

An aerial view of the Earth from space, showing a large white circle in the center. The circle contains the title and date of the report. The background shows the curvature of the planet, blue oceans, green landmasses, and white clouds. The sun is visible on the right side, creating a bright glow and lens flare effect.

IFM Investors Responsible Business Report

December 2020



“Our highest priority continues to be the safety and wellbeing of our global team, the people who work at our investments and members of the communities in which we invest and operate”

David Neal
Chief Executive

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Message from the Board

The first half of the financial year to 30 June 2020 was characterised by solid growth and robust macro-economic factors. The COVID-19 global crisis dominated the second half, leading to social, health and economic challenges, the likes of which most of us have never experienced.

We are acutely aware of the impact the COVID-19 crisis has had on our investors and their members and beneficiaries around the world. We also recognise the impact the crisis has had on the thousands of people who work at our investments globally, the people who live or work in the communities of our infrastructure assets, and our own global team here at IFM.

IFM's purpose is proudly "to protect and grow the long term retirement savings of working people". Our purpose remains grounded in our heritage and our ownership, which sees our shareholders and investors aligned and investing alongside each other for the long-term. Adding further strength to our purpose is the recognition that we play an important role as responsible stewards of the investments we manage, which is distinguished by our respect for the environment, working people and local communities.

As long term investors, we know that the strength and sustainability of the global economy is only possible if we have a plan to contribute to a better society, economy and environment. Our strategic priority areas - climate change, working people and inclusion and diversity - reflect this philosophy. We believe that managing risks and harnessing opportunities across these areas will support us to deliver on our purpose and, in turn, earn us the trust of our people, shareholders, investors and the wider public.

This year, we have continued to implement the recommendations of the independent IFM Culture Review undertaken in 2019. The review identified our strengths and made recommendations to help us evolve our culture in the context of IFM's strategy and growth aspirations. A unified culture – one that celebrates inclusion and diversity – is critical to delivering on our purpose.



Greg Combet
Chair, IFM Group Board



Deborah Kiers
Chair, IFM Group Board Responsible
Investment and Sustainability Committee

Message from the Chief Executive

We are releasing this Responsible Business Report at a time that continues to be challenging for people everywhere because of the COVID-19 global pandemic.

In what has been an unprecedented time, our highest priority continues to be the safety and wellbeing of our global team, the people who work at our investments and members of the communities in which we invest and operate.

We continue to prioritise addressing climate change risks, promoting constructive relations at workplaces, and focusing on inclusion and diversity. And we are taking practical action to champion these ideals not only in our investment decision making and stewardship activities, but also in our own practices as a global employer and investor.

During the financial year 2019/20, we expanded our carbon reduction program and sustainability reporting initiative to our infrastructure investments globally; strengthened our approach to ESG analysis in diversified credit; and continued to engage with listed company boards to better manage risks relating to conditions and fair wages for working people – particularly in the context of the COVID-19 crisis. We have also continued to work closely with our private equity investee companies, with a focus on measuring their ESG impact to enhance positive social and environmental outcomes.

At IFM, we refreshed our inclusion and diversity strategy; continued to support the learning and development of our people; and provided support to some of the most vulnerable people in the community through our corporate and people-led community giving programs.

We recognise there is always more work to do across our responsible business priority areas, and this report highlights key actions that are planned or are underway right now. We will continue to take actions that prioritise the interests of our investors and their members and beneficiaries.

I want to thank the incredible team at IFM for their contributions to our responsible business activity and outcomes. I look forward to IFM continuing to deliver on its purpose to protect and grow the long term retirement savings of working people.



David Neal
Chief Executive

Our Purpose

To protect and grow the long-term retirement savings of working people

Our Strategic Pillars



We are owned by Australian profit-to member industry super funds. Our shareholders and investors are aligned and invest alongside each other.



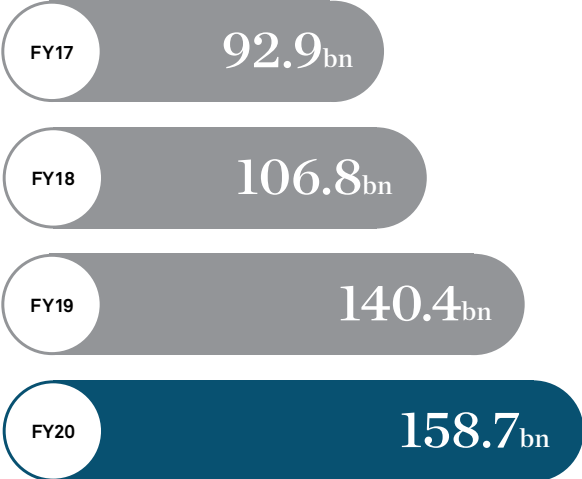
We are responsible stewards of the investments we manage, distinguished by our respect for the environment, working people and local communities.

Our Values

- Prioritise Investors
- Inspire innovation
- Achieve excellence
- Lead by example
- Respect each other

Funds Under Management (A\$)

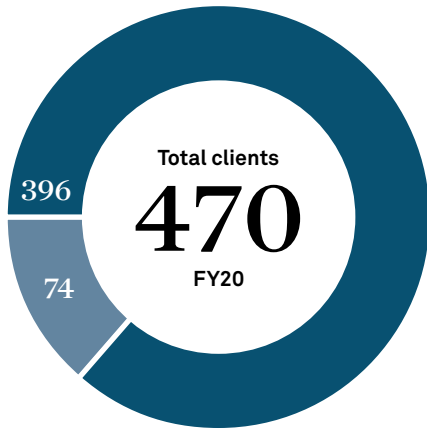
	June 2015	June 2020	CAGR
Infrastructure	\$25.5bn	A\$64.6bn	20.1%
Debt	\$15.5bn	A\$60.5bn	27.4%
Listed Equities	\$13.6bn	\$32.5bn	23.9%
Private Equity	\$2.3bn	A\$1.1bn	(5.3)%





Global clients

We continued to deepen and diversify our global reach in FY 2020, now servicing clients across 23 countries. At the end of the financial year, we now invest on behalf of 470 like-minded investors.

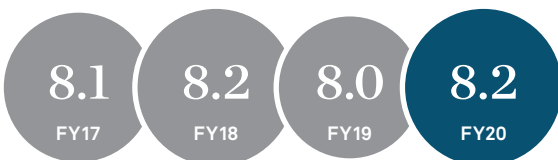


■ Clients outside Australia ■ Australian clients

	FY17	FY18	FY19
Australian clients	60	62	70
Clients outside Australia	184	250	326
Total clients	244	312	396

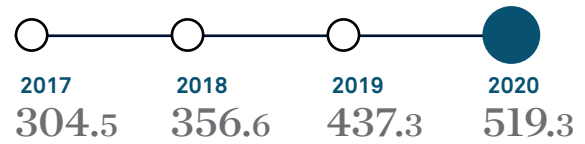
Investor Satisfaction Questionnaire (ISQ)

Client satisfaction increased to 8.2, demonstrating IFM's success over the past year in focusing on the needs of investors and their beneficiaries, while aiming to build a reputation as one of the world's most trusted institutional funds managers.



Growth in staff numbers

Our investment in people, systems and capabilities has allowed IFM Investors to continue to serve the needs of a growing global client base.



Awards



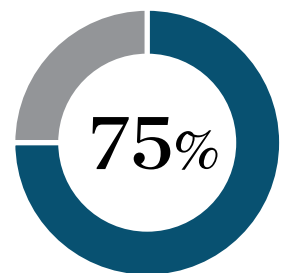
In recognition of our Australian Infrastructure Carbon Reduction Program



Winner - 2019 Investor Group on Climate Change (IGCC) Climate Award for 'Outstanding Initiative by an Asset Manager', in recognition of our Australian Infrastructure Carbon Reduction Program

Product Performance

75% of products performed at or ahead of stated objectives, after tax and management fees, on a five-year basis.



Past performance does not guarantee future results.

Annual scores by the Principles for Responsible Investment

Enterprise-wide measure of Strategy and Governance.



About IFM Investors

IFM Investors was established more than 25 years ago by a group of Australian pension funds to protect and grow the long-term retirement savings of working people by investing in nation-building infrastructure and private equity.

Aligned with the objectives of our founders, we prioritise the interests of our investors by focusing on investments that seek to deliver strong net returns over the long term.

Today, we invest on behalf of more than 470 like-minded institutions worldwide, including pension, superannuation and sovereign wealth funds, universities, insurers, endowment funds and foundations. The A\$159 billion¹ entrusted to us by these investors incorporates the retirement savings of more than 30 million working people worldwide.

Our investment strategy centres on the ownership and operation of critical community infrastructure, and holdings in four asset classes—Infrastructure, Debt, Listed Equities and Private Equity.

As long term investors, we recognise the need to have a plan to address the risks of climate change, promote constructive relations at workplaces, build diverse and inclusive workplaces and meet the expectations of the communities where we invest. We champion these ideals not only through our investment decision making and stewardship activities, but also in our own practices as a global employer and corporate citizen.

Responsible Business at IFM

We know from experience that the best performing long-term investments deliver broad and ongoing social, economic and environmental benefits, when long-term risks are well managed.

As responsible stewards of working people's retirement savings, we seek to create value for individuals and their communities by investing in well-governed, responsible companies and assets that contribute to a better society, stronger economy and cleaner environment.

Our responsible investment and stewardship approach is closely aligned with the United Nations Global Compact and the United Nations-supported Principles for Responsible Investment (PRI), to which IFM has been a signatory since 2008. Our association with these peak bodies and leading authorities reflects the importance we place on incorporating deep consideration of

environmental, social and governance risks and opportunities when investing for the long term.

ESG considerations in investment analysis, decision making & stewardship

The cornerstone of our responsible investment and stewardship approach is managing a range of risks and opportunities relating to environmental, social and governance (ESG) considerations. We systematically and explicitly consider ESG data alongside financial data to shape our decisions throughout the investment process, from pre-acquisition investment analysis through to post-acquisition stewardship activities. This approach enables us to identify, understand and manage investment risks and opportunities that we believe can affect investment value and returns in the short, medium and long term.

Through our investment stewardship activities, we use our shareholder position to influence corporate behaviour and the responsible management of ESG risks and opportunities. We take an active approach to asset management, engagement and voting. This approach seeks to enhance the long-term net performance and market reputation of investee companies, while contributing to a better society, stronger economy and cleaner environment.

Advocacy & Collaboration

We advocate for and support the adoption of responsible investment principles through our participation in a number of initiatives with like-minded stakeholders. Through our signatory status, memberships or partnerships with these initiatives, we actively seek to promote responsible investment and sustainable business principles globally.

Responsible Corporate Practices

We recognise that acting in the long-term best interests of investors, their members and communities goes beyond our investment and stewardship activities. Our own practices as an employer, business and corporate citizen provide us with further opportunity to build the trust of our people, investors and communities where we invest and operate. Ensuring our own practices align with what we expect of our investee companies enables us to build this trust and, in doing so, create greater opportunity to fulfil our purpose.

¹ At 30 June 2020

Responsible Business at IFM





This Responsible Business Report

Our 2020 Responsible Business Report aims to provide our investors, our people and other industry and community stakeholders with a clear picture of our responsible business approach and outcomes for the financial year 1 July 2019 to 30 June 2020 (FY20). Given the timing of publication, this report also includes selected updates from the time period 1 July to 31 October 2020.

The report's content spans our ESG integration and stewardship activities across our four asset classes, as well as key elements of our corporate operations. We have included a number of case studies and examples throughout the report, which aim to demonstrate our responsible business approach in action.

We are committed to robust responsible business governance frameworks and the transparency

of our approach. An overview of our responsible business governance and oversight is provided in Appendix 1, and our current suite of responsible business reporting and disclosure is listed in Appendix 2. These documents can be referenced in conjunction with this report for greater depth on specific elements of our approach.

Our responsible business commitments

In our 2019 Responsible Business Report, we made a number of commitments to advancing our responsible business approach. An update on progress is provided on the facing page. We have outlined our responsible business roadmap on pages 66-67 to highlight key pieces of work we will focus on over 2021 and beyond.



FY19/20 COMMITMENT	STATUS	DETAILS
Launch IFM Investors Infrastructure Community Grant Program globally.		Program launched in March 2020. Applications were received in August 2020, winners will be announced in early 2021.
Launch three e-learning modules for employee and leader level on the prevention of harassment, discrimination and bullying in the workplace, reflecting local country policies and procedures.		The three e-learning modules were launched in January 2020 and are included in a suite of training that new recruits complete within the first month of joining IFM as part of IFM's ongoing organisation-wide induction program.
Host sustainability forums in New York and London for global infrastructure portfolio companies.		Bespoke virtual sessions on sustainability strategy and reporting with individual investee companies were launched in late FY20 and will continue in to 2021. In person group forums scheduled for March 2020 were cancelled due to COVID-19.
Commence carbon reduction and energy efficiency initiative with major global infrastructure portfolio companies.		Virtual workshops were held in August and September 2020 for European and North American investee companies, respectively. We planned to launch this initiative at the Sustainability Forums scheduled for March, but postponed due to COVID-19.
Continue to work closely with individual infrastructure portfolio companies to develop, implement and track progress of improvement plans addressing identified material physical and transition climate risks.		This engagement with investee companies is ongoing with a particular focus on portfolio companies assessed as high priority. The work will be continually refreshed and updated.
Continue to incorporate sustainability into product design.		We are increasingly collaborating with our investors to develop bespoke sustainability-themed strategies and products that align with a particular set of values and or outcomes to meet the needs of their beneficiaries. We will continue to incorporate sustainability themes into new product design.
Develop and communicate to stakeholders a suite of policy statements relating to the four key areas of public and investor interest: Climate Change, Working People, Diversity & Inclusion, and Taxation.		We developed our Climate Change, Working People and Tax Principles Statements. They will be incorporated into a refreshed Responsible Investment Charter in 2021.
Refresh our investment analysis process utilising third party expertise.		We have commenced engagement with a variety of third parties and this work will continue into 2021 following a delay due to COVID-19.
Devise a socially sustainable procurement strategy.		In the area of recruitment, we have started to build relationships with recruiters who can offer us access to a more diverse talent pool. In Australia, this includes partnering with CareerTrackers Indigenous Internship Program. A firm-wide sustainable procurement strategy will form part of a refreshed corporate responsibility strategy in 2021. We have proactively increased our use of social enterprises, particularly in the area of catering and offsite meeting/event venues during FY20.
Increase employee uptake of community volunteering leave and enrolment in our matched workplace giving program.		Our people initiated and participated in a range of volunteering, fundraising and community giving activities during FY20. Despite the onset of the COVID-19 pandemic, many of our people were still able to adapt to new limitations and find ways to give back to communities and causes of importance.



