

QUARTERLY ESG AND STEWARDSHIP REPORT

# GLOBAL LISTED INFRASTRUCTURE STRATEGY

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MARCH 2026

# ESG Commentary

## U.S. Water Utilities: Clean Water, Clean Growth

In the U.S. water utilities sector there are currently two trends that are leading to a period of strong regulatory driven capital investment, one focusing on PFAS (commonly referred to as “forever chemicals”) and the other on mandatory lead pipe replacement. As of 31 March, our largest holding was the U.S. water utility H2O America (HTO), and we will discuss how it is impacted by these regulations.

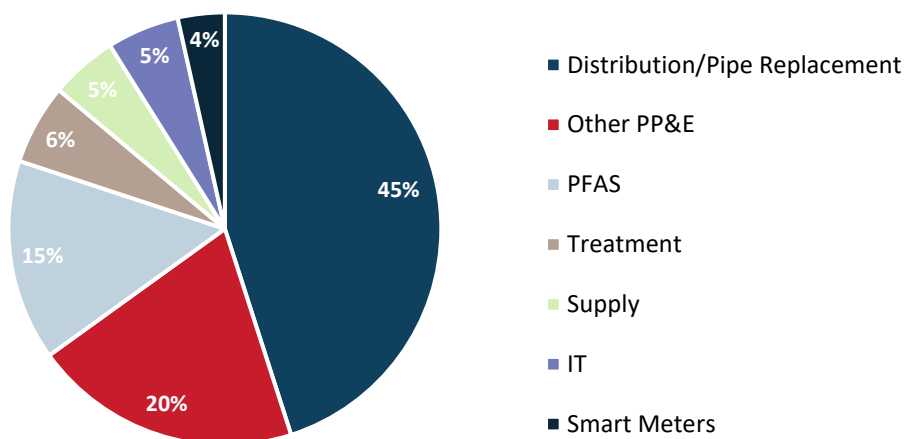
The first regulatory driver relates to PFAS and their limits in drinking water. PFAS are a class of persistent synthetic chemicals, commonly referred to as “forever chemicals”, that have been found to contaminate drinking water sources across the world. The US Environmental Protection Agency (EPA) sets strict maximum limits on PFAS and PFOA, and treatment and monitoring requirements for drinking water under the National Primary Drinking Water Regulation (NPDWR). The NPDWR originally imposed a deadline of 2029 to comply with the PFAS and PFOA limits and was delayed to 2031 in April 2026.

The second regulatory driver is related to lead and copper pipe replacements under the EPA’s Lead and Copper Rule Improvements (LCRI). The LCRI, finalised in October 2024, requires all water systems to identify and replace lead service lines within 10 years of the compliance date. The American Water Works Association’s “Beyond the Replacement Era” report estimates that US\$100bn will be required to be invested in order to comply with this regulation. A water utility trade organisation is currently challenging the implementation of this regulation in court, so it may be several years before the outcome is known and the regulation is safe from repeal.

Overall, between these two regulations, the EPA estimates that drinking water related infrastructure requires approximately US\$625bn of investment over the next 20 years. Our main water utility holding, H2O America, has approximately 407,000 customer connections, focusing on California, Connecticut, Maine and Texas. It is directly impacted by these regulations and has been preparing for meeting these requirements while also responsibly growing its asset base.

In its 2025 Annual Report, the company outlines its 2026 – 2030 capital investment budget, summarised in the chart below, as well as highlighting its key areas of focus over this timeframe. The first two items on this list are delivering PFAS treatment projects on schedule to meet the 2029 deadline and achieving an annual pipeline replacement target of 1% of its distribution system across all states.

### Breakdown of 2026 – 2030 capital investment budget, with Pipe Replacement and PFAS segments highlighted



Source: H2O America, 2025 Annual Report, p10, 2025

Firstly, in terms of its PFAS commitment, HTO has allocated approximately US\$400m of its US\$2.7bn annual budget to achieve this. There are mechanisms across HTO’s four states that allow it to recover its capital investments, with management expecting timely rate recognition of approximately 80% of the overall five-year capital plan. The most direct pathway is in Connecticut, where the Water Quality and Treatment Adjustment (WQTA), signed into law in July 2025 and described as the nation’s first dedicated mechanism for recovering PFAS treatment capital, allows annual surcharge filings of up to 7.5% per year and 15% between general rate cases. Depending on the state, the general

rate cases can be up to every three years. The company expects to recover the full US\$238 million of Connecticut PFAS treatment costs through this mechanism. In its other jurisdictions, recovery relies on conventional rate case processes with state regulators, which occur less frequently and can result in slower capital recovery.

