

QUARTERLY ESG AND STEWARDSHIP REPORT

# GLOBAL REAL ESTATE SECURITIES STRATEGY

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MARCH 2026

# ESG Commentary

## Are Brown Portfolios Impacting REIT Financing Costs in the UK and EU?

In previous reports we have discussed the potential for climate change transition risks to impact property valuations, vacancy rates and rental income, as energy efficiency regulations tighten and tenants require high levels of sustainability performance to meet their own corporate targets. Now, in the European Union and United Kingdom, we are seeing some evidence that energy efficiency and climate risks are influencing access to, and the cost of, financing.

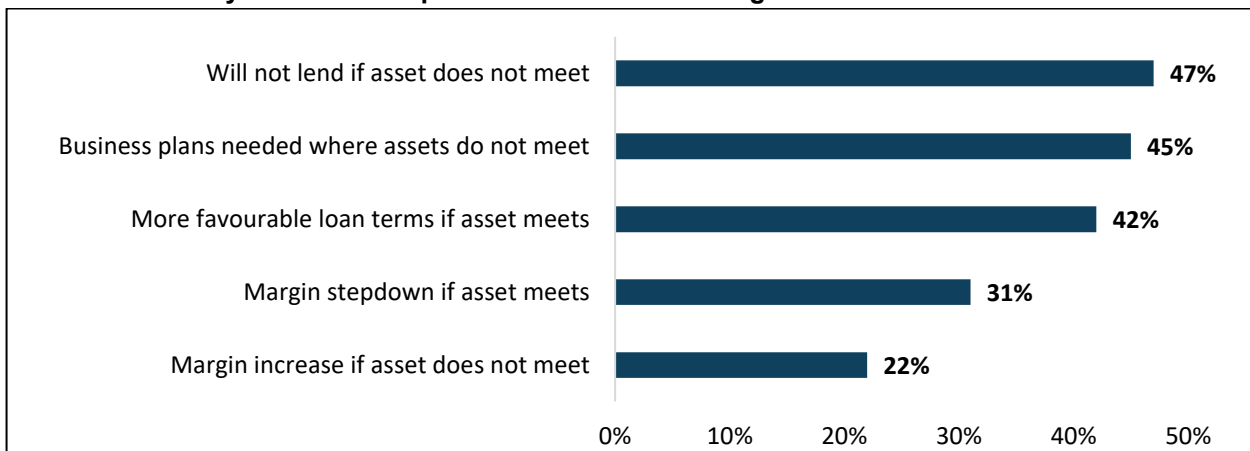
The European Central Bank's (ECB) recent Bank Lending Survey (BLS) shows that Euro area banks are systematically differentiating lending conditions based on the climate performance of borrowers and the energy efficiency of their properties.

This survey, which covered approximately 150 European based banks, found that significant proportions of respondents were adjusting credit standards for companies based on their sustainability credentials. Approximately 20% of respondents reported that they intended to ease lending criteria depending on whether a company is classified as green, 15% intended to ease criteria for transitioning companies and 35% intended to tighten lending criteria for carbon-intensive companies.

Although the BLS focuses on corporate and residential housing loans rather than commercial real estate, the underlying mechanisms it highlights are directly relevant for REITs. These include collateral adjustments linked to energy performance, tighter terms for physically exposed assets, and preferential pricing for greener borrowers.

While the ECB survey provides a broad view of bank behaviour, lender sentiment within real estate markets specifically can be seen more clearly in CBRE's European Lender Intentions Survey from early 2025. Respondents were more explicit in how they approached valuing the sustainability credentials of the real estate companies they lend to. These results are highlighted in the chart below.

### How sustainability criteria are expected to influence lending



Source: CBRE Research, June 2025

This lender sentiment is also being reinforced at the regulatory level, with the ECB introducing a climate factor into its collateral valuation framework in the second half of 2026. This factor will reduce the amount of central bank liquidity banks can utilise against climate exposed, or high transition risk assets. This is expected to effectively lower the value of risky assets in collateral assessments, creating further incentives for banks to favour greener assets.

ECB research<sup>1</sup> directly examining Euro area office real estate transactions from 2007–2023 found that for older less-efficient buildings, transition risk is materialising via falling liquidity in addition to falling prices.

