RESOLUTION CAPITAL

QUARTERLY ESG AND STEWARDSHIP REPORT

GLOBAL LISTED INFRASTRUCTURE STRATEGY

MARCH 2024

ESG Commentary

Expanded ESG Reporting suite in 2024

With increasing regulatory disclosure requirements and public demand for transparency in sustainability and ESG reporting, we are proud to share three ESG reports this year. These reports capture our commitment to active stewardship, ESG integration and to building a more sustainable world. They represent a comprehensive overview of sustainability and responsible investment initiatives across our business and how we are responding to key sustainability and responsible investment issues in our investment portfolios.

- Our Climate Risk Report outlines our approach to managing climate risks and opportunities that are expected to impact global real estate and infrastructure securities now and over the long term. This report draws on the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) and the requirements of other emerging Australian and international sustainability reporting standards.

- Our commitment to active ownership and promoting the six principles of the PRI (Principles for Responsible Investment) are outlined in our Responsible Investment and Stewardship Report. This report includes details about how we decide to cast proxy votes and examples of the engagements we have conducted over the last 12 months.

- Our Corporate Social Responsibility Report outlines our commitment to develop positive relationships with our community and our contribution to focused causes. It also covers details around our firm level diversity, carbon emissions and approach to modern slavery risks in our supply chains.

U.S. Utilities facing increasing risks from wildfires and claims for property damages

One of the aspects of a changing climate that has been impacting U.S. Utilities in the last few years has been the increasing frequency and impact from wildfires, as well as the lengthening of traditional wildfire seasons. This has been particularly evident in the last few months with Colorado and Texas experiencing several significant wildfires. Wildfires are a unique type of natural disaster in that electric utilities' equipment could be the "cause" of ignition. Thus, the impact is beyond the need for emergency response should this occur.

Climate change is exacerbating these risks by intensifying wildfire conditions through rising temperatures, prolonged droughts, and the proliferation of dry vegetation. As a result, utilities must adapt their infrastructure and operational strategies to mitigate escalating wildfire threats. Addressing these challenges is becoming increasingly important as utilities aim to uphold service reliability and resilience in the face of a changing climate where wildfire season is increasingly year-round, and wildfires are occurring in areas that have traditionally been lower risk. Even with the risks posed by wildfires, not all utilities have wildfire mitigation plans, which can be problematic given that when utilities have been found to be liable for damages due to wildfires that were caused by negligence on their part, the value of liabilities can be significant, even leading to potential bankruptcy.

PacifiCorp, a subsidiary of Berkshire Hathaway, and Hawaiian Electric are examples of utilities facing this situation, with both being found negligent in causing the ignition of wildfires in their service areas. Both utilities are facing potential liabilities that exceed their insurance coverage. PacifiCorp was accused of negligence after a 2020 wildfire in Oregon and northern California damaged or destroyed over 5,000 homes. The company estimated current claims related to the fire are estimated to be approximately US$8 billion. PacifiCorp was accused of failing to pre-emptively shut off power to customers during a windstorm, causing the ignition of that wildfire. Hawaiian Electric is facing approximately US$4.9 billion in potential claims related to its role in the wildfire in Maui in 2023, which is likely to exceed its insurance coverage. Hawaiian Electric was also accused of being under prepared and slow to adopt mitigation measures that other utilities have in place.

The potential for devastating damage has prompted utilities to implement preventative measures such as Public Safety Power Shutoffs (PSPS) which actively depower lines in high-risk conditions, however this is not something all utilities have in place. While PSPS events aim to reduce wildfire ignition risks, they often impact millions of customers and have severe implications for public health, safety, and economic activities. Utilities grapple with the trade-off between mitigating wildfire risks and minimising the societal impacts of power disruptions.