Secondly, in terms of its pipeline replacement program in response to the LCRI regulations, HTO has set a target of replacing 1% of its distribution system annually, which is approximately US\$1.2b of HTO's planned 2026 – 2030 capital expenditure. While the LCRI specifically mandates the replacement of lead service lines within ten years, HTO's program addresses the broader challenge of ageing distribution infrastructure, including cast iron, asbestos cement, and other legacy pipe materials that contribute to leakage and water quality issues. The company invested US\$501 million in infrastructure in 2025, a 41% increase over 2024, and is supplementing physical pipe replacement with a system-wide rollout of smart metering systems.

While PFAS has a dedicated, purpose-built recovery pathway in Connecticut, the potentially larger pipe replacement program relies on more conventional regulatory mechanisms where the pace of recovery depends on surcharge caps, rate case timing, and commission approvals in each jurisdiction.

We are monitoring the evolution of the PFAS and LCRI regulatory frameworks at the federal level, particularly the outcome of related pending litigation. For HTO, the company's ability to recover its elevated capital spending in a timely manner across its four-state footprint, through both dedicated mechanisms like Connecticut's WQTA and conventional rate case processes, will be a key indicator of whether the regulatory-driven investment cycle translates into sustained earnings growth.

## Portfolio Metrics

For the Portfolio, a key focus is on ensuring the companies we are invested in are well prepared for the transition to a net zero emissions world. We assess how our Portfolio holdings are preparing for this transition and compare our Portfolio performance to the benchmark, the FTSE Developed Core 50/50 Infrastructure Index, using ESG data sourced from MSCI ESG Research, Bloomberg and ISS.

## Net Zero Investment Framework

Using the Net Zero Investment Framework (NZIF)<sup>1</sup>, we have assessed 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 maximises decarbonisation of the real economy.

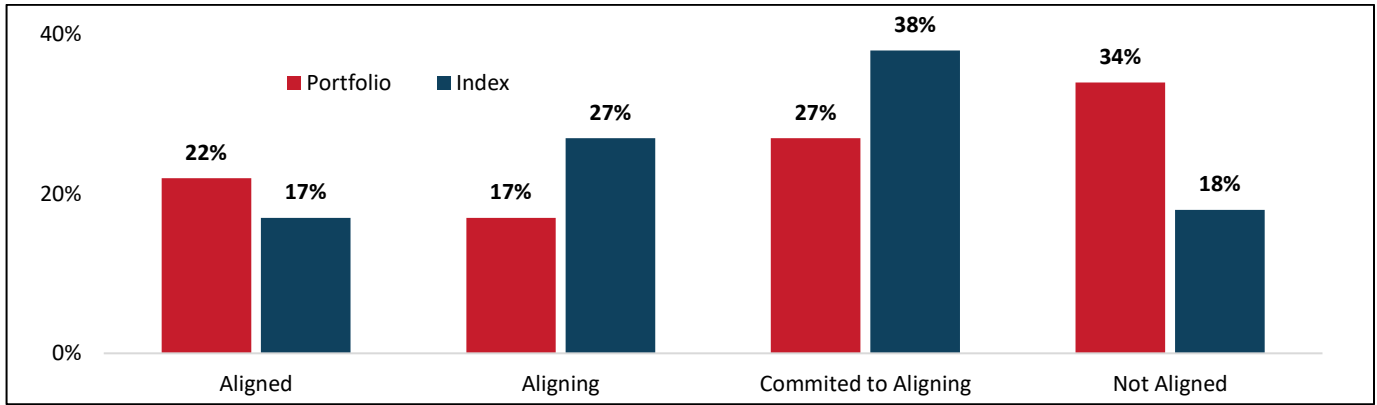
Please see our Climate Risk Report 2025 for further details on our NZIF assessments.

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

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<sup>1</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.

