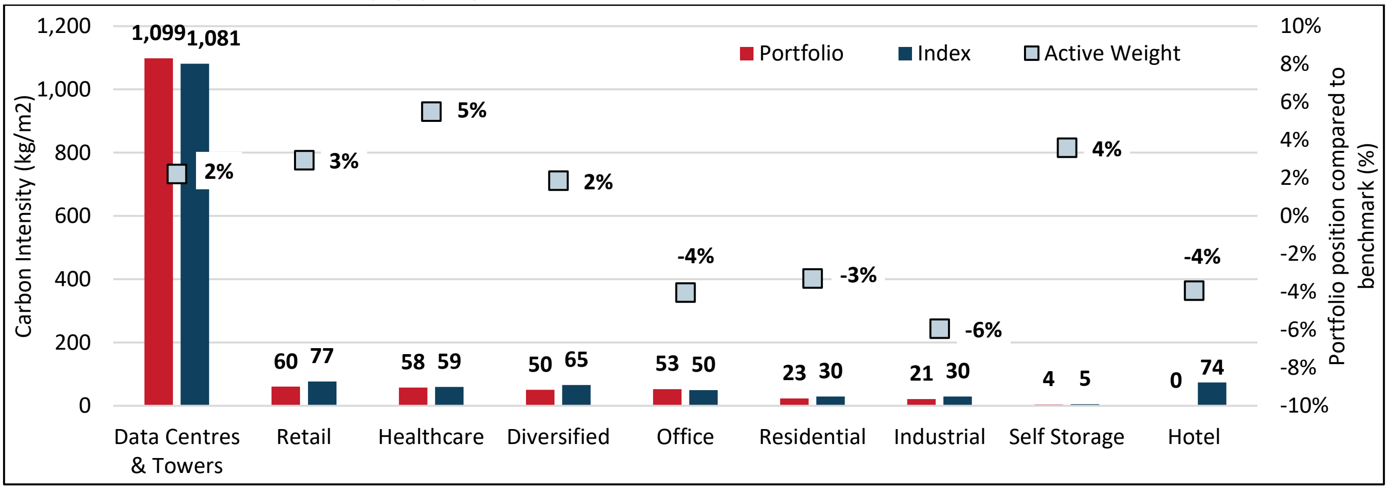


Source: Resolution Capital, GRESB, Bloomberg, company disclosure, 31 December 2025
Index: FTSE EPRA NAREIT Developed Index

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.

The healthcare sector was the largest overweight sector this quarter at 5% over the index, which helps to mitigate some of the high area based carbon intensity of the Data Centre and Towers sector at 2% overweight (50 $kgCO_2/m^2$ vs 1,099 $kgCO_2/m^2$). Additionally, changes to our positioning in the Retail sector have contributed to reductions in carbon intensity this quarter (60kg CO_2/m^2 vs 77kg CO_2/m^2).

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



Source: GRESB, Resolution Capital, 31 December 2025
Index: FTSE EPRA NAREIT Developed Index, 31 December 2025

The most significant impact on the Portfolio's area-based carbon intensity remains the 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 on an area basis compared to other sectors in the Portfolio. The increase in carbon intensity driven by DLR is mitigated to a limited extent by new positions (Segro (SGRO-GB), Avalon Bay (AVB-US) and Macerich (MAC-US)) and increases in existing positions (Prologis (PLD-US), Terreno (TRNO-US) and Big Yellow Group (BYG-GB)).

Proxy Voting

In the three months to 31 December 2025, Resolution Capital voted on 38 resolutions at five shareholder meetings and voted against five resolutions. Note that in all cases where we intend to vote against resolutions, we communicate our rationale to the company ahead of the vote where possible.

Proxy voting overview

31 December 2025	Vote statistics
Meetings	5
Resolutions	38
Voted For	33
Voted Against	5
Shareholder Resolutions	0
Abstained	0
No Action	0

Votes against management

National Storage REIT (NSR-AU)

In October, we voted against management's recommendation on its compensation-related resolutions, one of which was withdrawn before the company's AGM.

We voted against the company's executive remuneration report as there was insufficient disclosure of hurdles or thresholds for Short Term Incentive (STI) performance metrics, particularly with respect to a metric measuring Earnings per Share (EPS), which is 70% of the STI award. The other 30% of the STI award (ESG, Individual KPIs and Strategy) appear to be more appropriately considered as regular duties of a senior management team, rather than stretch targets to incentivise performance.

For the Long Term Incentive (LTI) component, there is double counting of the EPS metric, which is 30% of the LTI weighting. It is not best practice to count a similar metric twice in both STI and LTI.

The company originally proposed a one-off retention award for its CEO, paid as performance rights. The proposal was a one-off grant which could potentially equal 2026 total compensation. It would vest equally in 2028, 2029 and 2030, provided continued employment. We view this as an excessive amount and unnecessary as it could represent a doubling of annual compensation to be received over a 5-year period.