“We believe a healthy environment, inclusive society and strong governance are necessary for the sustainable growth and prosperity of economies and communities globally”

Deborah Kiers

Chair, IFM Group Board
Responsible Investment and
Sustainability Committee

→ [FIND OUT MORE](#)

IFM's Environmental, Social and Governance Policy (ESG Policy) expands on the Responsible Investment Charter, outlining the ESG principles we require investment teams to adhere to, the ESG approach adopted by each of our portfolio managers, and our engagement and voting approach.



Responsible Investment Charter

The IFM Investors Responsible Investment Charter (RI Charter) sets out the core beliefs, pillars and principles that define our responsible investment behaviours and mindset. The RI Charter embodies our overarching belief that long-term sustainable returns will be generated if we integrate ESG factors into how we invest and manage our investments over the long term.

Three Core Beliefs

Investment decisions at IFM Investors are guided by three core beliefs.



Long-term strength and sustainability of the global economy is only possible if we have a healthy environment.



A strong and inclusive society will lead to greater participation in economic markets and provide greater investment growth opportunities.



Strong governance is critical to long-term sustainable economic growth. All participants have an obligation to behave honestly and ethically.

Six Pillars

To convert our core beliefs into actions and outcomes, our investment philosophy is underpinned by six pillars representing the behaviours that guide our investment activities and underpin performance.



01

We take a long term view



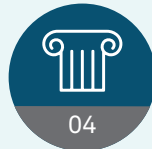
02

We take an agile approach



03

We align our goals



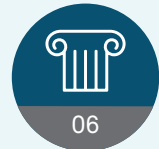
04

We are an informed investor



05

We act as steward



06

We act transparently

Eight Principles

Our single overarching purpose is to enhance the prosperity of our investors, ensuring their money works in their best interest. This purpose is defined by eight core principles we believe are fundamental to achieving long-term sustainable returns.

1

Engagement with ESG equals discipline

2

Integrity of market is paramount

3

Diversity drives performance

4

Climate change impacts assets

5

Aligned incentives improve results

6

Profit is possible without exploitation

7

Understanding assets drives value

8

Measuring outcomes drives value



Responsible business priority areas

We have identified three firm-wide responsible business or ESG priority areas that we believe we must address in order to deliver on our purpose. These are: climate change, working people and inclusion and diversity. These themes represent areas of risk and opportunity for our investments, which we believe can potentially impact long-term investment performance and market stability regardless of geography, sector or industry.

We maintain an ongoing dialogue with a number of parties to monitor and support our understanding of these priority areas and how we can effectively manage them over the long term.

The integration of these priority areas reflect

individual strategies, materiality and the degree of influence we have as owners across each asset class.

Climate Change

Global climate change creates both uncertainty and opportunity. We firmly believe that it is in the financial interests of our investors and their members and beneficiaries that we have a long-term plan to address the risks and opportunities that climate changes poses for our investments.

In October 2020, we announced our commitment to reduce greenhouse gas emissions across our asset classes, targeting net zero by 2050. As part

of this commitment, IFM itself will also become a net zero organisation. This commitment aligns with the goals of the Paris Agreement to limit global temperature rises, and it is an extension of action we are taking at our infrastructure assets to reduce emissions through investment in renewable energy and other carbon reduction initiatives.

The physical impacts of climate change, together with political, regulatory and technological responses to climate change, have the potential to adversely impact investment performance in the short, medium and long term. We recognise that we have a responsibility to identify, understand and manage the financial risks of climate change, and to seek ways of harnessing the unprecedented investment opportunities emerging from a decarbonising economy.

We explicitly factor climate change risk into all of our investment decisions. Where we can leverage our size and ownership position to influence positive change, we actively engage and work with investee companies to support and drive their transition to a low-carbon world. We aim to do this in ways that create positive environmental and social outcomes, and through those, better commercial and investment outcomes.

Developing a firm-wide climate change strategy

We are developing a firm-wide climate change management strategy that will expand upon our climate change risk management activities to-date and give effect to our net zero 2050 target. For further details, please refer to our climate change risk management section from page 16.

Working people

Promoting fair and equitable standards for working people is fundamental to our aim to deliver strong, long-term net returns. We know from experience that companies focusing on these ideals tend to perform better over the long term. Sustainable employment practices can underpin strong economies and inclusive societies, which further help to support long-term investment value and returns.

IFM has a history of engaging with investee companies, other stakeholder and like-minded investors to champion these ideals for working people. We take a principles-based approach that aligns with global labour rights frameworks, including the United Nations Global Compact and the International Labour Organisation.

To strengthen our commitment to supporting internationally recognised standards for working people, IFM signed a memorandum of understanding (MoU) with the International Trade Union Confederation (ITUC) in May 2019. To IFM's best knowledge, we are the first asset manager

to establish an agreement of this nature with representatives from the global labour movement. This MoU will underpin the development of our firm-wide strategy.

Developing a firm-wide strategy

Building on our work in this area of labour rights to date, we are developing a firm-wide strategy during 2021. The strategy will seek to differentiate IFM in the area of promoting fair and equitable standards for working people and establish an engagement plan with local and global labour movements. Through this work, we aim to identify opportunities for greater leadership and impact on working people, and develop pathways to realise these opportunities.

We have commenced a process to identify and engage with priority industrial party stakeholders in the development of our organisation-wide approach. The perspectives of both employer associations and unions will be important in developing and advancing IFM's policy approach.

For an overview of our approach to modern slavery, please see page 26.

Inclusion and Diversity (I&D)

In our experience, workplaces that reflect the communities they operate in, embrace a diversity of views, promote an environment that is free from discrimination and champion a culture that fosters connectedness and a sense of belonging are likely to perform better over the long term. We believe that such companies also make a valuable contribution to a more inclusive and resilient society.

Research shows that more gender diversity in workplaces leads to broader thinking and better decision making, which enhances company value and performance. Further evidence indicates that increased gender diversity at the leadership level is critical to building and maintaining an inclusive culture across an entire organisation.

To help ensure workplaces truly reflect the communities in which they operate, we will focus beyond gender to consider other dimensions of diversity.

Developing a firm-wide approach

As a large global fund manager, we have the opportunity to leverage our influence beyond ourselves to improve I&D in the workplaces and boards of our investments, the IFM workplace and the communities in which we operate. In the coming year, we will develop a firm-wide approach that addresses I&D across our investment asset classes and we will implement our refreshed I&D strategy across our own organisation.

We are committed to being a strong voice and demonstrating leadership in addressing I&D.



Climate Change Risk Management

At IFM, we view climate change as one of the most significant risks we face as long-term investors. Climate change-related risks are investment risks.

An evolving approach to managing the financial risks of climate change

As supporters of the Paris Agreement, we explicitly factor climate change risk into all of our investment decisions. We also engage and work with investee companies to support their transition to a low-carbon economy in ways that create positive environmental and social outcomes, and through those, better commercial and investment outcomes. We believe that this approach to managing our investments over the long term is in the financial interests of our investors and their members and beneficiaries.

→ FIND OUT MORE

Our approach to managing climate change-related investment risks and opportunities is underpinned by our climate change beliefs, which are encapsulated in our Climate Change Statement, reflected in our Responsible Investment Charter and expanded upon in our ESG Policy.



The following beliefs underpin IFM Investors' approach to climate change management:

1

Climate change poses economy wide risks with the potential to negatively impact the environmental, social and economic stability of nations.

2

Climate change presents significant risks and opportunities that can alter the risk return profile of the assets we are invested in and we have a fiduciary duty to protect the value of our investments over the short, medium and long term.

3

The Paris Agreement will help map a pathway to a safer climate which will help to maintain economic prosperity. We support the Paris Agreement goal to limit global average temperature increases to below 2°C above pre-industrial levels.

4

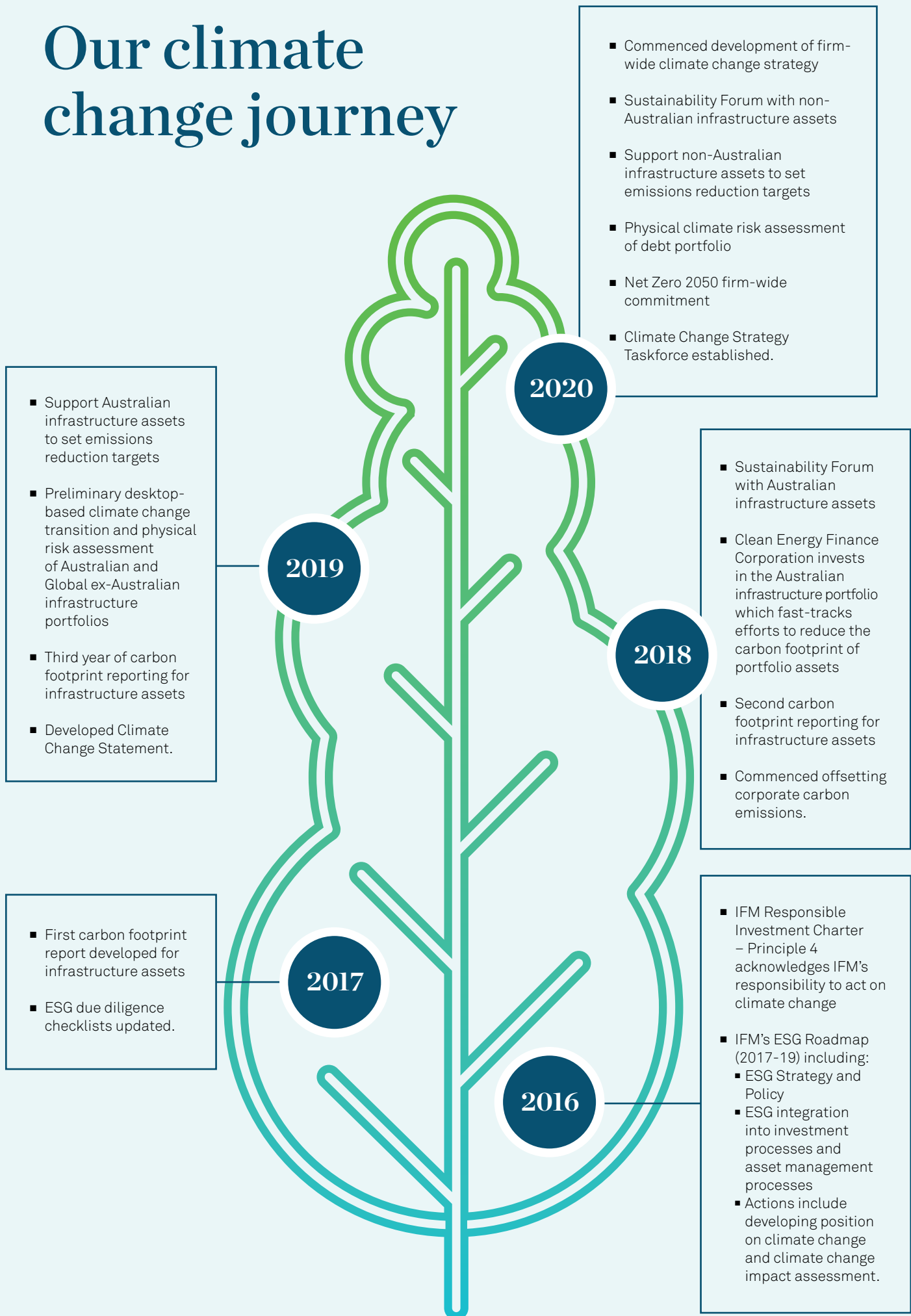
We must explicitly consider the impact of our investments on climate change and vice versa to support markets' long-term growth and prosperity.

5

We will leverage our rights as an investor to engage and support the companies we invest in to transition toward a low carbon economy.

»

Our climate change journey



Our approach: Identify, understand and manage

We recognise that climate change presents both transition and physical risks for our investments. We also recognise that there may be unprecedented investment opportunities as markets shift to a low-carbon world. Therefore, it is important to identify, understand and manage these dimensions of risk and opportunity across our investment portfolios.

To support our investments to transition to a low carbon world we are focusing on developing plans to adapt and/or mitigate the worst impacts, and protect and increase their resilience over the long term.

Infrastructure

Infrastructure is where we have the greatest degree of influence as we own (or part-own) and have board representation at most of the companies in our portfolios. This means we can encourage, support and drive change. Our critical infrastructure networks (toll roads, ports, airports, electricity transmission and distribution, midstream pipelines, and water and heating utilities) provide essential services to communities and economies around the world. But we also recognise their impact on the environment and the potential climate change-related physical and transition risks they face.