<sup>1</sup> ECB Working Paper No. 3059 ("Pricing or panicking? Commercial real estate markets and climate change", Foerster et al., July 2025),

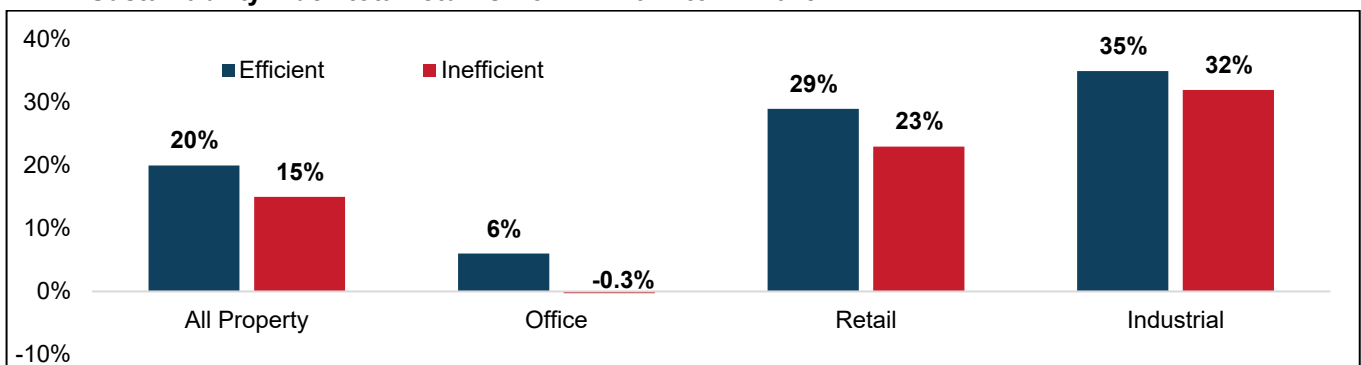
While there are no equivalent surveys for the UK market, there is evidence that similar impacts are being experienced. The Bank of England (BoE) also incorporates some climate related considerations for valuing collateral, but only for residential mortgages.

The BoE applies a discount to the value of mortgages on properties with low or missing EPC ratings and those located in flood risk zones. While there are no confirmed plans to expand these assessments to commercial real estate assets, the BoE is actively researching this area, and is being encouraged to expand its reach.

Additionally, through CBRE’s Sustainability Index there is an indication of whether a green premium or brown discount is present in the UK commercial Real Estate market. Running since the beginning of 2022 the index measures the returns of over 1,000 properties and differentiates the returns of “efficient” properties (EPC Rating of at least B) and “inefficient” properties (EPC Rating C or lower).

The latest release of this index in mid-2025 showed the total return outperformance of efficient buildings over inefficient ones across the office, retail and industrial property sectors. While this outperformance may not be entirely attributable to the energy efficiency performance of these properties, it does give an indication of the impact that is being felt or could be felt from transition risks at the property level.

**CBRE Sustainability Index total returns from H1 2022 to H1 2025**



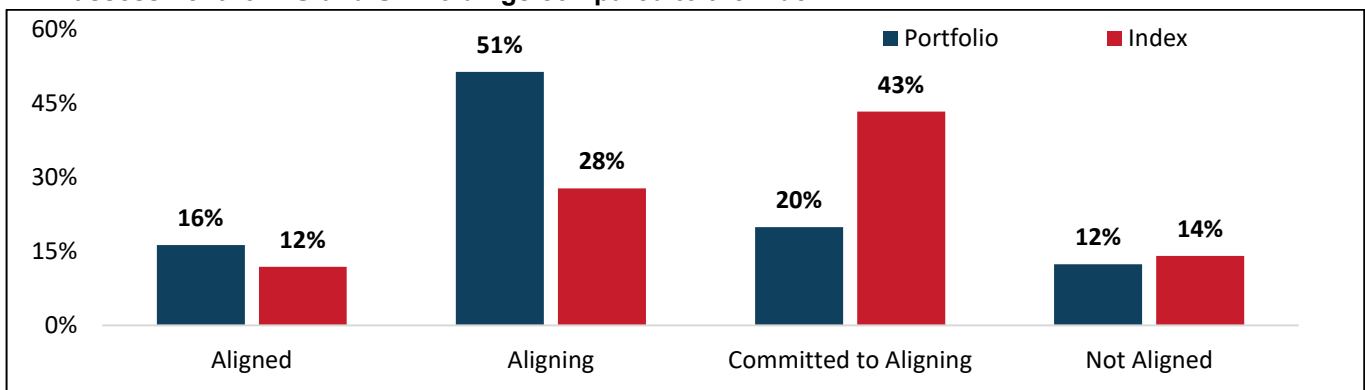
Source: CBRE Research, September 2025

As of 31 March 2026, the Resolution Capital global real estate Portfolio held approximately 18% exposure to the EU and UK.