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 profitably 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

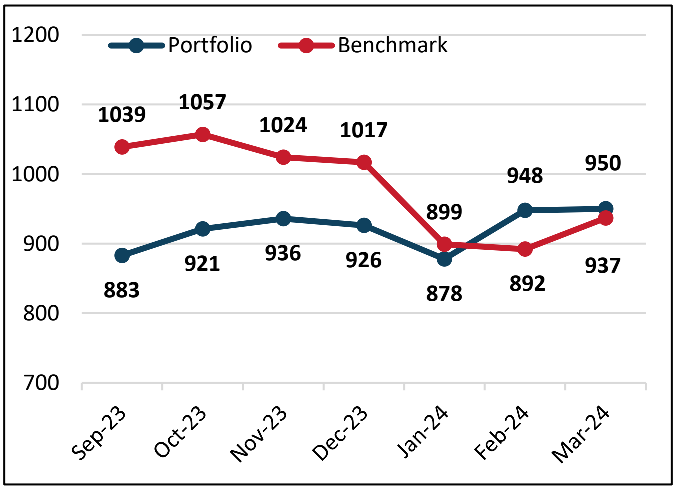
The carbon emissions and carbon intensity of the Portfolio versus the index are monitored and measured on a quarterly basis. The charts below illustrate the carbon intensity of the Portfolio versus the benchmark, as of 31 March 2024, separated into revenue – based Scopes 1 and 2, and Scope 3 emissions intensities. However, the carbon intensity of the Portfolio holdings has increased to be just over the benchmark for Scopes 1 and 2, and remains below the benchmark 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 benchmark (1,582 ton/US$1m Rev vs 1,784 ton/US$1m Rev) for Scope 1 and 2 emissions.

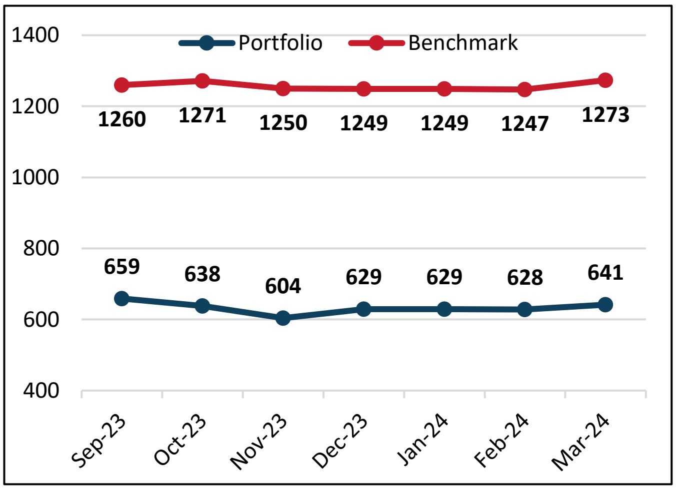
Portfolio Scope 1 and 2 emissions intensity increased over the last quarter. New positions in three electric utilities have contributed to this increase, with companies such as Xcel Energy (XEL-US), PNM Resources (PNM-US) and Emera Inc (EMA-CA) contributing to the increase. Decreasing positions in more carbon intensive utilities such as Ameren (AEE-US) and Dominion Energy (D-US) and exiting PPL Corp (PPL-US) helped to offset the increases from the new utilities holdings.

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 (641 ton/US$1m Rev vs 1,273 ton/US$1m Rev).

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



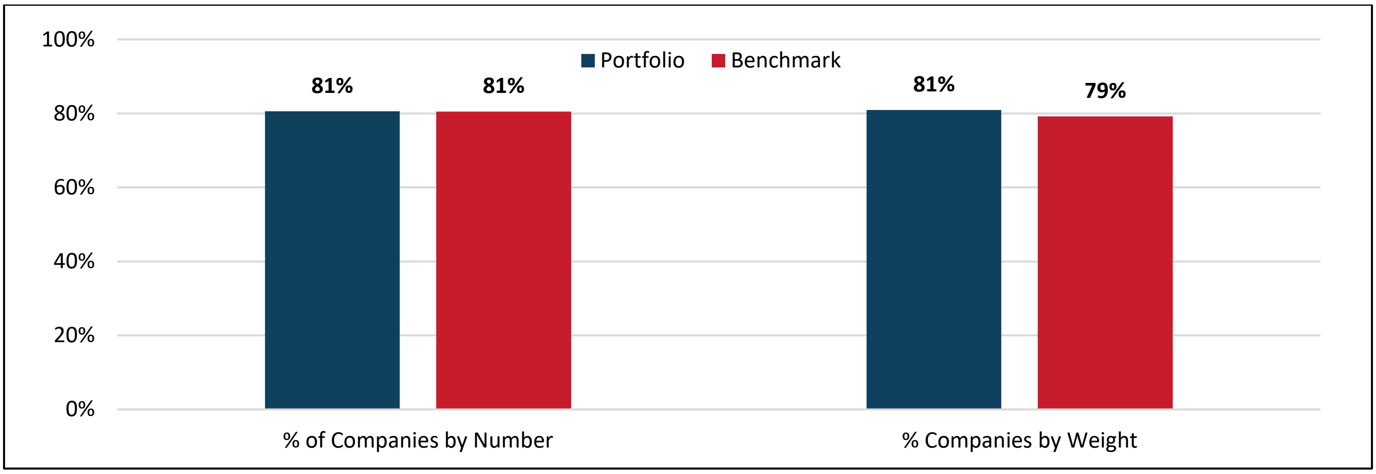
Carbon intensity –Scope 3 (Ton/US$1m Rev)