The following initiatives support our objectives to identify and understand climate risks, and mitigate and manage the impact of these risks to protect and grow the value of our investments over the long term.

Infrastructure carbon footprint measurement and reporting

IFM has been measuring and reporting the carbon footprint of our infrastructure portfolios since

2017. Measuring and understanding the financed emissions - the greenhouse gas (GHG) emissions associated with our ownership stake in investee companies - helps us to understand our portfolios' impact on climate change, manage key risks and determine opportunities for improvement.

Australian Infrastructure portfolio carbon footprint

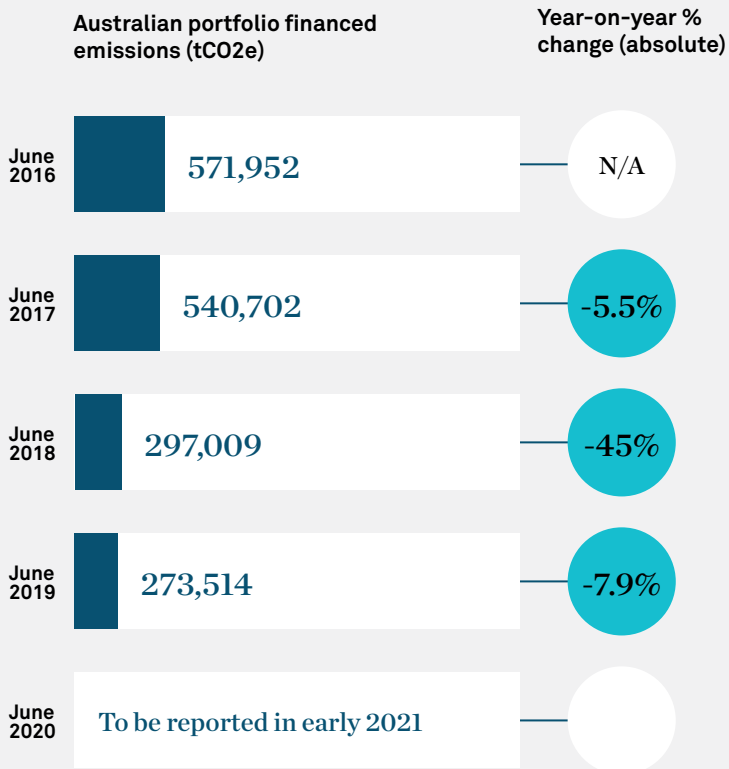
The graphic on the following page illustrates the financed emissions associated with IFM's Australian infrastructure portfolio, using an 'equity share' approach.²

Global Ex-Australia Infrastructure portfolio carbon footprint

In 2019, we revised our methodology for collecting emissions data across our Global Ex-Australia Infrastructure portfolio. We engaged third-party consultant Arup Group to develop a new tool for collecting and analysing emissions data. This new tool uses country-specific methodologies and emissions factors consistent with international guidelines, which are intended to improve measurement accuracy. The methodologies used to estimate the portfolio inventory have been improved over time, and they will continue to be refined as new information emerges and international practices evolve.

² Under the equity share approach, a company accounts for GHG emissions from operations according to its share of equity in the operation.

Australian infrastructure portfolio carbon footprint



Source: IFM Investors; Scope 1 and Scope 2 emissions data used.

Australian portfolio footprint data

- Ausgrid, purchased after June 2016, but included in June 16 calculations.
- Perth Airport Property Trust, Wyuna Water, IFM Aged Care Financing Trust and NSW Rent Buy are excluded from annual assessment. These assets comprise less than 2% of the portfolio by value for the reporting periods.
- The 45% reduction between June 2017 and June 2018 is largely attributable to the divestment of Ecogen Energy in March 2018.



→ FIND OUT MORE

Read our Infrastructure Carbon Footprint Reports

The financed emissions associated with our Global Ex-Australia Infrastructure portfolio also uses an 'equity share' approach. For the year ending December 2019, the financed emissions associated with the assets in the GIF portfolio total 2,740,843 tCO2e.³

The 2019 Global Infrastructure Portfolio Carbon Footprint Report will be published in early 2021 and will include a breakdown of the scope 1 and 2 emissions attributable to each sector. Financed emissions will be restated for 2018 as a result of the changes in methodology for collecting emissions data.

Reducing the emissions footprint of our infrastructure portfolios

Our Australian Infrastructure Carbon Reduction and Energy Efficiency Program is a tangible

example of our commitment to working with assets to transition to a low-carbon world. Its overarching aim is to protect investment value and returns by creating positive commercial and environmental outcomes and mitigating future business risks associated with climate change.

The program saw our participating Australian investee companies set individual emissions reduction targets and pathways through to 2030, which were publicly announced in 2019.⁴

During the first year of the program in FY19, the fund achieved an 8.3 per cent reduction in total scope 1 and scope 2 emissions. While we are expecting further reductions for FY20, the impact of the COVID-19 pandemic on asset operations will be the most significant factor in the outcome.

In 2020 the program has been extended to our Global portfolio. Investee companies are expected

³ Includes the acquisition of Buckeye Partners and increased ownership in VTTI. Carbon emissions for midstream assets used in calculations includes data from 2018 and 2019. This figure is based on data available at 30 November 2020.

⁴ Participating investee companies represent 90 per cent of the Australian infrastructure portfolio's assets under management and approximately 98 per cent of the portfolio's total scope 1 and scope 2 carbon emissions. A Public summary of targets and pathways for each participating company is available at [https://www.ifminvestors.com/docs/default-source/default-document-library/australian_infrastructure_carbon_reduction_initiative_\(august_2019\).pdf?sfvrsn=6bf82305_2](https://www.ifminvestors.com/docs/default-source/default-document-library/australian_infrastructure_carbon_reduction_initiative_(august_2019).pdf?sfvrsn=6bf82305_2).

to set individual emissions reduction targets and pathways during 2021, if they have not already done so.

Listed equities

Acting collectively, investors are increasingly exerting their influence to change the behaviours of listed companies. We engage with businesses directly and together with ACSI and other investor-driven collaborations such as the Climate Action (CA) 100+ initiative. The achievements of the CA100+ initiative, some of which are outlined on page 58, are testament to the collective power of investors working collaboratively.

The Australian chapter of CA100+, which is managed by the IGCC, has been actively engaging and meeting regularly with Australia's largest greenhouse gas emitters. IFM is a support investor targeting focused engagement with four companies. We are also represented on the CA100+ Oil and Gas Working Group, which commenced in September 2020.

We pay particular attention to climate change-related shareholder resolutions and seek to engage with both the company and the proponent(s) wherever possible. Climate related

resolutions are assessed on a case-by-case basis using an internal assessment framework.

A significant barrier to investor action on climate change is the lack of reliable data and information. As such, our engagements strive to encourage companies to improve climate change disclosures by reporting in alignment with the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD) and the Carbon Disclosure Project. We believe good quality disclosure is essential for investors to effectively price climate risk and opportunity.

We are exploring a range of indicators and tools that external providers offer to assess how well companies are transitioning their operations and business strategies. This data will support us to analyse our listed equities and debt portfolios as we seek to manage risk, capture opportunities and develop new product solutions. We have outlined the development of climate related product strategies on page 57.

In addition to utilising external data, our team reviews individual company disclosure to assess progress and inform our engagement program with investee companies.

IFM's Net Zero by 2050 Commitment

In October 2020, we announced a commitment to reduce greenhouse gas emissions across our asset classes, targeting net zero by 2050. As part of this commitment, IFM itself will also become a net zero organisation.

To give effect to our commitment we have established a multi-disciplinary climate taskforce, spearheaded by our investment team, to consider the following:

- Establishing emission reduction commitments;
- Developing policies for net-zero transition plans for new and existing unlisted assets;
- Enhancing investment decision-making and governance frameworks

when considering climate change risks and alignment with emission reduction objectives;

- Identifying investment opportunities in decarbonisation and climate-resilient assets, and ensuring that IFM continues to develop capabilities to capture these opportunities; and
- The evolution of technologies and better understanding likely transition pathways, especially in the energy mix.

Our net zero commitment and the remit of the taskforce is an extension of the work we have undertaken to date to identify, understand and manage climate change risk across our investment portfolios.





Our multidisciplinary climate taskforce will work alongside an external consultancy group to develop IFM’s firm-wide climate change strategy and frameworks for implementation

Debt investments

Assessing climate change risk in debt investment processes is concentrated in the investment screening and due diligence phases, prior to entering an investment. Early stage screening enables us to avoid investments that face a higher level of climate related risk, while more comprehensive due diligence in the underwriting process ensures that climate risks are appropriately elevated in our credit assessment. In practice, however, we find that climate change risk and other environmental considerations tend to be quite low in private debt markets.

In 2020, IFM undertook a physical risk assessment of our current infrastructure debt portfolio holdings. All known and identifiable sites were included in the analysis. This assessment was designed to help us understand the exposure of each holding to physical climate hazards including heat stress, water stress, floods, sea level rise, hurricanes and typhoons. Exposure to each hazard was assessed to provide

an overall risk score for each holding at the site level utilising the RCP8.5 scenario.

Summary findings from the analysis support our understanding of the current physical risk exposure across the portfolio. They will be considered as part of the strategy setting process for each investment team.

Private equity

Our current portfolio is comprised of service sector companies with a technology focus, hence our portfolio exposure to climate change risk and opportunities tends to be relatively low. The Private Equity team liaises with IFM’s Responsible Investment team early in the investment process to identify any potential ESG risks and opportunities. This includes climate change considerations. Actions to address any potential risks are then integrated into both the pre-acquisition due diligence process and the post-acquisition value creation work plans.

PRINCIPLES IN PRACTICE

Climate change shocks at Santos and Woodside Annual General Meetings

In April 2020 IFM supported the shareholder resolutions asking Santos and Woodside to set short, medium and long-term targets in line with the goals of the Paris Agreement. We believe both companies face significant exposure to climate change-related transition risks.

It is our view that, at the time of voting, neither company had established robust policies demonstrating adequate recognition or mitigation of climate risks, nor had they

developed clear roadmaps outlining how they aim to achieve their emissions reduction aspirations.

We believe the requested targets would encourage both companies to increase rigour around climate risk management, thereby reassuring investors that they are preparing to meet the decarbonisation challenge in a way that helps to protect company value and returns.

Nala Renewables

Impala Terminals - a 50:50 joint venture between IFM Investors and Trafigura Group Pte Ltd, one of the world's leading independent commodity trading companies - has formed a new company to invest in a series of solar, wind and power storage projects globally.

Nala Renewables has an ambitious target to build a portfolio of renewable energy projects with a cumulative capacity of two gigawatts to be operating, in construction or in late stage development, within the next five years. In addition to developing greenfield projects, the company will selectively pursue opportunities to acquire assets or companies at varying stages of development that fit the investment profile of the portfolio.



Next steps

Taskforce on Climate-Related Financial Disclosures (TCFD)

IFM recognises and supports the recommendations of the TCFD. We have worked through the recommendations to understand our progress and develop an implementation roadmap where gaps currently exist. We intend to publish our first stand-alone climate change report, aligned with the recommendations of the TCFD in early 2021.

Establishing a transition strategy

Despite the challenging operating environment and the uncertainty surrounding what the post-COVID-19 world will look like, it is important not to forget the huge challenge posed by climate change. We plan to continue improving the ways we identify, understand and manage climate related risk in investment portfolios while IFM's climate taskforce develops our roadmap towards meeting our net zero 2050 commitment.

We will continue to drive reductions in carbon

emissions, consistent with the financial interests of investors and their members and beneficiaries. We will also continue to identify high-quality investment opportunities that positively contribute to the goals of the Paris Agreement, such as our recently announced joint venture company - Nala Renewables - to invest in renewables, as outlined in the breakout box.

IFM's net zero emissions by 2050 commitment aligns with the goals of the Paris Agreement to limit global temperature rises to well below 2°C above pre-industrial levels, and to pursue efforts to limit the temperature increase even further to 1.5°C.

Our multidisciplinary climate taskforce will work alongside an external consultancy group to develop IFM's firm-wide climate change strategy and frameworks for implementation.

The strategy will outline the actions IFM will need to undertake in order set a path to meet our net zero 2050 target. This strategy will build on our work to-date, extending beyond activities and targets at the asset level alone.



Reducing emissions, harnessing energy efficiency opportunities

Companies across IFM’s infrastructure portfolios continue to develop and implement climate change adaptation and/or risk mitigation projects, many of which focus on reducing emissions and harnessing opportunities that improve operational efficiencies, including:



Energy efficiency improvement programs such as upgrades to energy efficient LED lighting



Behind the meter (BTM) renewable energy installations and power purchase agreements (PPAs)



Smart building design such as building efficiency upgrades



Deployment of low emissions fleet vehicles such as electric vehicles



Electrification of operational plant and equipment using onsite renewable energy



Photo: Solar array development, Melbourne Airport, Australia. Credit: Fiona Hamilton

← BTM renewable energy

Solar photovoltaic (PV) is the most widely deployed renewable energy source across our infrastructure portfolios. However, energy generated by wind and biogas-fueled Combined Heat and Power (CHP) engines is also utilised.

It was a significant year for renewable energy generation at Anglian Water (UK) in 2019. Through a combination of new and existing solar PV installations, wind turbines and a fleet of Combined Heat and Power engines fuelled by biogas produced at sludge treatment centres, the water utility generated a total of 131GWh across its estate – a 30 per cent increase on 2018 - and equivalent to the energy required to power 40,000 homes for a year.⁵ In 2020, work has completed on an 11.6MW capacity solar PV array at Grafham. This development is expected to continue moving the company towards its 2025 target of meeting 44 per cent of its energy requirements from on-site renewable sources.