To assess how exposed our holdings may be to these transition risks, we evaluate whether Portfolio companies have credible plans to decarbonise over time. We are using the Institutional Investor Group on Climate Change’s (IIGCC) Net Zero Investment Framework (NZIF) to measure transition risks and assess how companies are planning to decarbonise their portfolios and categorises companies as Aligned to a net zero trajectory or Not Aligned.

The chart below shows the NZIF assessment for our EU and UK holdings, with two thirds of our holdings being either Aligned or Aligning with a net zero trajectory. To be in these categories a company needs to have a net zero target, an ambitious short-term target and public decarbonisation strategy for achieving these goals. This shows our EU and UK holdings are better prepared than the EU and UK constituents of the index for increasing transition risks in the region.

**NZIF assessment for EU and UK holdings compared to the Index**



Source: MSCI, Company Disclosures, Resolution Capital, March 2026

While the direct impact on commercial real estate financing costs is still emerging, the direction of travel is clear — banks and regulators are increasingly differentiating based on building energy performance, and we expect this to accelerate as the ECB climate factor takes effect and energy efficiency regulation deadlines approach. We continue to monitor the energy performance, retrofit investment plans and green financing strategies of our Portfolio holdings as part of our ongoing assessment of climate transition risk.

## Portfolio Metrics

### GRESB Score Update

The Global Real Estate Sustainability Benchmark (GRESB) scores<sup>2</sup> 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 March 2026 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 94.3 (out of 100) compared to 89.5.

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 a lower coverage score than the FTSE EPRA NAREIT Developed Index, at 64.7% compared to 64.4%.

This reduction in coverage (down from 72.4%) is due to several companies choosing to not continue reporting through the GRESB assessment as well as increasing positions in companies that do not participate in the assessment (these include Equinix (EQIX) and Goldman Group (GMG)).

The holdings no longer reporting are Digital Realty (DLR), Segro (SGRO) and Invitation Homes (INVH). All three have expressed that, in their opinion, the GRESB assessment does not appropriately value their sustainability strategies. This is a common reason we have heard particularly from companies that have leading practices, or have property types that are not assessed, in their views, appropriately. For Digital Realty and Invitation Homes, Data Centres and Single Family Residential buildings are difficult to assess under the current assessment and so GRESB has developed specific assessment frameworks for these property types, to alleviate these applicability concerns.

Our Portfolio continues to have a slightly 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.

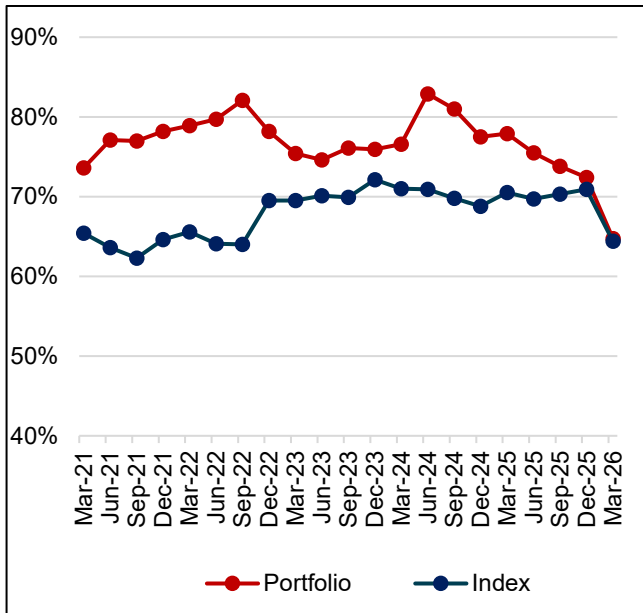
#### Period Ending 31 March 2026

	GRESB Score Dec '25	GRESB Score Mar '26	Environmental	Social	Governance	Public Disclosure Score
Portfolio	79.4	79.9	71.0	95.3	95.2	94.3
Index	77.8	78.4	69.3	95.2	95.0	89.5
<i>Difference</i>	<i>1.6</i>	<i>1.1</i>	<i>1.7</i>	<i>0.1</i>	<i>0.2</i>	<i>4.8</i>