The remuneration resolution passed, but received 34% vote against, resulting in a first pay strike for this company. The resolution related to the retention payment was withdrawn before the AGM, given significant investor push back.

Mirvac Group (MGR-AU)

At Mirvac's (MGR-AU) AGM in November, we voted against management's recommendation on the election of a director.

We voted against the re-election of Peter Nash, who was on the board of the Australian company ASX from 2019-2025. During this time ASX faced significant scrutiny from the Australian Securities and Investment Commission (ASIC), as well as poor governance and risk management performance from 2024 – 2025. As the Chair of the ASX Audit & Risk committee from 2021, Nash would also bear some responsibility for the oversight failures that contributed to this breakdown in operational risk management and the resulting outcomes. The insufficient response and oversight have resulted in these risks materialising in a major operational incident and loss of shareholder value.

This resolution received 70.3% of votes FOR and Peter Nash was re-elected, however, this represents a significant vote against this director.

Sun Hung Kai Properties (16-HK)

At Sun Hung Kai's AGM in November, we voted against resolutions that would authorise the company to issue new shares and reissue bought back shares.

Sun Hung Kai had proposed to issue capital without pre-emptive rights and did not disclose the discounted price or the specific use of the funds. Hong Kong listing rules allows companies to issue equity at a maximum discount to market prices of 20%. Since there was no specified discount limit for this issuance, as well as having no proportion of the issuance with preemptive rights, we voted against this resolution.

We also voted against the resolution to reissue shares that had been repurchased by the company. This would cause the aggregate share issuance without pre-emptive rights to exceed the recommended limit of 10% at 20% of total issued shares.

Both of these resolutions were passed at the AGM. However, there were significant votes against both at approximately 22% for these resolutions.

Corporate engagements

As part of our Net Zero Investment Framework (NZIF) assessments, we look at what plans companies have to achieve their decarbonisation targets and whether they have set aside capital to invest in the projects that are required to achieve those goals. This quarter we engaged with Agree Realty (ADC-US), a U.S. based

Retail REIT, on decarbonisation plans and its physical climate risk assessment processes.

Agree Realty is a net lease REIT, meaning the company owns its properties but each tenant takes operational responsibility for the property. This means that Agree Realty has little control over the energy consumption of its properties, making decarbonisation difficult.

Engaging with, and educating, its tenants on energy efficiency and sustainability is one way for the company to decarbonise. The company's tenant engagement strategy focuses on approximately 30 to 35 core tenants. Many of these tenants have their own sustainability programs, making them increasingly receptive to these discussions. Notably, 89% of their top tenants publish sustainability reports and targets. They've found that engagement outcomes depend significantly on who they're speaking with within the tenant’s operations. Conversations with real estate managers rather than sustainability teams tend to be more productive, particularly regarding green leasing initiatives.

Green leasing and broader tenant engagement efforts are aimed at increasing data coverage to drive more accurate Scope 3 emissions reporting, with coverage now reaching approximately 28% of its properties. Green leases represented 61% of leasing activity over the past year, reflecting increased tenant willingness to participate. The company now has 100 green leases in total across their 2,600-property portfolio, though this still represents a relatively small proportion of its total leasing. With a weighted average lease expiry of around eight years, not many leases are coming up for renewal in the short term, so the company is taking a proactive approach, reaching out to tenants representing 75% of annual rent.

Some tangible actions have already been taken, including LED retrofits and the installation of EV charging stations. Some tenants have proactively requested EV charging infrastructure. Solar installations haven't been pursued yet but are a focus for 2026, though the company faces challenges. The buildings are generally not large enough to be feasible. The average roof is approximately 20,000 square feet when 35,000 to 40,000 square feet is needed. Additionally, while roofs are well maintained, solar providers often have specific access and maintenance requirements that would necessitate additional works.

Regarding climate risk, the company maintains geographic diversification, with average acquisitions in 2025 around $4 to $5 million and no state representing more than 7 to 8% of revenue. Their strategy is to be where tenants want to be, though they're carefully considering exposure to states with increased climate risks. They've sold some Florida assets in recent years, questioning whether it's worthwhile to own particular assets in highly prone areas. Even when properties are insured, including through programs like the National Flood Insurance Program, the operational burden of getting properties back up and running after events can be substantial. The company is also evaluating whether to carve out earthquake insurance in certain areas and assessing whether the burden of repairs is worth it, even for insured lower-value assets. They're working with their insurance broker to conduct top-down portfolio analysis highlighting risks in areas with increased exposure, with a core question being whether the operational headache is worth it for assets valued at $2 to $3 million.

While the company has started its sustainability journey and recognises the need to engage with its tenants to drive decarbonisation efforts collaboratively, we will be monitoring its progress to ensure that it continues to move forward.

Contact Details

Morgan Ellis
Head of ESG
Email: morgan.ellis@rescap.com

Andrew Parsons
CIO - Portfolio Manager
Email: andrew.parsons@rescap.com

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