## NZIF categorisations for our Portfolio vs the index, as at 31 March 2026



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

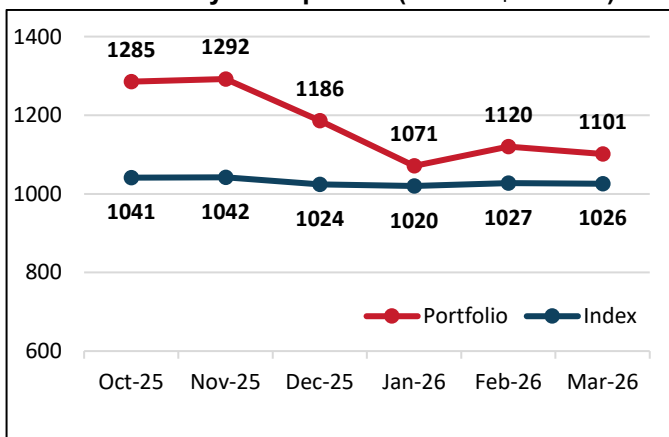
These categorisations help to inform our company engagements, prioritising companies in the Not Aligned and Committed to Aligning categories and encouraging them to implement policies and practices to move to higher categories. Ultimately, this is intended to progress all companies to the Aligned category 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. The charts below illustrate the carbon intensity of the Portfolio versus the index, as of 31 March 2026, separated into revenue-based Scopes 1 and 2, and Scope 3 emissions intensities. The Scopes 1 and 2 carbon intensity of the Portfolio's holdings remain slightly above the index's, at 1,101 ton/US\$1m Rev vs 1,026 ton/US\$1m Rev. Portfolio Scope 3 emissions intensity increased this quarter and is above the index, at 1,093 ton/US\$1m Rev vs 909 ton/US\$1m Rev. This quarter saw a small reduction in our gas utilities holdings, which had a positive impact on our Scope 3 emissions, narrowing the gap between our Portfolio emissions intensity and the Index's.

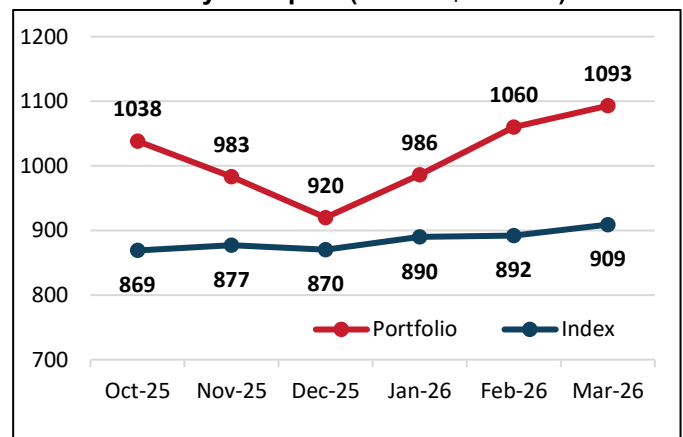
This quarter our Portfolio's Scope 1 and 2 emissions increased slightly. This was influenced by reducing positions in several more carbon-intensive electric utilities, such as Southern Company (SO) and exiting WEC Energy Group (WEC), and increasing positions in Black Hills Group (BKH) and OGE Energy Corp (OGE). Increases in less carbon-intensive positions, such as water utility H2O America (HTO), utility grid operator Elia (ELI), toll road operator GEK TERNA (GEKTERNA) and electric utility SSE (SSE) also contributed to the slight increase in Scope 1 and 2 emissions intensity.

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



Source: Resolution Capital, MSCI ESG Research, 31 March 2026  
Index: FTSE Developed Core 50/50 Infrastructure

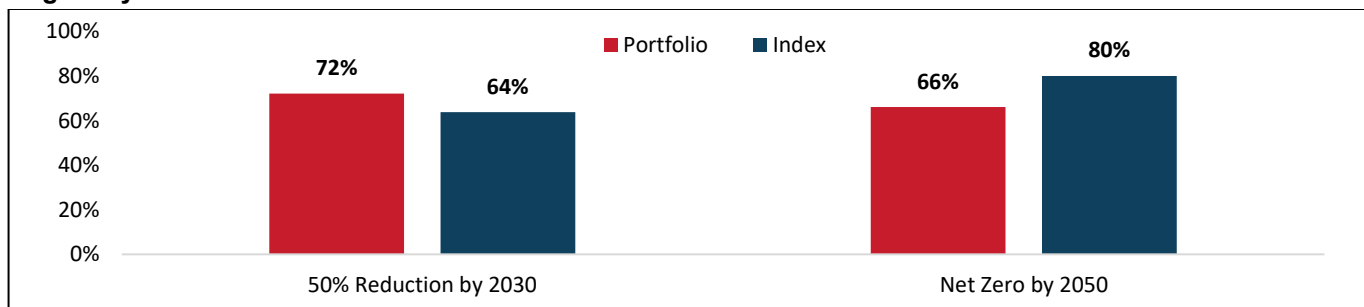
### Carbon intensity –Scope 3 (Ton/US\$1m Rev)



Source: Resolution Capital, MSCI ESG Research, 31 March 2026  
Index: FTSE Developed Core 50/50 Infrastructure

As part of our assessment of a company's alignment to the Paris Agreement, through the NZIF, we assess the ambition of both short- and long-term targets so that a company is reducing its carbon emissions consistently over time and not just delaying reductions until closer to 2050. The proportion of Portfolio companies that have carbon reduction targets of at least 50% by 2030 and those with net zero carbon emissions targets is shown in the chart below, compared to the index. There is a higher proportion of companies in our Portfolio with strong short-term targets compared to the index and a lower proportion with net zero targets compared to the index.