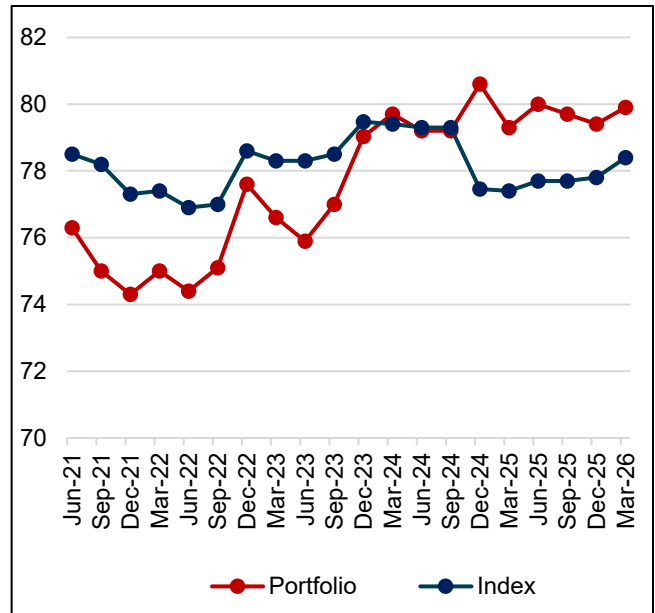
While our Portfolio GRESB coverage remains higher than the index, we continue to focus our engagements with Portfolio holdings that do not report to GRESB and encouraging them to report to GRESB as an industry standard for ESG assessment.

<sup>2</sup> 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 coverage (%)**



**Weighted average GRESB score (0 – 100)**



Source: Resolution Capital, GRESB, 31 March 2026

## Net Zero Investment Framework

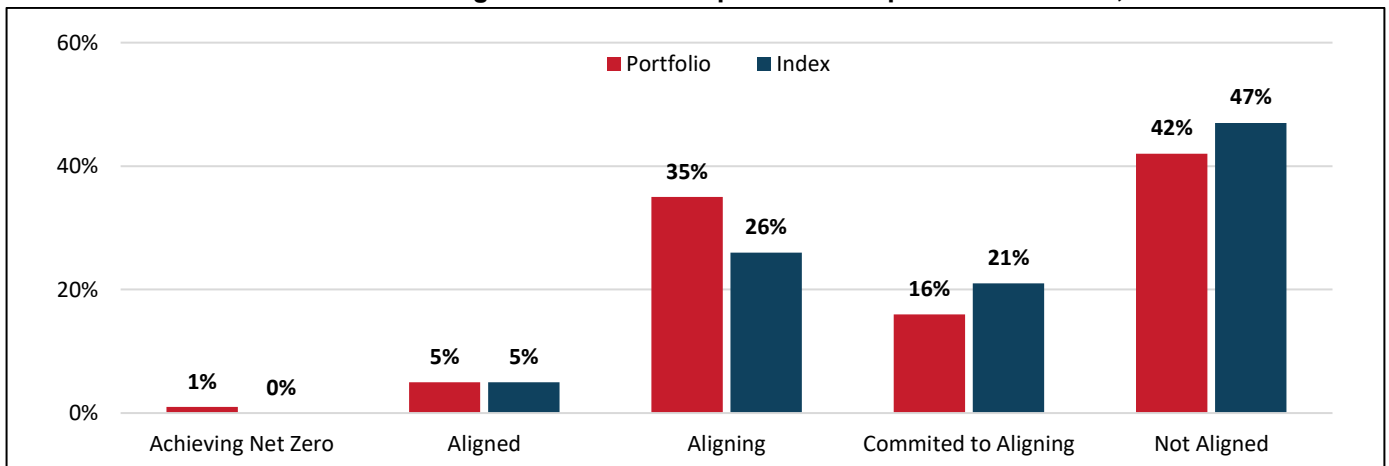
Using the Net Zero Investment Framework (NZIF)<sup>3</sup>, we are assessing whether companies not only have a track record of decarbonising, but also whether a company has disclosed detailed decarbonisation and capital allocation plans to achieve long term decarbonisation targets.