In 2020, Melbourne Airport (Australia) commenced a 12MW solar PV development at Tullamarine. It will be the largest of its kind at any Australian airport, capable of delivering approximately 17GWh of electricity each year, equivalent to powering 1,387 homes for a year.⁶ When operational in 2021, the system is expected to meet up to 15 per cent of the airport’s total electricity consumption (at normal capacity).



Electric bus, Brisbane Airport, Australia

↑ Electric vehicles

The benefits of low emissions vehicles and electrified plant and equipment can include lower running costs, emissions and noise pollution. Brisbane Airport (Australia) operates a fleet of 11 electric buses for transporting customers within the airport precinct. The buses are 100 per cent electrically charged, which means there are no tail pipe emissions. In addition to reducing noise pollution, operating the buses has reduced annual carbon emissions by 250 metric tonnes of CO₂ emissions - equivalent to taking more than 50 cars off the road.⁶ The operation of the buses required a dedicated base location for maintenance and electric charging. Following completion of this in June 2019, the bus fleet was fully up and running during FY20.

↓ Energy efficient building design

In June 2020, Indiana Toll Road (US) achieved LEED Gold certification for the environmentally conscious design of its new administration building, which opened in 2019.⁷ The building was architecturally designed to drive a meaningful reduction in greenhouse gas emissions and provide a space that promotes employee wellbeing. A number of technologies were incorporated into the design, including, smart lighting, energy efficient heating, ventilation and air conditioning (HVAC), and a water conservation system. Solar PV panels installed on the building's roof are expected to offset up to 20 per cent of the building's energy costs each year.



Indiana Toll Road administration building, US

⁵ <https://www.anglianwater.co.uk/siteassets/household/about-us/air-2020.pdf>

⁶ Calculated using EPA Equivalencies Calculator <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

⁷ LEED (Leadership in Energy and Environmental Design) Certification, developed by the US Green Building Council, is a globally recognised green building rating system.



Modern Slavery

IFM stands against all forms of forced labour and is committed to preventing modern slavery and human trafficking from occurring within our supply chain and the supply chains of our investments.

Beyond the ethical imperative to prevent modern slavery, we recognise the potential investment risks associated with a failure to protect the labour and human rights of working people. These risks relate to unsustainable business models, and the costs of reputational and brand damage and regulatory changes. We believe managing modern slavery risks is essential to protecting investment value and returns over the short, medium and long term.

IFM is required to publicly report on the risks of modern slavery in our corporate and investment activities as legislated under the Modern Slavery Act (UK) 2015 and Modern Slavery Act (Australia) 2018. We do this via annual Anti-slavery and

Human Trafficking Statements, which we publish on our website.

Our progress during FY20

Building on work undertaken in previous years, our approach has focused on mapping and understanding the entire supply chains of the businesses and organisations we procure from and invest in. We have also take steps to build our capability to identify and manage modern slavery risks. Key activities included:

- Providing a guidance note to IFM directors with appointments on investee company boards to support their understanding of legislative requirements, particularly under the Modern



→ FIND OUT MORE

Read our Anti-slavery and Human Trafficking Statements



Building on work undertaken in previous years, our approach has focused on mapping and understanding the entire supply chains of the businesses and organisations we procure from and invest in.



Slavery Act 2018 (Commonwealth Act), and their responsibilities as directors; and

- Creating a centralised procurement function, which included the recruitment of a dedicated procurement manager. We also updated sourcing documents to support our people involved in the process of engaging suppliers.

A significant piece of work was also undertaken to support the ongoing evolution of our approach to modern slavery risk management. IFM engaged a third party advisor to map the modern slavery risks within IFM's supply chain, including investments in our portfolio in which we have significant influence as owners. An approximate supply chain mapped to ten tiers was produced for each entity by reference to the industries and geographies in which they operate, with a focus on the top three tiers to indicate associated modern slavery risk levels.

Identifying and assessing our risks in this way has provided us with an appreciation of where the most significant risks lie and where future activities and efforts can be focused.

Next steps

IFM has carefully considered immediate actions as well as medium and long-term plans to mitigate modern slavery risks, and we have continued to improve our approach to addressing these risks. In FY21 and beyond, we will continue work on improving the integration of modern slavery risk considerations into our investment and procurement life cycles, to raise awareness of modern slavery and our collective responsibilities within our organisation. We will also continue to collaborate with industry peers and beyond to support meaningful change.





Responsible Corporate Practices

IFM Investors is committed to being a responsible and sustainable global organisation.



Through our corporate activities and conduct, we champion the same sustainability-related principles that we believe can impact the long-term performance of our investments.

Our own practices as an employer, business and corporate citizen provide us with further opportunities to build the trust of our people, investors and communities where we invest and operate. Ensuring our own practices align with those we expect of our investee companies supports us to build this trust and, in doing so, create greater opportunity to fulfil our purpose.

We focus on strong corporate governance, building an inclusive workplace that values and actively promotes diversity, and supporting the wellbeing and resilience of our people and the

communities and environments where we operate. Central to our approach is cultivating a unifying and purpose-aligned culture across the organisation.

The devastating Australian bushfire season of summer 2019/20, together with the onset of the global COVID-19 pandemic, have sharpened our focus on the safety and wellbeing of our people working across the globe. We also recognise the disproportionate adverse impacts these disasters have had on the most vulnerable people in our communities, and we have directed our community giving activities to support these people during FY 2019/20.

We continue to focus on strengthening the alignment of our corporate activity and conduct with our values and the expectations of our stakeholders, as outlined in the following updates.

Our values



Protecting and supporting our people through COVID-19

The collective skills, experience, wellbeing and resilience of our global team of more than 500 professionals is critical to our ability to fulfil our purpose to protect and grow the retirement savings of working people.

In the early months of the pandemic, IFM conducted a series of employee pulse surveys. The results indicated that one of the biggest challenges for our employees in 2020 has been the shift to working at home, often while simultaneously juggling care commitments. Supporting and protecting the health and wellbeing of our employees has been central to our pandemic response. We have made ongoing adjustments to flexible working arrangements as the traditional boundaries between work and home dissolved during the crisis.

Recognising that mental health and wellbeing have been at the forefront in the crisis, we invested in improvements to our Employee Assistance Program offering; providing total wellbeing supports

including free access to a mental health service provider, Headspace; opt-in resilience building and stress management learning resources, coaching and guidance for people leaders; and an online library of wellbeing resources.

We also introduced new and enhanced tools to collaborate and connect, and provided free online school holiday and after school care programs.

In line with the advice of relevant local public health information, IFM has gradually reopened some of its offices.

Decisions to reopen offices are based on current government and health authority advice in each jurisdiction. As COVID-19 continues to impact our lives globally, we remain agile and prepared to review our plans when government advice changes. All office reopening activities are informed by a thorough risk assessment and control process, which includes COVID-19 Health and Safety training for all employees prior to entering IFM offices again.



Culture Review update

IFM aspires to build a strong collective culture to enable us to deliver on our purpose to protect and grow the long-term retirement savings of working people. In 2019, IFM completed an independent, firm-wide strategic review of our workplace culture by global organisational consulting firm, Korn Ferry. The review identified our strengths and developed recommendations to further evolve our culture in the context of IFM's strategy and growth trajectory. One of the insights from the review was that IFM's

all-profit-to-member heritage and purpose will be critical to future growth and success.

A multi-year program to implement the Culture Review recommendations is underway. This includes the introduction of gender diversity targets in senior management performance measures, and all leaders have a defined leadership and behavioural personal performance measure. We have increased the weighting for demonstrated culture and behavioural alignment in all employees' performance assessments, and introduced 360 assessments for senior management.

Inclusion & Diversity

Workplaces that reflect the communities around them are not only more inclusive and representative places, but are also likely to be more successful businesses. More diverse voices, ways of thinking and problem solving, drive innovation and performance. Diversity targets are important in addressing the conscious and unconscious bias that leads to an unrepresentative workplace. While recognising that diversity takes many forms IFM has focused on gender diversity as an initial priority area.

Under our Inclusion and Diversity (I&D) strategy since 2017, IFM's workforce is becoming more female – including at senior levels. The proportion of women at director level or above increased from 26.4 per cent in June 2017, to 34.9 per cent in June

2020. Our senior leadership team - the Global Strategy Team - was 33 per cent female at June 2020, up from nine per cent in June 2017.

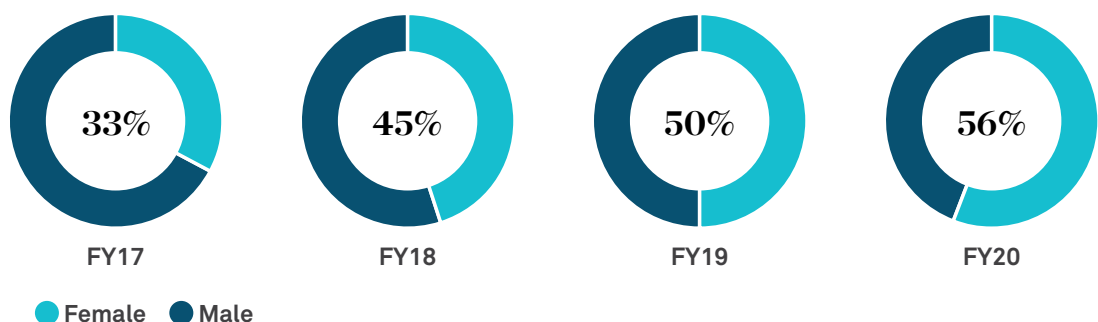
Improving diversity is a priority, but there must also be an inclusive culture to realise the benefits of a diverse workforce. To help achieve this, our leaders are being required to step up and be clearly and directly accountable for maintaining an inclusive culture and ensuring the workplace behavioural norms reflect the values we aim to uphold.

During FY20 in partnership with the employee-driven I&D Forums in each region, we have refreshed IFM's I&D strategy with an emphasis on inclusion and belonging. The refreshed strategy, which is built around five pillars, will be rolled out during FY21.

Female new starters

A further focus on talent acquisition in FY20 has ensured 100% gender diverse recruitment panels and 74% achievement of 50/50 gender short lists.

Percentage of female new starters





The five pillars of Inclusion and Diversity at IFM:

Cultural & Ethnic Diversity

Fostering a culture of inclusion which celebrates our diversity allows individuals to bring their unique and valuable attributes to the benefit to our team. Inclusion is a cornerstone of collaboration, with diversity of experience and thought fueling innovation.

Mental Health & Wellbeing

The mental health and wellbeing of our IFM community is a key focus for the refreshed I&D Strategy.

Ability

IFM is committed to creating equal opportunity and workforce diversity so people of all ages and abilities can be productive and active participants in our workplace and society.

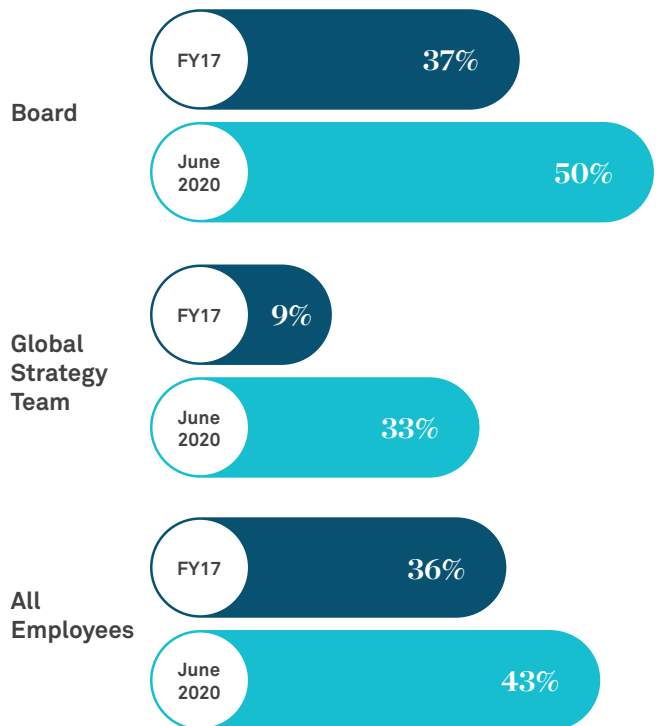
LGTBIQ+

We will celebrate our LGTBIQ+ community members and provide for a workplace free of discrimination, harassment and stigma based on sexual orientation or gender identity.

Gender

Building on the success of the 'attract, develop, retain' actions of our previous D&I strategy, this pillar will extend building our pipeline of female talent and future women leaders.

Female representation at IFM Investors

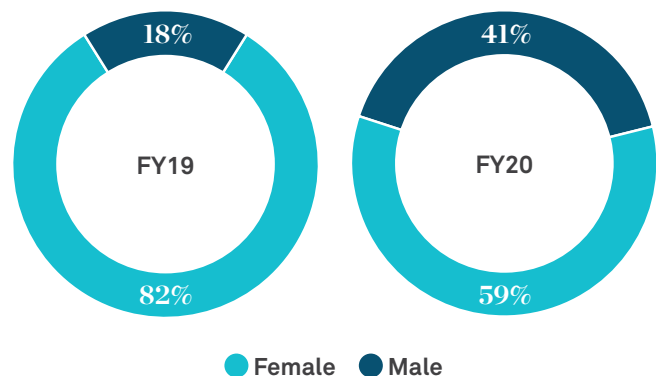


To help address potential ethnic and socio-economic unconscious bias in the recruitment process, we now remove name and education institutions from resumes.

Primary Parental Leave

There continues to be a positive emerging trend of male employees requesting longer periods of leave to take up primary carer responsibilities, with our updated policy extending eligibility for up to two years following the birth of the child.