Source: ResCap, MSCI ESG Research, 31 March 2024
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 81% of the Portfolio, by weight, having a net zero target by 2050, compared to 79% of the benchmark.

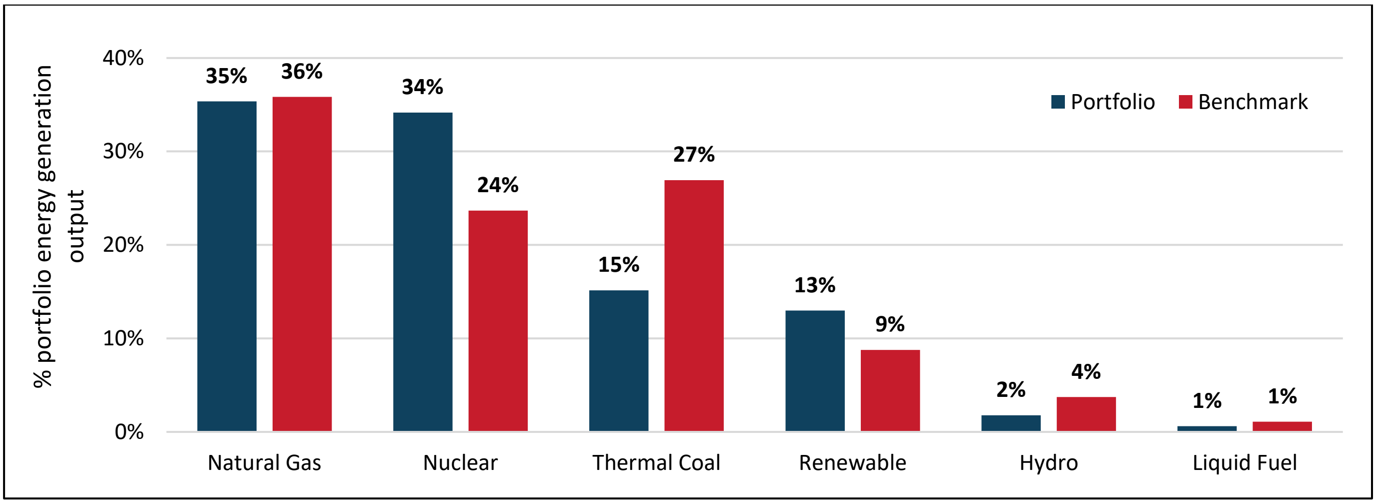
Proportion of companies with net zero carbon reduction targets by 2050



Source: ResCap, MSCI ESG Research, Company disclosure, 31 March 2024
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 March 2024
Index: FTSE Developed Core 50/50 Infrastructure

