



## **Case study: IFM Investors (Australia) Investor Climate Action Plan**

### **ICAPs Expectations Ladder Focus Area: Investments**

As IFM pursues positive long-term risk-adjusted returns for its investors, it is focused on mitigating the financial risks of climate change and supporting the transition to a net zero carbon economy. IFM is developing a firm wide climate strategy to plan its pathway to reducing emissions across all of its asset classes targeting net zero by 2050, which will include interim 2030 emissions reduction targets.

To keep delivering on our purpose, IFM believe that it's vital to have a plan to mitigate the risks of climate change. As one of the largest infrastructure investors in the world, IFM's approach centers on long-term ownership and the active management of essential community assets, such as water management services, tolls roads and airports.

With an investment-horizon that is measured in decades, IFM think it is vital that it use its influence, capabilities and capital to help its assets reduce emissions and remain viable and useful in a lower carbon operating environment – thus maintaining, and potentially increasing, value for its investors.

### **Investments**

IFM established a multi-disciplinary taskforce in late 2020 to identify how each asset class would contribute to its 2050 commitment. This work began with a focus on the infrastructure asset class.

With respect to the specifics of the Investor Climate Action Plan, the following provides an overview of progress across key ICAP Framework areas for the Investment focus area:

#### **Alignment target**

IFM Investors has:

- measured its portfolio emissions.
- aligned its portfolio emissions reduction target with 1.5oC and global net- zero emissions by 2050.
- set intermediate targets covering the infrastructure asset class as a whole using recognized methodologies and frameworks for setting, assessing, reporting, and verifying performance.

#### **Strategy**

IFM Investors has:

- established a formal policy on integrating climate change.
- committed to increasing investments in appropriate clean energy and low- carbon opportunities.
- established a formal investment policy on fossil fuels (oil, coal and gas) that
  - aligns with a net-zero target.
  - includes an explicit commitment to phase out exposure to fossil fuels (either through engagement or divestment) in line with science-based net-zero pathways aligning with just transition principles.
- developed and started implementing a decarbonization strategy for at least one portfolio or asset class – infrastructure.

IFM Investors hasn't yet:

- defined a strategy for all high emitting sectors.
- established a formal investment policy for other high impact activities, such as deforestation and biodiversity loss
- eliminated all investments in thermal coal, but it is committed to doing so by 2030.

### Risk management

IFM Investors has:

- undertaken portfolio climate risk assessment.
- conducted a 1.5oC and 2oC scenario analysis including transition and physical risks, using a recognized methodology. IFM Investors revises and updates this analysis every two years or when the NGFS issues new mainline scenarios.
- used scenario analysis and stress testing to:
  - assess the impacts of physical and transition risks on the portfolio; and
  - inform current and future investment decisions.
- explicitly incorporated net-zero scenario analysis.

IFM Investors also regularly monitor portfolio climate risks including physical risks.

### Asset allocation

IFM Investors has invested part of the portfolio in 1.5oC aligned companies and projects.

### Additional target setting

IFM Investors has:

- set 1.5oC targets in our infrastructure asset class and is currently developing targets for our other asset classes: Private Equity, Listed Equities and Debt Investments.
- set intermediate targets that enable progression and assessment of portfolio emissions reduction in line with achieving net-zero emissions.

IFM Investors hasn't:

- set Scope 1 and 2 decarbonization targets for our own operational emissions, however, it is developing an emissions reduction strategy that it aims to start implementing during FY22.
- implemented explicit net-zero aligned targets for clean energy and low carbon investments in each asset class.
- set Scope 3 decarbonization targets.
- established net-zero-aligned targets for high impact sectors.

Based on the above, IFM Investors has assessed itself as being Tier 2 in the Investment ICAPs pillar.

For details about the 2030 commitments and actions IFM is taking across the infrastructure asset class, please [click here](#). To review IFM's approach to climate change management as at December 2020, please see the IFM TCFD framework-aligned [2020 Climate Change Report](#).

Renewables are a critical pillar in IFM's approach to supporting portfolio companies' decarbonization pathways. You can read more about the renewable energy developments in IFM's infrastructure portfolio in our [2021 Responsible Business Report](#).

## Conclusion

As IFM Investors pursue its commitments and actions across its infrastructure portfolio, its goal is to be part of the climate solution, harnessing opportunities for its investors while helping to create benefits for its assets' employees and the communities they serve.

The next stage of IFM's climate strategy development focuses on its other asset classes: Debt, Listed Equities and Private Equity, and IFM looks forward to announcing its 2030 commitments and actions for these asset classes.

IFM believe its approach is in the best interests of its investors and their members and beneficiaries, as IFM focus on mitigating the financial risks of climate change and take advantage of the significant investment opportunities that are arising because of the energy transition.