IFM's Primary Parental Leave policy was updated in FY20, extending eligibility to access paid parental leave from commencement of employment with IFM.



Learning and Development (L&D)

IFM is committed to fostering a continuous learning culture that empowers our people to build their skills and experience and contribute to purpose-driven work.

Our L&D approach encompasses a wide range of activities designed to grow the capabilities of our people. This approach is based on a philosophy that views L&D as a shared responsibility, focuses on leveraging strengths, and encourages people to

seek L&D opportunities in everyday experiences.

IFM offers its people a broad range of L&D programs, including leadership development programs, a mentor program and regular informal Learning Cafes to continue to educate our people on issues impacting the business, including sustainability issues.

During COVID-19, we have continued to deliver our L&D programs via online platforms.



In FY20 more than **60 training** programs were delivered across IFM to allow all employees the opportunity to learn and achieve. The programs included Corporate Induction, a range of professional development programs and leadership and management development.



A **Learning Cafe** is an informal event that is open to all employees as an opportunity to connect and engage in communication, collaboration and learning. The global series of live Learning Cafe events was launched in FY20 in London, New York, Melbourne and Sydney with a variety of topics covered, including: responsible investment, external relations, IFM brand, legal privilege and asset class-specific projects.



The IFM **Mentoring Program** focuses on strengthening relationships and building capability to support performance and career development. The 6-month program ran from January to June 2020 with 76 mentees and mentors partnered across asset classes, business groups and regions. Beyond mentoring, the program aimed to increase exposure and awareness of our growing global business, and support engagement and talent retention.

Remuneration structures

The high performance of IFM's people is what enables us to deliver on our purpose to protect and grow the long-term retirement savings of working people.

Our remuneration structures are designed to attract, retain, and motivate the best people in a competitive global marketplace.

Our remuneration outcomes are aligned to our results for investors.

Increasingly, IFM's remuneration is tied to our aspiration to build a stronger collective culture. We include diversity targets for senior management and an increased weighting for demonstrated culture and behavioural alignment for all employees' performance assessments.

IFM complies with all laws and regulations for remuneration disclosure in each jurisdiction in which we operate.

Supporting communities

We recognise our responsibility and the opportunity we have to support the wellbeing and resilience of the communities in which we live and work. We aim to do this through our corporate and people-led community giving initiatives.

Our corporate giving focuses on supporting safe, sustainable and meaningful employment pathways for marginalised or disadvantaged groups. In times of emergency, crisis and disaster, we also focus on providing

support to the most vulnerable people in our communities.

Our matched fundraising, workplace giving and volunteer leave programs, enable our people to make meaningful contributions to the communities and causes that are important to them, in ways that work for them.

Despite the pandemic-related restrictions on movement and activities in many cities around the world in 2020, our people were able to adapt to limitations and find ways to give back to communities and people in need.

Corporate and people-led community giving



A\$46,220

Through our **matched fundraising program** our people raised a total of A\$34,325 through a number of fundraising activities. Together with IFM's matched (capped per event) contribution, the total amount of funds raised was A\$46,220.

A\$111,630

IFM people gave A\$55,819 through **payroll/workplace giving programs**. Together with IFM's matched contribution, total funds donated were A\$111,630.



A\$433,240

Between March and June 2020, following the onset of the COVID-19 pandemic, IFM donated a total of A\$433,240 to a variety of organisations around the world, supporting some of the most vulnerable people in the communities where we operate. In the US, IFM contributed A\$167,078 of value to front line workers in New York City; in the UK donations totaling A\$41,161 were made to community organisations Feed the Workers, Refuge and The Passage; and in Australia, a total of A\$225,000 was donated to Two Good Co., Aurora Education Foundation, Asylum Seeker Resource Centre and Indigenous Consumer Assistance Network.



A\$34,325

Our people raised A\$34,325 for the IFM Australian Bushfire Appeal, which was donated to the Australian Red Cross Disaster Relief and Recovery Fund.



A\$234,000

IFM has donated an additional A\$234,000 to the Australian Red Cross to support communities affected by disaster in 2020.



180 hours

Our people accessed 180 hours of volunteer leave to support local communities.

Corporate and people-led community giving highlights

Same Mother's Day Classic, different format

This year's Mother's Day Classic (MDC) in Melbourne changed format due to COVID-19 restrictions. IFM's MDC team members enjoyed raising funds for breast cancer research through running or walking challenges in their local suburb. (Photo 1)

Supporting London's homeless during COVID-19

The Passage provides support to homeless people in Westminster to help transform their lives. A donation from IFM helped the organisation adapt their service model to provide emergency frontline response at the onset of COVID-19. An IFM team member also volunteered with The Passage to help prepare and deliver meals to homeless and 'rough sleeper' communities.

Supporting frontline workers in NYC during COVID-19

Each week for 15 weeks during the peak of the COVID-19 outbreak in NYC our NY team coordinated the ordering and delivery of food to over 800 frontline health care workers in eight hospitals and medical centres across the city. These efforts also helped to keep struggling local eateries in business. (Photo 2)

Have wheels, will deliver!

Two Good Co. is an organisation with a mission to provide beautiful food and lifestyle products to domestic violence refuges and soup kitchens in Australia. IFM's donation to Two Good Co. enabled the organisation to purchase and brand a refrigerated van, which will help Two Good Co. to reach bushfire and COVID-19-impacted shelters in more remote areas. (Photo 3)

The 2019 IFM Giving Tree

IFM's annual holiday season Giving Tree program aims to support families experiencing domestic violence through donations of goods and vouchers to Safe Steps (Melbourne), The Marian Centre (Sydney), Solace Women's Aid (London) and Sanctuary for Families (New York). (Photo 4)

On your bike for a good cause!

An IFM team rode 130 kilometres on their bikes to raise money for FightMND, a charity focused on finding effective treatments and a cure for motor neurone disease. (Photo 5)

The May 50K to #KissGoodbyeToMS

The IFM May 50K team walked a collective total of over 800km during the month of May to raise funds for Multiple Sclerosis Research Australia. (Photo 6)

Volunteering in Cambodia

In October 2019, for the second year running, a team of IFM volunteers went to Cambodia to work alongside the community-driven organisation Volunteer Building Cambodia to build a house for a local family in need. IFM colleagues also donated to a fundraising campaign to equip the house with a toilet, solar power and facilities for clean and safe drinking water. (Photo 7)



The impact the laptop has on our son has made a massive difference to our family...with hearing and vision challenges it means that he can now work at his own pace without having to share with the other kids or be time limited.

Aurora Education Foundation Program Parent

Supporting Indigenous education in Australia

The Aurora Education Foundation's High School Program is an Indigenous education program that strengthens students' cultural identity and builds academic skills. In light of COVID-19, Aurora had to reformat the delivery of its programs to an online environment. IFM's donation provided 200 laptop packages to program participants in Western Australia and Western Sydney.



Infrastructure Community Grants Program: Creating commercial, social and environmental impact



In March 2020, IFM launched its Infrastructure Community Grants Program to investee companies globally, following a successful Australian pilot in 2019.

We designed the program to support investee companies to collaborate with local community organisations on projects that create mutual benefits. These companies are uniquely placed to identify and develop collaborative solutions to issues impacting their businesses and the communities in which they serve and operate. We aligned this initiative to SDG 11, Sustainable Cities and Communities.

Due to COVID-19, the application deadline was extended from June to August. We were delighted to receive over 20 applications from all regions globally. Nine projects were selected to each receive a grant of up to A\$40,000.

The successful projects demonstrated strong alignment with the program's key objectives and assessment criteria, which include:

- Building a collaborative relationship between the investee company and community organisation to deliver the project;
- A measurable positive social and or environmental impact that is far-reaching or has scalable potential;
- A clear alignment to the portfolio company's business strategy or priorities that support the creation of a commercial benefit; and
- Supporting pathways to employment for a marginalised group in the community.

Successful projects will be publicly announced in early 2021 following the signing of grant agreements.





Photo credit:
Bluesource -
Klawock Heenya
IFM Project

Minimising our operational environmental impact

We recognise the broader ecosystem in which we operate and are committed to taking responsibility for our operational carbon footprint.

The energy purchased by our New York, London, Sydney and Melbourne offices, together with corporate air travel, represents our most significant operational emissions.

Building on our FY18/19 commitment to offset the carbon emissions associated with corporate air travel, in FY20 we also offset the emissions associated with the energy consumption of our larger offices around the globe. We secured carbon credits from projects in Alaska and Australia, to offset 5,395 tonnes of CO₂e relating to FY20 emissions. These projects and the positive social and environmental outcomes they create are outlined below.

Klawock Heenya - Improved Forest Management Project

The Klawock Heenya Project protects 10,000 acres of native Indigenous forest on Prince Wales Island in Alaska. With a history of deforestation in the area, the project has enabled careful management and protection of the forest, creating emissions reductions through enhanced carbon sequestration and avoiding emissions from deforestation. The project is owned by the Klawock Heenya Native Corporation – a corporation of Alaska native peoples – and with each member of the native community owning shares in the corporation, revenue from the carbon project flows back to the community. Photo credit: Bluesource - Klawock Heenya IFM Project



Photo credit: APN Cape York.

Cape York Pilot Aurukun - Savanna Burning Project

Overseen by an Indigenous-led not-for-profit, the Cape York Pilot Aurukun project extends across 370,000 hectares of Traditional Homelands. The project employs Traditional Owners as rangers to carry out traditional Indigenous fire management practices. These practices help prevent bushfires and their associated emissions. Revenues from the sale of carbon credits flow back to the local community.



We secured carbon credits from projects in Alaska and Australia, to offset 5,395 tonnes of CO₂e relating to FY20 emissions.



Sustainable Development Goals







We recognise global frameworks such as the United Nations Sustainable Development Goals (SDGs) and the call to action they represent in the areas of social, environmental and economic sustainability and development issues.

In implementing our responsible business approach, we have an opportunity to extend our focus beyond pure risk management to embrace an awareness of how we can contribute to positive real world impacts. The SDGs offer a lens through which we can identify, understand and focus on how our investment and corporate activities can contribute. At the same time, we are aware that our activities can have negative real world impacts that detract from the SDGs' aims. We seek to avoid

such occurrences, or mitigate and manage them if they arise.

IFM does not have an explicit objective to allocate capital in alignment with the SDGs. However, we believe our organisation-wide responsible investment priority themes and related stewardship activities can contribute to the SDGs and their underlying purpose, as illustrated below.

As we refresh our investment due diligence processes in the coming year, we plan to explore how we can integrate the SDGs into pre-investment analysis for private assets. We believe an understanding of a company's potential impact on one or more of the SDGs prior to an investment decision will allow us to better integrate them into our stewardship activity.

Responsible Business Themes	Climate change	Working People	Diversity	Community
				 
<p>IFM Activity</p>	<p>Infrastructure carbon reduction page pages 46-47</p> <p>Infrastructure carbon footprint measurement page 19</p> <p>Corporate carbon offset program page 36</p>	<p>Listed equities voting and engagement activity from page 56</p> <p>Infrastructure inclusion & diversity initiative page 46</p> <p>Corporate inclusion and diversity strategy page 30</p> <p>Infrastructure best practice safety management page 45</p>	<p>Infrastructure carbon reduction page pages 46-47</p> <p>Infrastructure inclusion & diversity initiative page 46</p> <p>Corporate inclusion and diversity strategy page 30</p> <p>Infrastructure best practice safety management page 45</p>	<p>Infrastructure Community Grant Program page 35</p>

<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

Benchmarking against global standards

PRI Assessment

The PRI's annual assessment process benchmarks our responsible investment and stewardship approach against its responsible investment principles and, importantly, our signatory peers around the globe. This process helps ensure we remain accountable to our responsible investment and stewardship commitments, while also highlighting areas for improvement.

Our 2020 scores, as outlined below, indicate continued strong performance across the assessment categories. Our ongoing commitment

to transparency, collaboration and continuous improvement was a key driver of our strong performance in 2020.

Following a comprehensive review of PRI's annual assessment report, we identify improvement opportunities and embed them into work plans for each of our investment teams. As the PRI continues to strengthen signatory accountability, we will continue to build our capability in our application of ESG principles across all asset classes and at multiple stages in the investment process.

PRI Assessment Scores 2017 - 2020

Category	IFM Score 2017	IFM Score 2018	IFM Score 2019	IFM Score 2020	Peer Median 2020
Strategy & Governance	A+	A+	A+	A+	A
Listed Equity – Incorporation	A	B	A+	A	A
Listed Equity – Active Ownership	A	B	A+	A+	B
Fixed Income*	B	B	A	A	B
Private Equity	B	A	A+	A+	A
Infrastructure	A	A	A+	A+	A

*IFM's score was the same across all three fixed income categories.

Responsible Investment Association of Australasia (RIAA)

The RIAA produces an annual benchmarking report of Australian investment managers that apply a leading approach to ESG integration. In the competitive context of a growing number of managers assessed each year (165 in 2020) and an expanded Responsible Investment Scorecard in 2020, we have maintained our place in the leaders group, scoring above 75% for the past four years.



Collaborating with like-minded investors

In addition to our ongoing signatory status of the PRI, we are active signatories, members or partners with a number of organisations and initiatives promoting responsible investment and sustainable business principles globally.



IFM is a member of the 30% Club, a global collaboration that campaigns for 30% women on public company boards. IFM has representation on the Board Diversity Working Group in Australia, and we continue to engage collaboratively with small cap ASX-listed companies on the issue of board gender diversity.