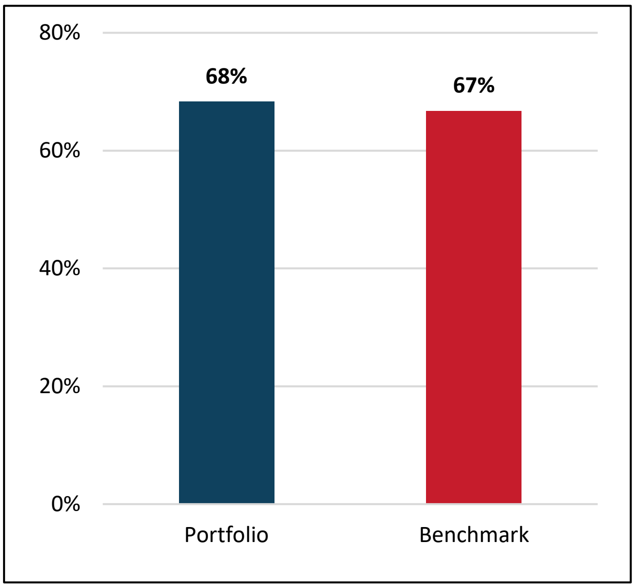
EU Taxonomy Alignment

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.

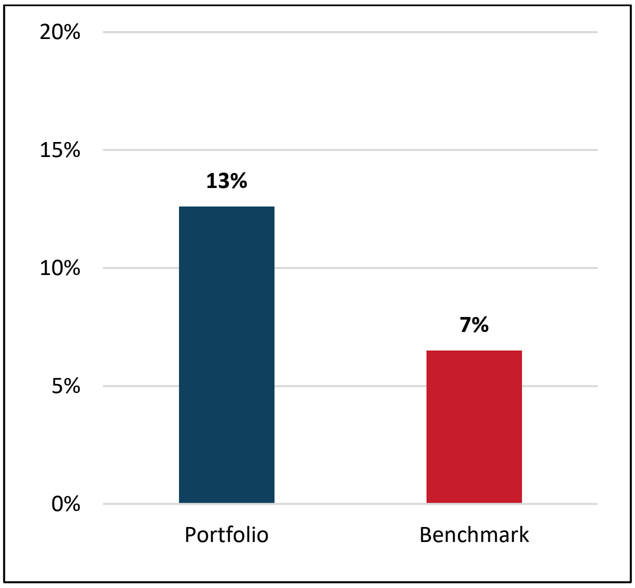
Using data from MSCI ESG Research, we can identify the potential alignment of our portfolio companies to the EU Taxonomy’s minimum criteria. This includes doing no significant harm to the six environmental criteria; making a substantial contribution to climate change adaptation and mitigation; and satisfying 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 March 2024
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 March 2024, Resolution Capital did not vote on any resolutions at shareholder meetings.

Corporate engagements

Concerns about U.S. Utilities' exposure to wildfire risks and how a company is mitigating these exposures are increasing and we have been engaging with our U.S. Utilities holdings to understand these risks better.

Xcel Energy (XEL) is a prime example of this as the company has experienced two significant wildfires in the last three years. XEL is an electric utility with operations in several U.S. states and has coal, gas, nuclear, wind and hydroelectric power generation assets. XEL's assets have been impacted by wildfires in two of its service territories, one fire in Colorado in 2021 (Marshall Wildfire) and one in Texas in 2023 (Smokehouse Creek Wildfire). These service territories represent approximately 50% of XEL's regulated asset base. XEL is facing outstanding compensation claims in Colorado and there are expectations that claims will be filed in Texas as well.

Recognising these wildfire risks, XEL has devised wildfire mitigation programs which it is implementing at its facilities in Colorado. For example, XEL uses unmanned aerial systems and LiDAR-equipped helicopters to inspect equipment along electric lines in wildfire risk zones, aiding in infrastructure hardening decisions. The company has started a Wildfire Safety Settings pilot program, upgrading select areas with devices to interrupt energy flow during high-risk periods, reducing the potential for ignitions. Additionally, XEL utilises early wildfire detection cameras and advanced risk modelling to enhance situational awareness and target mitigation efforts effectively. There are currently no wildfire protection regulations in Texas, however XEL has proactively initiated work with the Texas regulators to implement a similar framework.

Edison International (EIX) is another utility, based in California, that we have engaged with on this topic. In discussions with management, they outlined their prevention measures include grid hardening, advanced monitoring and alert systems combined with AI and machine learning, aerial inspections, vegetation management and public safety power shutoffs (PSPS). These measures are designed to quickly identify faults in the transmission network that could lead to ignition events and pre-emptively shut off power to areas at risk.

The company also mentioned that it is pursuing partnerships with federal agencies to assist with land access and trimming trees as part of their vegetation management plans.

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