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.

Please see our Climate Risk Report 2025 for further details on our NZIF assessments.

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 March 2026**



Source: MSCI ESG Research, Resolution Capital, Corporate Disclosures, 31 March 2026

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

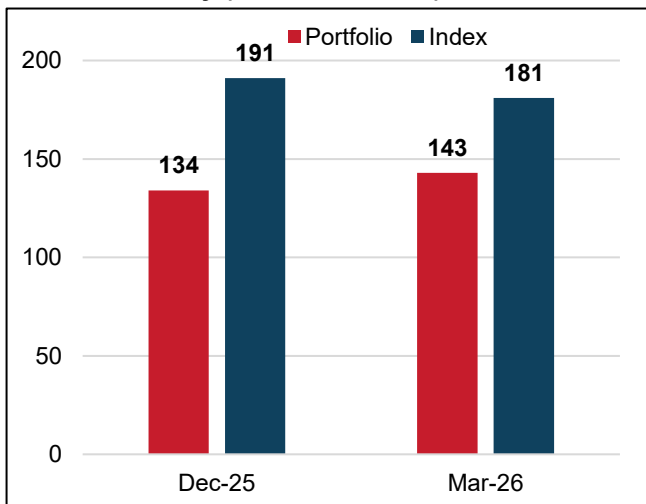
<sup>3</sup> The Net Zero Investment Framework (NZIF), developed by the Institutional Investor Group on Climate Change in 2021, has a robust framework for determining a company's alignment with these requirements.

categories. Ultimately, this is intended to progress all companies to the Aligned category and achieve Net Zero by 2050.

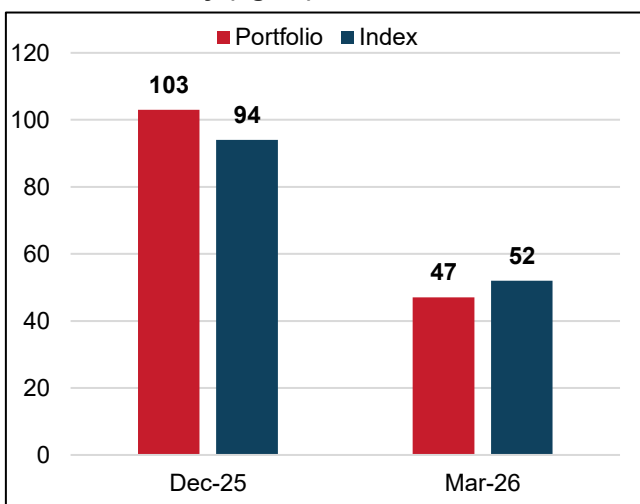
## Carbon Emissions

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 March 2026. This quarter, the Portfolio's carbon intensity on an area basis dropped below the index for the first time in several years due to Digital Realty not reporting in to the GRESB assessment. Both the Portfolio and index area-based carbon emissions intensity dropped significantly due to this reason.