IFM is an inaugural signatory to 40:40 Vision, an investor-led initiative supported by key industry partners. It was founded by HESTA and launched in October 2020. The initiative aims to see women fill at least 40% of executive level roles in the ASX200 by 2030.



IFM is a full member of the Australian Council of Superannuation Investors (ACSI), which focuses on engaging with ASX200 companies on a range of ESG issues. IFM sits on the ACSI Member Council, subscribes to its engagement service and receives proxy advice. We attend company engagements alongside ACSI and were an active contributor to its Governance working group, which published updated Corporate Governance Guidelines in October 2019.



IFM is member of the Australian Sustainable Finance Initiative (ASFI), a collaboration formed to help shape an Australian economy that prioritises human well-being, social equity and environmental protection, while underpinning financial system resilience and stability. IFM's Executive Director, Responsible Investment Chris Newton and Executive Director, Strategy & Policy Zachary May are active members of the ASFI Coordinating Working Group.



The UK-based Carbon Disclosure Project (CDP) runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. IFM is an active supporter, regularly participating in or leading CDP related engagements with ASX-listed companies on behalf of CDP.



Ceres works with influential and sustainability-minded investors and companies to advocate for and tackle global sustainability challenges to fulfil its mission: transforming the economy to build a sustainable future for people and the planet. IFM is active member of the Ceres Investor Network and was invited to present at the organisation's annual conference.

A proud participant of:



IFM is a signatory to Climate Action 100+ and has committed to participating in direct engagement with several of Australia's highest corporate greenhouse gas emitters. Engagement is focused on encouraging strategic recognition of climate change and emissions reduction efforts in line with limiting average temperature increases to below two degrees Celsius.



IFM is a founding partner of Climate League 2030, launched in October 2020. This private sector-led initiative aims to help reduce Australia's annual greenhouse gas emissions by at least 230 million tonnes by 2030, in line with our commitments under the Paris Agreement.

CMSI

In September 2020, the Climate Measurements Standards Initiative (CMSI) announced it had developed a set of open-source voluntary guidelines that provide Australian banks, financial institutions and insurers with consistent scientific and technical guidance for assessing the risk of climate-related damage to their buildings and critical infrastructure from extreme weather events. IFM contributed to the development of these guidelines via representation on the CMSI Finance Committee.



FCLTGlobal is a non-profit organisation that develops research and tools that encourage long-term investing and business decision making. IFM's Chief Executive David Neal is a FCLTGlobal board member. David participated in a webinar panel in August 2020 to discuss the role of Industry Funds and IFM's investment in the COVID-19 recovery, and new models for infrastructure procurement. IFM also participates in various FCLTGlobal project working groups.

IAST APAC

Investors Against Slavery and Trafficking Asia-Pacific (IAST-APAC) is an investor coalition formed to promote effective action among companies to find, fix and prevent modern slavery, labour exploitation and human trafficking. IFM was a signatory to the coalition's investor statement in October 2020, which outlined investor expectations of companies reporting under the Australian Modern Slavery Act.



The IGCC is a collaboration of Australian and New Zealand investors focusing on the impact of climate change on the financial value of investments. The IGCC operates through a number of working groups which help shape its position on key issues through the collaborative effort of members. IFM is represented on the Adaptation Working Group, Disclosure Working Group and Policy Working Group. The IGCC is part of the Global Investor Coalition on Climate Change which represents investors in Europe, North America and Asia.



The PRI is a global network of investors working together to promote the incorporation of ESG factors into investment decision making. IFM Executive Director, Responsible Investment Chris Newton participates in infrastructure, labour rights and supply chain risk-related working groups and committees. IFM Chief Economist Alex Joiner participates in a macroeconomic risk committee.

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Responsible Investment: Investment analysis and decision making & stewardship

IFM deploys an ESG integration strategy throughout its investment analysis and stewardship activities. We believe this supports us in comprehensively identifying and managing risks and opportunities that can impact long-term investment value and returns.

Our investment teams' approaches to this in each asset class are tailored to their specific strategies; however, a high level overview of our approach is illustrated below. All Investment teams work closely with the Responsible Investment team to ensure practices align to our Responsible Investment Charter and ESG policy and continue to evolve over time.

We do not stipulate screening and exclusions at a firm-wide policy level, however, investment teams apply them, as relevant, in response to individual investor mandates and to ensure investment decisions are consistent with our Responsible Investment Charter and ESG Policy.

We are increasingly collaborating with our investors to develop bespoke sustainability-themed strategies and products that align with a particular set of values and/or outcomes to meet the needs of their members and beneficiaries. Further, to complement bespoke strategies, we will continue to consider and incorporate sustainability themes as we develop products, such as our Australian Bond Fund.



Further detail about our asset class-specific ESG integration practices is available on the IFM website. Enhancements to these practices during the reporting period are outlined in the following asset class sections of this report, as relevant.



ESG integration throughout the investment process

Responsible Investment (RI) team involvement*



To connect to global opportunities

We are connected to global opportunities via broad and deep relationships with global investor institutions, investment banks and advisers.



Identify key ESG considerations

Investment teams identify key ESG considerations for all investment opportunities to inform portfolio construction.

Positive or negative screening overlays are applied to ensure alignment with our Responsible Investment Charter and ESG Policy.



Assessment of ESG risks and mitigation where possible

Investment teams engage in detailed assessment of ESG issues utilising internal support from the RI team and external party analytical tools and research.

As applicable, investment teams seek to identify and factor in mitigants for specific risks and define opportunities that will be managed post-acquisition.



Investment decision based on RI/investment team analyses and conclusions

A final ESG analysis is prepared in conjunction with the RI team and included in investment papers, as applicable.



ESG issues continuously monitored and actively managed

ESG issues are continuously monitored and actively managed by investment and RI teams in efforts to protect and build value.

Where IFM has shareholdings, investment teams proactively engage with management to influence better ESG outcomes.

* Degree of RI Team involvement depends on asset class and investment strategy





Infrastructure

We take a patient and strategic approach to owning and operating critical community infrastructure assets that generate wide-ranging social and economic benefits to communities across the world.

Michelle working in the Anglian Water Central Laboratory, Huntingdon, UK, in June 2020

We maintain a focus on managing risk and building long-term value in a sustainable and responsible manner, to deliver attractive risk-adjusted returns to our investors that help protect and grow the retirement savings of our investors' members and beneficiaries.

We integrate ESG considerations throughout the investment process, from screening and due diligence to ongoing asset management.

This approach supports us to comprehensively identify and understand material ESG risks and opportunities, pre- and post-acquisition, and manage them to protect and build long-term investment value.

Driving sustainability and ESG improvements

Through FY20, we continued to focus on the portfolio-wide ESG initiatives we reported on in our 2019 Responsible Business Report. These ongoing and multi-year initiatives seek to improve our management of key areas of risk and opportunity for all investee companies, regardless of sector and geography. The strategic ESG focus areas we seek to address include climate change risk and emission reductions; workplace health and safety; inclusion and diversity and cyber security. We influence outcomes in these areas via a multifaceted approach encompassing board and board subcommittee representation, placement of resources into portfolio companies to help manage specific projects, and by creating a steady flow of information with company management. Via these channels we work closely with investee companies to manage risks and opportunities in these areas. We seek to do this in ways that benefit workers, customers, communities and the environment, to support commercial sustainability and long-term investment value.

The onset of the COVID-19 pandemic in early March 2020 saw our infrastructure team move quickly to enact incident response and business continuity plans. Our response prioritised the wellbeing of employees, customers, tenants, and local communities, acknowledging the critical role these people play in our success during and beyond the pandemic.

Responding to, and managing the impacts of the pandemic, necessitated a review of timing for some of our planned ESG activities. While

some initiatives were postponed or adapted, the objectives of each initiative remain unchanged. The following pages provide an overview of these initiatives.

Best practice occupational health and safety (OH&S)

Protecting and promoting best practice safety management at our investee companies is an ongoing priority for our asset management team. We focus on monitoring the safety performance of our investments and influencing actions that promote and protect the safety and wellbeing of the people who work at our investee companies.

Progress on FY19/20 objectives:

- Provided IFM directors with refreshed internal best practice safety standards and guidelines to support their roles as board directors overseeing investee companies.
- Hosted four safety roundtable webinars with investee company management teams. The roundtable topics in FY20 were primarily focused on contractor safety performance in response to our analysis that suggests contractors are over represented in serious safety incidents. These sessions included investee companies presenting on their own contractor engagement models with respect to safety in order to share learnings. COVID-safe working issues were also discussed.
- Continued safety maturity assessments of FY20 acquisitions and other investee companies as required.
- Hosted two Infrastructure Safety Investor briefings (August 2020).
- Commenced an exercise in detailed safety performance reporting with a focus on outcomes versus benchmarks, and a continued focus on contractor performance.

Next steps:

Over the coming year, we will continue to host our quarterly safety roundtables and carry out safety maturity assessments, as required. We will also complete work on safety performance benchmarking and share this with investors. Further, in response to recent fatal incidents within the toll road sector, a global engineering firm has been engaged to review operational safe working practices at investee companies where IFM has majority control.

Inclusion and Diversity (I&D)

The I&D initiative aims to understand and progress the maturity of investee companies' I&D strategies by strengthening transparency, measurement and accountability. While our initial focus was gender, we recognise diversity encompasses a number of dimensions and have begun to incorporate consideration of these (e.g. ethnicity).

Progress on FY20 objectives:

- In-house development of I&D data assessment tool.

Next steps:

Due to COVID-19, planned data collection and analysis will commence in FY21. This data and analysis will inform our work with investee companies to establish I&D improvement plans.

Sustainability strategy & reporting

This initiative aims to drive and support investee companies to improve sustainability strategy performance and reporting, with a focus on building long-term value. Following the Australian portfolio launch of this initiative in FY19, we commenced a similar program of work with our Global portfolio companies. We planned to bring together representatives from companies across our Global ex-Australia portfolio for in-person 'Sustainability Forums' in London and New York in March 2020. Due to COVID-19, the in-person forums were postponed and replaced with individual sustainability improvement workshops.

An important element of this initiative is ESG data collection and the public disclosure of sustainability performance for each investee company. As part of our ongoing asset management, we have developed a set of

sustainability metrics for investee companies to report against annually. This work has commenced with our Australian investee companies and will be completed with our Global portfolio companies by June 2021.

Progress on FY20 objectives:

- All Australian investee companies have produced and publicly disclosed a sustainability report aligned to the Global Reporting Initiative (GRI) framework indicators.
- Collected FY20 Australian investee company sustainability data.
- In-person sustainability forums for global investee companies were re-formatted as individual company sustainability virtual workshops.

Next steps:

- Continue to deliver individual virtual sustainability workshops to Global ex-Australia investee companies during FY21.
- These companies will be asked to commit to annual public sustainability reporting, if not doing so already.

Carbon reduction program (Australian portfolio)

This award-winning initiative was launched across major Australian investee companies in FY19.⁸ Participating companies committed to setting individual emissions reduction targets and developing pathway programs to achieve these targets. Investee companies continue to implement carbon reduction and energy efficiency programs and initiatives as they pursue their 2024 and 2030 targets. Refer to pages 20 and 24 for further detail.

Progress on FY20 objectives:

- Publicly disclosed individual investee company emissions reduction targets in August 2019.
- Continued to work with investee companies to meet individual emission reduction targets and support delivery of projects to achieve planned pathways.

Next steps:

During FY21, we will monitor individual company targets. We will continue to share insights and learnings across the portfolio as investee companies continue to progress emissions reduction and energy efficiency programs. We will also continue to report on this initiative annually through our carbon footprint reporting and via our website.



As part of our ongoing asset management, we have developed a set of sustainability metrics for investee companies to report against annually.

⁸This initiative won the 2019 Investor Group on Climate Change Climate Award for 'Outstanding initiative by an Asset Manager' and the Infrastructure Investor 2019 Awards 'Fund Manager of the Year'.

Carbon footprint reporting

Annual infrastructure portfolio carbon footprint measurement and reporting is a key transparency activity and part of our approach to understanding climate risk and our portfolios' impact on climate change. For further details, please refer to page 19.

Please refer to page 24 for examples of emissions reduction and energy efficiency activities across our infrastructure portfolio.



Carbon reduction program (Global ex-Australia portfolio)

Following the successful launch of the carbon reduction program across major Australian assets, we planned to launch a similar program across Global ex-Australia investee companies in FY20. The launch was planned to tie in with the Sustainability Forums, however, it was also postponed and re-configured for virtual delivery due to the COVID-19 pandemic. The purpose of the program is to provide training to investee companies on the principles of setting Science Based Targets (SBTs) and to provide a bespoke tool to enable them to establish their own emissions reduction targets and pathways.

Progress on FY20 objectives:

- Hosted virtual workshops in July and September 2020 in Europe and North America with delegates representing each investee company.
- Provided delegates with a bespoke SBT tool and training to enable them to establish individual emission reduction targets, determine the alignment of the target with SBTs and explore emissions reduction strategies that align to SBTs.

Next steps:

In 2021, we will work with investee companies to set individual emissions reduction targets and pathway programs they can use to achieve their target.

Cyber security management

This ongoing initiative aims to support investee companies to better understand and manage cyber risk and build stronger cyber awareness, resilience and governance. Following individual company reviews during the initiative's first year in 2017, and ongoing reviews of new acquisitions, we continue to support best practice management of cyber risk through quarterly webinars that facilitate continued education and knowledge sharing opportunities across investee companies.

Progress on FY20 objectives:

Quarterly cyber webinars continued, covering the following topics:

- Digital sovereignty and the increasing prevalence of related legislation;
- Re-evaluating the consequences of the real and perceived cyber threat from nation states;
- Developments in cyber insurance;
- Changes in system access practices due to remote working; and
- Best practice for incident response during COVID-19.