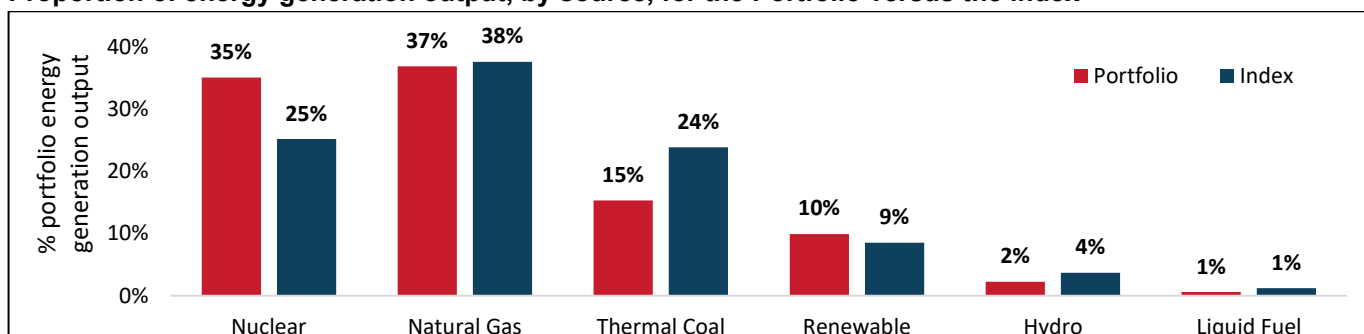
## Proportion of companies with short-term carbon reduction targets by 2030 and net zero carbon reduction targets by 2050



Source: Resolution Capital, MSCI ESG Research, Company disclosure, 31 March 2026  
 Index: FTSE Developed Core 50/50 Infrastructure

We also look closely at the utilities sector and its efforts to decarbonise and take advantage of the opportunities from the increasing demand for clean energy, tracking electricity generation by fuel source. The breakdown of electricity generation by source for the Portfolio and the index is shown in the chart below. Our Portfolio has 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, than the index.

## Proportion of energy generation output, by source, for the Portfolio versus the index



Source: Resolution Capital, MSCI ESG Research, Company disclosure, 31 March 2026  
 Index: FTSE Developed Core 50/50 Infrastructure

## Proxy Voting

In the three months to 31 March 2026, Resolution Capital voted on five 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	5
Voted For	5
Voted Against	0
Shareholder Resolutions	0
Abstained	0
No Action	0

## Votes against management

We did not vote against management on any resolutions this quarter.

## Corporate engagements

This quarter we engaged with Pinnacle North West (PNW), a U.S.-based electric utility.

Our engagement with PNW was triggered by changes to the company's carbon reduction targets announced in August last year. PNW replaced its "absolute zero carbon emissions" by 2050 target with a "net zero" by 2050 target and removed its interim goal of generating 65% of its energy from clean energy by 2030. The removal of an interim target is typically a red flag, suggesting a company may be weakening its decarbonisation commitments, and these changes moved PNW from an anticipated "Aligning" NZIF category to "Committed to Aligning." However,

management explained the shift was driven by a desire to avoid greenwashing. They are currently building gas-fired generation that will still be operating in 25 years and felt it was not credible to commit to absolute zero under those circumstances.

Despite the target changes, there are reasons to believe PNW will still deliver meaningful decarbonisation. As of the end of 2025, 58% of the company's electricity supply came from zero carbon sources, predominantly nuclear and solar. The company is also actively procuring additional solar generation and battery capacity, though the impact of new clean energy additions is being offset by sharply rising demand. PNW's demand-side management program, which uses residential smart thermostats across approximately 100,000 enrolled households, provides approximately 160MW of potential peak load reduction capacity and represents a practical complement to its supply-side efforts.

A particularly noteworthy aspect of this engagement was the discussion around PNW's final coal-fired plant, Four Corners, and its intersection with just transition considerations. The plant is located in the Navajo Nation and is the sole customer for an adjacent Navajo-owned coal mine. Together, the plant and mine account for roughly 50% of the local economy and support approximately 400 direct and indirect jobs. While retiring the plant earlier would help PNW meet its former interim target, doing so would cause significant harm to the local community. The plant's lease expires in 2038, with land rehabilitation required by 2041, providing a natural timeline for closure.

This case illustrates the limitations of relying on a single metric to assess a company's ESG credentials and underscores the value of direct engagement in understanding the real-world trade-offs companies are facing in their decarbonisation journeys.

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