**Carbon intensity (Ton/US\$1m Rev)**



**Carbon intensity (kg/m<sup>2</sup>)**

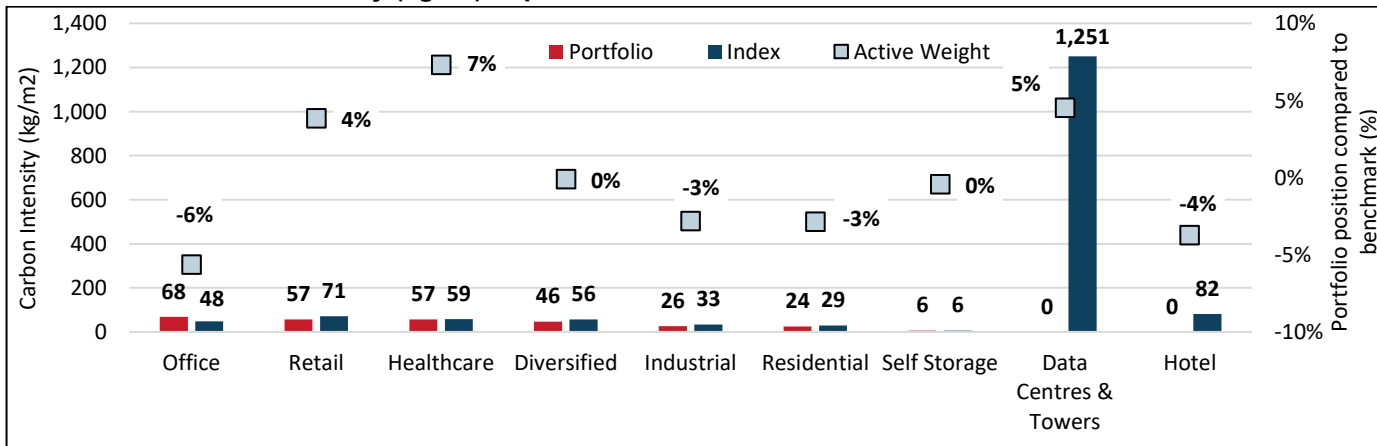


Source 1 and 2: Resolution Capital, GRESB, Bloomberg, company disclosure, 31 March 2026  
 Index: FTSE EPRA NAREIT Developed Index

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 the office sector, where our large underweight positioning helps to mitigate these higher emissions compared to the index.

The healthcare sector continued to be the largest overweight sector this quarter at 7% over the index and had an emissions intensity slightly below the healthcare sector peers. Additionally, changes to our positioning in the retail sector have contributed to a slight reduction in carbon intensity this quarter (57kg CO<sub>2</sub>/m<sup>2</sup> vs 60kg CO<sub>2</sub>/m<sup>2</sup>).

**Sector based carbon intensity (kg/m<sup>2</sup>) of portfolio vs index**



Source: Resolution Capital, GRESB, company disclosure, 31 March 2026  
 Index: FTSE EPRA NAREIT Developed Index, 31 March 2026

## Proxy Voting

In the three months to 31 March 2026, Resolution Capital voted on 21 resolutions at one shareholder meeting and did not vote against any 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 March 2026	Vote statistics
Meetings	1
Resolutions	21
Voted For	21
Voted Against	0
Shareholder Resolutions	0
Abstained	0
No Action	0

### Votes against management

There were no votes against management this quarter.

### Corporate engagements

This quarter we engaged with Chartwell Residences, a Canada based healthcare REIT that focuses on seniors living and long-term care residences. This was the first ESG focused call with Chartwell, which was highlighted for engagement under our NZIF assessment, as they are classified as "Not Aligned". After this call that classification has not changed.

Chartwell is in the early stages of its sustainability program, reporting into GRESB for the last 3 years. It doesn't have any carbon reduction targets or plans for electrification and incorporating renewable energy.

However, the company seems pragmatic and methodical in its approach to sustainability, implementing what makes economic sense while being mindful of the impact of any project on its residents. The company doesn't have formal carbon reduction targets yet and is still learning about what they're able to impact, noting that there are practical limits to reducing energy use in seniors housing. A specific example was the use of lighting sensors and the implications of lights turning off unexpectedly for its older residents and that if a room does not have a light on, then residents won't enter that room.

The company has been upgrading its lighting to LEDs in common areas and has engaged a consultant to conduct a study identifying further energy efficiency opportunities. They conducted this project on one property per province to build representative case studies. The recommendations from these pilot projects help guide equipment upgrades at end of life, though not all are economical to implement at the present.

On renewables and electrification, the company has no explicit targets for renewable electricity integration and no PPAs are in place. The company is in the process of purchasing a property with solar panels installed and will be using this as a case study for how solar could be integrated into their properties. Electrification potential is regionally dependent, with properties in Quebec being the most likely candidates, since its grid is predominantly powered by hydro generation. A notably colder and longer winter this year drove a 50% increase in utilities usage, which highlighted the need for a deeper understanding of their emissions profile and opportunities for energy efficiency.

In terms of the company's approach to physical climate risks, it takes a location-specific approach, engaging with insurers on flood and other risks, and has operational emergency procedures in place for residents and staff. An example of their preparedness was the Mission Bridge wildfire, where all residents were successfully evacuated. Building codes also play a role, with specific requirements for seniors housing designed to address regional risks.

Overall, given Chartwell is still at the beginning of their sustainability journey, there are still many opportunities for progress, which the pilot studies mentioned above should provide. We will continue to monitor to see their progress.

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