Next steps:

During FY21, we will continue to convene quarterly cyber webinars for investee companies and look to host in-person or virtual 'Cyber Forums', which were planned for March 2020, but postponed due to the COVID-19 pandemic.

Supporting the people crucial to delivering on our long-term investments

We are acutely aware of the impact the COVID-19 pandemic is having on the thousands of people - workers and tenants - at our investee companies around the world. Our infrastructure funds owe their long-standing performance track record to the contribution of these people and these businesses. Their safety and wellbeing continues to be a priority for IFM.

In addition to complying with local government laws and recommendations, as relevant, our investee companies implemented a number of measures including work-from-home policies, travel restrictions, protection of operationally-critical employees, provision of financial relief to tenants, stakeholder communication, and enhanced reporting protocols.

We are also witnessing the impact that the crisis is having on the communities where we operate.

Across the portfolio, we have actively engaged with businesses to provide assistance to customers and members of the community through programs to support those in need.

As we navigate through and beyond the COVID-19 crisis, we believe the efforts of the people who work at our investments, together with the trust and support of customers and members of the community, will continue to contribute to IFM's purpose. Examples of activities to support workers, customers and local communities are provided below.

M6 Toll halved toll charges on selected local journeys for all vehicle types exiting at plaza junctions during July and August as part of the "Let's Get the Midlands Moving" campaign, which is designed to support businesses emerging from the pandemic.

Impala Terminals donated essential groceries to over 300 local families in Peru. In Paraguay, the company donated 260 LPG cylinders to the Social Archdiocesan Ministry, which serves more than 20,000 food plates a day to those in need. The company also donated 1,000 litres of alcohol to the National University of Encarnación for manufacturing disinfectant gels.

Indiana Toll Road (ITR) launched a school food relief fund, which provided weekend meals for students adversely impacted by the pandemic-related downturn. Over 47 per cent of children in the state of Indiana rely on school-provided free or reduced-cost lunches, which became unavailable during the COVID-19 crisis.

This program was part of a broader initiative undertaken by IFM's toll road companies across seven countries in response to food security challenges and funding shortfalls faced by school meal programs. The initiative has directly supported tens of thousands of underprivileged students at risk across communities where the toll road companies operate.

Aleática (Spain and Latin America)

established a 'Health Committee' and engaged a vendor to provide wellbeing support to staff and families. Significant efforts were made to keep staff and customers safe, with non-essential staff working from home, PPE provided for toll collectors and frontline staff, the development of strict operational protocols, and an increase in the level of electronic toll collection on certain Aleática assets by distributing electronic tags at no cost to customers to reduce cash transactions.

Aleática was actively involved in helping local communities, particularly in providing assistance on social issues exacerbated by COVID-19. The company provided food, water, hygiene kits and/or emotional health support to over 100,000 families in Mexico, Peru and Colombia. In addition, Aleática has provided protective equipment and safe housing to support doctors in Mexico.

Anglian Water Group launched the Positive Difference Fund (AWPDF) in April. The AWPDF consisted of £1m administered by a recognised and well-respected independent organisation, The Community Foundation. In the first instance, £500k supported the needs of those charities and community groups in the regions that were most impacted by COVID-19 crisis.

Veolia Energia Polska (Poland) has provided support to healthcare facilities, medical facilities

Essential workers at Ausgrid have continued to upgrade and restore power lines across NSW during the COVID-19 pandemic period.



and community members worst affected by COVID-19, including food packages, production and distribution of masks, supporting online education platforms.

Tenant Relief - Between March and June 2020, we estimate that we provided tenant relief of more than A\$200m for property and retail businesses reliant on our airport, port and rail transport infrastructure investments in Australia.

Brisbane Airport - Between March and June 2020, all non-essential Brisbane Airport staff were encouraged to work from home where possible. A range of tools and resources were developed to assist in the transition to work from home, including tool kits for managers to stay engaged with employees and to support mental health. Critical operational staff were split into teams. Hygiene protocols were implemented and PPE was provided to all operational staff.

Ausgrid - With over 2,000 staff deployed in the field managing the electricity distribution system for Sydney, the Central Coast and Hunter

regions, the COVID-19 pandemic placed significant pressure on field staff tasked with maintaining grid operations for the millions of workers, school children and students forced to work and study from home. In addition to the practical challenges of limiting the spread of the virus amongst Ausgrid's essential workers, new and unexpected demands arose as staff were subject to instances of verbal and physical abuse from customers aggrieved that essential maintenance work was interrupting their power supplies. Ausgrid developed a 'Give Us A Wave' media campaign to generate public support for their staff, highlighting the essential nature of their work.

NSW Ports implemented its business continuity plan and structured staff working arrangements to best enable operations to continue. Onsite staff were provided with PPE and access to the Botany precinct and Port facilities at Port Kembla was restricted. Actions also included a review of onsite security arrangements and protocols implemented to minimise contact between crew and staff at the berths.

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Identifying and harnessing transition opportunities in a changing energy landscape: Buckeye Partners

In November 2019, IFM Investors purchased 100 per cent of Buckeye Partners, a midstream energy company in the United States. Buckeye owns and operates a large integrated network of midstream infrastructure assets that facilitate the transportation, storage and processing of liquid petroleum products. We believe the Buckeye platform is well positioned to take advantage of the changing energy landscape. We see strong potential for Buckeye to play a key role in the longer-term energy transition through diversification into a range of energy subsectors, including natural gas, liquefied natural gas (LNG), biofuels, liquefied petroleum gas, hydrogen and renewables. Ultimately, our goal is for Buckeye to achieve carbon neutrality across its operations and thoughtfully evolve in line with expected changes across the energy landscape.

Active ownership

Since IFM took ownership, Buckeye's board has incorporated specific ESG goals into the company's corporate scorecard. In the initial stages, these goals focus on establishing appropriate organisational policies, structure and resources, as well as setting baselines for measuring Buckeye's performance on certain matters like carbon reduction. Buckeye has made significant advancements in progressing its carbon reduction strategy, including the completion of a nine-month initiative to establish its baseline greenhouse gas emissions, which will allow the company to identify areas and strategies for reduction. The initial carbon reduction initiatives identified include:

- A LED lighting installation program;
- Use of drag reducing agents within its pipeline systems;
- Installation of vapour recovery units; and
- Variable frequency drive pump conversions.



Transition opportunities

Buckeye has identified an opportunity set of up to 550MW of developable solar projects on and adjacent to existing Buckeye locations. The first stage of solar installations on sites across up to 900 acres, will provide c. 150MW of solar generation which will be used to directly power Buckeye locations or be sold as green energy to nearby businesses. This represents approximately 50 per cent of Buckeye's power consumption.

In addition to its renewable energy development program, Buckeye is actively exploring opportunities to diversify into clean fuels and technologies; for example LNG, next generation fuels (e.g. hydrogen production and distribution), carbon capture and storage, and storage and blending of biofuels across existing terminal operations.

Buckeye has staffed a dedicated team to deliver on its renewable energy growth targets and further explore renewable fuel opportunities. For Buckeye, the transition to a cleaner energy mix will largely be driven by end consumers and producers. As renewable energy technologies emerge, the industry will need midstream participants to provide the necessary infrastructure. We believe companies like Buckeye will facilitate the transition and, in that regard, will benefit from opportunities that arise as we shift towards a cleaner energy mix and new ways of handling energy.

Creating win-win outcomes for Ausgrid customers and the energy grid



In May 2020, Energy distribution and network owner and operator Ausgrid (Australia) launched the second phase of its household battery-based virtual power plant (VPP) program. The new phase of the scheme follows a successful trial which ran for four months in 2019. The project is part of the company's broader demand management program. It aims to demonstrate how the energy grid can integrate with renewables, in partnership with industry and customers, to maximise grid efficiency benefits and reduce customer bills.

A VPP is a network of decentralised small-scale generators that work together to help power homes and businesses connected to the grid. In return, participating customers are paid for the

behind the meter solar-generated and battery-stored energy they supply, lowering their energy costs.

When Ausgrid activates signals to customers' batteries through their VPP provider, the stored energy is exported to the grid. By dispatching, storing and delivering solar energy directly from customers' batteries when required, the VPP will enable Ausgrid to increase the flexibility of the grid, eventually leading to lower costs for everyone on the grid.

Ausgrid's VPP currently has approximately 1.5MW in capacity from over 350 customers across 240 suburbs in Sydney, the Central Coast and the Hunter region.

Anglian Water honoured with Queen's Award for Enterprise: Sustainable Development for the second time

Anglian Water (UK) employs 5,000 people and supplies water and water recycling services to more than six million customers. It operates in the driest, flattest and fastest-growing region in Britain.

IFM has worked closely with Anglian Water and co-investors since 2006 to build a sustainable business model, which has supported long-term investment performance, while assisting the utility to meet customer and community needs for safe, reliable and affordable water services over the long term.

Social and environmental concerns are at the heart of the company's 'Love Every Drop' strategy, which the business launched in 2010. Informed by what customers have said is important to them, the strategy kicked off a fundamental change in business ethos to champion sustainability.

In 2019, Anglian Water changed its Articles of Association to become the first utility to legally enshrine public interest within the constitutional make up of its business, setting new standards for a social contract with both customers and stakeholders.

In April 2020, Anglian Water received the Queen's Award for Enterprise: Sustainable Development for the second consecutive year. This is the UK's highest accolade to celebrate business success.





Debt Investments

IFM's Debt Investments team invests in diversified credit, private debt, infrastructure debt, and core bond and cash, offering global and Australian strategies via segregated mandates and targeted funds.

The largest infrastructure debt deal that IFM Investors made in the first quarter of 2020 was an investment in a 27.4MW portfolio of 10 operating photovoltaic plants located in Spain.

We have embedded responsible investment considerations into our investment processes and decision making to protect and enhance the value of our investments over the long-term.

This reflects our belief that well-governed, sustainable businesses are less likely to face unanticipated risks and, therefore, pose a lower risk of credit losses or a credit rating downgrade.

Debt investors lend money to companies but do not have ownership rights, hence they typically have less ability than equity investors to influence company management over the life of the investment. This is why our ESG approach is concentrated in the screening and due diligence phases, prior to entering an investment.

On occasion, we proactively engage with a borrower post-investment. This may be in response to actions taken by the company or potential new ESG risks. An example of this approach is our engagement with Westpac Banking Corporation (Westpac) in the wake of the AUSTRAC allegations in November 2019, as detailed in the breakout box on the right.⁹

We continuously monitor our debt portfolios for potential new ESG risks through formal company reporting and engagement with borrowers and/or operating company management teams.

ESG integration in the IFM Australian Bond Fund

The IFM Australian Bond Fund was launched in August 2018 with a strong ESG focus. Its investment process incorporates ESG analysis in the following ways:

- The Fund actively seeks to invest in bonds that generate a positive ESG-related impact without giving up a financial return at the portfolio level. We refer to this outcome-based approach as impact investing.
- The Fund uses specific rules to limit exposure to (or potentially exclude) sectors and issuers that do not align with its ESG criteria or carry relatively high ESG risk. We refer to this risk-based approach as negative screening.
- We incorporate ESG scores and developments in our credit decisions when analysing potential investments for the Fund. We refer to this risk-based approach as positive screening.

PRINCIPLES IN PRACTICE

Engaging with Westpac following AUSTRAC allegations

Following the November 2019 AUSTRAC allegations that Westpac had breached anti-money laundering regulations, and given the severity of the allegations, Treasury Services employed an “inform, restrict and engage” ESG approach

The Treasury Services team worked collaboratively with IFM’s Responsible Investment team to proactively inform Treasury Services’ investors and Westpac of our intentions. The team clearly communicated to investors and Westpac its commitment to restricting exposure to Westpac below a determined level until a resolution with AUSTRAC was reached and the subsequent APRA investigation was completed. Restriction was employed given the severity of the allegations.

With the support of the Responsible Investment team, the Treasury Services team subsequently engaged directly with Westpac, informing them of our stance, our expectations and what we perceived to be an appropriate resolution. Notably this engagement is ongoing.

Inform, restrict and engage – enables Treasury Services to ‘get the attention’ of the issuer, ensuring that our words can be met with action. Preliminary (and relatively minor) restrictions do not impact on portfolio performance, but they do send a clear signal that if well-intentioned engagement is not forthcoming, restrictions can be extended.

The Fund employs a strict exclusion methodology, prohibiting investments in manufacturers of tobacco and cluster munitions and issuers that derive more than 20 per cent of their revenue from the extraction, processing or transportation of fossil fuels (thermal coal, oil, gas), gambling and tobacco distribution. A list of prohibited securities is maintained by the portfolio managers, and periodically reviewed by the Responsible Investment team. There are compliance rules within the portfolio management system that prevent trading in any security on the prohibited list.

We also aim to invest a substantial portion of the Fund in impact bonds. Our experience suggests it is possible to invest in bonds that generate an ESG-related impact without giving up a financial return at the portfolio level.

Our preference is to take overweight positions

⁹ Australian Transaction Reports and Analysis Centre (AUSTRAC) – a financial intelligence agency that monitors financial transactions to identify cases of money laundering, organised crime, tax evasion, welfare fraud and terrorism financing.

in securities where the investment aligns with our Responsible Investment Charter. This includes green bonds, sustainable bonds and investments in securities issued by companies heavily involved in low carbon electricity generation, sustainable water, green building and climate change adaptation.

Market participants have designed the Green and Social Bond Principles to increase transparency, disclosure and reporting standards within the market. We align with these principles in our investment decisions.

Strengthening ESG analysis in diversified credit

In FY20, our Diversified Credit team strengthened its approach to integrating ESG considerations through the development of an in-house ESG

Scorecard. This detailed, in-house approach is more transparent for our clients and supports our increasing level of investment in private debt, which is typically not well covered by third-party ESG research providers.

The scorecard assigns a formal ESG rating to potential investments. It highlights where an investment may be exposed to heightened company-specific ESG-related risk that could impact the borrower's financial standing and/or credit rating. We also apply an industry overlay to identify possible sector-wide ESG risks or trends that could impact the company's prospects.

Within our analysis, potential investments are assigned relative risk assessments across the key ESG categories. Within these categories, 'Higher Risk' and 'Highest Risk' are considered likely to have a negative impact on the company's

PRINCIPLES IN PRACTICE

Retirement village operator

FOCUS OF ESG DUE DILIGENCE

- Quality/standard of accommodation
- Building design and sustainability
- Product design and disclosures (deferred fees, share of capital gains etc)
- Value proposition to consumer
- Regular environment
- Litigation and regular involvement

KEY FINDINGS OF ESG DUE DILIGENCE

- Accommodation provided satisfactory amenity with recent developments subject to more efficient developing planning
- Product disclosures were complex and arguably insufficient due to the scale of the investment decision for the consumer
- Value proposition to consumer was considered weaker due to operator capturing capital gains and deferred fee structure not compensating overall cost to consumer
- Material litigation and resident disputes on foot

OUTCOME

- ESG risks were considered 'Higher Risks' in respect of Social and Governance factors - these risks could not be suitably mitigated by the operator
- IFM determined it would not invest in the opportunity based on the ESG risks identified

ENVIRONMENT		Lower risk
E1	GHG Emissions	Lowest risk
E2	Water & Energy Management	Lower risk
E3	Waste & Pollution	Lowest risk
E4	Climate Change	Lowest risk
SOCIAL		Higher risk
S1	Community Relations, Access & Affordability	Moderate risk
S2	Customer Privacy, Welfare, Selling Practices	Highest risk
S3	Labour Practices	Moderate risk
S4	Employee Wellbeing, Diversity & Inclusion	Lower risk
S5	Social Impacts/Attitudes	Higher risk
GOVERNANCE		Higher risk
G1	Management Strategy	Moderate risk
G2	Group & Governance Structure	Moderate risk
G3	Legal & Regulatory Environment	Higher risk
G4	Business Ethics & Competitive Behaviour	Higher risk



credit rating over the investment horizon without appropriate intervention.

The output of the scorecard is an ESG rating that is factored into the team’s formally assigned credit rating for the potential debt investment as part of the due diligence process. Importantly, this assessment includes the impact of any mitigating factors (e.g. specific conditions to the investment, maintenance covenants, presence of an active industry regulator etc.), hence it is the ‘net’ ESG assessment that is incorporated into our assessment of the company’s credit rating.

The Responsible Investment team is consulted on potential investments in sectors with known ESG challenges. This occurs prior to due diligence to ensure full awareness of the issues early in the process. In cases where elevated risk is identified during due diligence, there is further consultation

with the Responsible Investment team prior to making a decision on whether or not to proceed.

The *Retirement village operator* case study demonstrates how the ESG Scorecard analysis works in practice for a private debt investment opportunity we considered during FY20.

ESG considerations in infrastructure debt deals

The Infrastructure Debt team undertakes ESG considerations in conjunction with the Responsible Investment team and our end investors. We have evolved our ESG analysis over time and have integrated Responsible Investment team reviews into our investment approval processes.

The table below details some recent potential investments where our decision making was heavily influenced by ESG considerations:

DEBT ISSUER	ESG CONSIDERATION & INVESTMENT DECISION
<p>Power station (Western Australia)</p>	<p>Refinance was rejected due to the use of coal as the main fuel and the plant’s reliance on a particular coal company that we believe had significant governance issues.</p>
<p>Petro chemicals – plant construction and operation (Indonesia, USD debt)</p>	<p>Whilst this asset was in Indonesia, the debt issue was in USD, so it was suitable from a currency perspective. However, we had concerns about rule of law, particularly during the construction phase, and we were not comfortable with this risk. There was also considerable environmental risks, given it was petro chemicals in a jurisdiction that we deemed unlikely to ensure appropriate environmental safeguards were in place.</p>
<p>Midstream logistics assets (Canada)</p>	<p>This opportunity related to midstream logistics assets, which are designed to facilitate transportation of bitumen produced in Alberta, Canada, to the US Gulf Coast for blending, refining and marketing. The infrastructure debt team elected to decline prior to involving the Responsible Investment team given the main product being transported was bitumen, which is sourced from oil sands and is carbon intensive.</p>
<p>Project carbon capture (United States)</p>	<p>This issue was senior secured financing relating to the construction and operation of a carbon capture project. The project is being developed to capture the emissions from two ethanol plants in Texas and separating the carbon dioxide (CO2). The project will then transport the CO2 to a major oil company’s mature field for enhanced oil recovery (EOR) purposes and permanent sequestration. In our decision making, ESG analysis focused on the need for carbon capture and storage technology as part of a low carbon future. The investment had a set time period, which limited the stranded asset risk if oil demand declines. However, we ultimately passed on the transaction, mainly due to some non-ESG related aspects of the deal structure and pricing.</p>





Listed Equities

Our Indexed Equities Team offers enhanced passive index strategies across a range of Global and Australian indices. Our Quantitative Equities (Quant) Team specialises in systematic ESG and Low Carbon Equities strategies, as well as Smart Beta strategies. Our Active Equities teams invest across large and small cap markets in Australia and Asia.

We believe ESG factors can impact company performance and share price in the short, medium and long term.

Given the diverse nature of our listed equities strategies, each team has its own approach to identifying and factoring material ESG considerations in the investment process.

Our Quant team is collaborating with investors to develop bespoke sustainability-themed equities strategies and products, as outlined in the breakout box below. This collaborative work is a win-win. It helps to build our capabilities and understanding of investor needs, while helping investors meet the needs of beneficiaries looking to align investments with their values and/or target specific environmental and social outcomes.

An active stewardship approach applies across all of our Australian strategies to encourage responsible corporate behaviour and improved transparency around the management of material ESG risks and opportunities. This approach, incorporating company engagement and proxy voting, aims to protect and build company value to support long-term shareholder returns.

The following pages provide an update of our engagement and proxy voting activities over FY20.

Stewardship

For our Australian portfolios, we take steps to guide and influence the behaviour of the companies we invest in through engagement and voting. We align our active stewardship activities to our Responsible Investment Charter and ESG Policy, which outline our overarching responsible investment beliefs and principles, and the issues we expect companies to strategically recognise and manage in order to protect and enhance long-term shareholder value.

Our stewardship activity is aligned to the requirements of the Australian Asset Owner Stewardship Code, and we support our investors in their adoption of the Code.

Engagement

Engaging with companies with a view to advancing and promoting ESG considerations and initiatives is a critical element of our responsible investment approach. We have an in depth knowledge of our investments and regularly engage with businesses directly or together with Australian Council of Superannuation Investors (ACSI) and other investor collaborations as listed on pages 40-41. These collaborations leverage the collective

Sustainability-themed research and product development

The Listed Equities Research Lab enhances our service to current and prospective investors who are increasingly using our research capabilities to explore and back test innovative and sustainability-themed strategies and products.

During FY20, the Quant team has worked with clients to develop bespoke socially responsible investments (SRI) and climate change-related mandates. An example of this is an Australian SRI mandate that arose out of a collaboration with an investor. The investor approached IFM with requirements that not only included exclusions, but also a desire to overweight stocks positively weighted in an ESG sense, while also keeping within a risk budget.

IFM analysed the implications of various exclusions and ESG enhancement strategies. We worked through a number iterations with the investor until we arrived at a strategy that best met their needs for exclusions, ESG enhancements and risk control. The exclusions included both investor-stipulated (must

have) exclusions, as well as the exclusion of additional stocks with low aggregate ESG scores.

Other examples of bespoke mandates include Global ESG and Australian and Global Low Carbon portfolios.

Over the next year, we are looking to establish SRI pooled funds as part of our Australian and Global Equities product offerings. These funds will exclude stocks based on selected ESG characteristics or business activities, while positively screening stocks for strong ESG characteristics.

IFM also aspires to becoming a Centre of Excellence for Systematic SRI Equity Investment. We will continue to offer tailored solutions for larger investors, which are engineered to best meet their specific SRI requirements as well as their risk budgets. Beyond investing, we will continue to research the SRI Equities space and plan to publish white papers that aim to assist our clients in meeting best practice in this area.

resources and influence of like-minded investors and organisations to help achieve the outcomes we seek in a more efficient and timely manner.

During FY20 we have spoken with companies on a range of issues relating to climate change management and disclosure; board gender diversity; working conditions and wage underpayment; arrangements for workers, supply chain and customers during COVID-19; and accountability and other governance issues.

Engagement highlights: Boosting climate change disclosure

Our climate change-related engagement efforts are currently focused on encouraging improved disclosure and practices on managing climate-related risks and opportunities and a commitment to adopt the Task Force on Climate-Related Financial Disclosures (TCFD) framework for reporting.

Our climate-related engagement activity is predominantly in collaboration with CA100+ and ACSI, as detailed further on pages 20-21. Our engagements on this theme have resulted in a number of significant announcements and positive outcomes for Australian companies, including:

- Net zero 2050 announcements from Rio Tinto, Qantas, BHP, South 32, Origin Energy and AGL Energy.
- BHP set new climate-related expectations and standards for its industry lobbyists relating to supporting the Paris Agreement and ceasing to back energy policies that favour fossil fuels over renewables. The company also committed to factoring climate change goals into executive remuneration in FY21.
- Woodside committed to undertaking an industry association review and publishing results in November 2020; undertaking scenario analysis; developing interim Scope 1 and 2 targets; and increasing the quality of climate change disclosure in its 2020 Annual Report.

Pursuing board gender diversity

We continue to work with the 30% Club to promote board gender diversity. At the end of FY20 there were two ASX200 companies remaining without a female board member, an improvement on four companies at the end of FY19.

In targeted discussions, we have sought to gauge the extent to which a board is thinking creatively about how to find and appoint appropriate and

diverse board directors outside of its normal networks. We aim to influence decision-making on new director appointments by connecting small-cap chairs with specialist board recruiters and the Australian Institute of Company Directors Chair's Mentoring Program.

In early FY20, we wrote to all ASX200 to 300 companies with zero or only one female board director about our desire to see better gender representation on their boards. This exercise resulted in a number of targeted discussions related to the October 2019 AGM voting season. There has been limited further activity during the COVID-19 pandemic, however, we have helped to connect several boards undergoing board renewal with channels to larger pools of female talent.

Working people during the COVID-19 pandemic

COVID-19 has had, and continues to have, a significant impact on working people in markets around the world. In particular, women have been disproportionately affected, as have those in lower-paid jobs and sectors with highly casualised staffing models. The worst-hit sectors in Australia include many with female dominated workforces, such as retail, hospitality, tertiary education, creative arts, entertainment and aged care. Many of these sectors also utilise highly casualised workforces that, in our experience, have less access to ongoing employee benefits such as paid sick leave or carers leave.¹⁰

We anticipate that very few companies will escape the negative impacts of the pandemic on their supply chains and workforces. As such, company engagement meetings in which IFM has participated have included discussion about the pandemic's impacts on working people and the adequacy of company responses. Questions have related to:

- Cost saving and other measures to avoid or reduce job losses;
- Communication with workers about COVID-19 impacts on the business;
- Support to mitigate health impacts on workers; and
- Identifying and mitigating the potential risks staffing models pose for worker and community safety.

The impacts of COVID-19 on working people will continue to be an important focus theme.

¹⁰United Nations, Policy Brief: The Impact of COVID-19 on Women, 2020; <https://pursuit.unimelb.edu.au/articles/who-s-hit-hardest-by-the-covid-19-economic-shutdown>; and https://cdn.aigroup.com.au/Economic_Indicators/Fact_Sheets/Where_are_Australias_casual_workers_in_2018_Oct2018.pdf



Destruction at Juukan Gorge highlights a failure of accountability

On 24 May 2020, blasting by Rio Tinto (RIO) while expanding its Brockman iron ore operation in the Pilbara (Western Australia) destroyed two 46,000 year-old rock shelters in the ancient Juukan Gorge. These actions resulted in a shocking and irreversible loss of cultural heritage.

While RIO's decision to go ahead with the blasts was legal, in our view it was the wrong thing to do. IFM questioned whether the principles of "Free, Prior and Informed Consent" were applied, and we remain concerned about the limitations of current legislation that's supposed to protect Indigenous cultural heritage.

IFM participated in several meetings with RIO, raising significant concerns relating to leadership, governance and oversight processes for the protection of significant Aboriginal heritage sites. We are satisfied with the resignations and executive changes announced in September 2020, which followed significant investor pressure. However, we believe the company still has much work ahead of it in order to rebuild trust with its stakeholders, most significantly the traditional landowners – the Puutu Kuntj Kurrama and Pinikura Peoples

We have written to and attended a meeting with Western Australia's Minister of Indigenous Affairs, and we will monitor changes to the Aboriginal Heritage Act in the state. We strongly advocate for Indigenous people having a voice and stronger rights to stand against future developments that may negatively impact on their lands.



While RIO's decision to go ahead with the blasts was legal, in our view it was the wrong thing to do. IFM questioned whether the principles of "Free, Prior and Informed Consent" were applied.



Proxy voting

We exercise our right to vote on company resolutions for the companies in which we invest. We have a responsibility to use our ownership rights to improve corporate governance practices across ASX listed companies. In particular, we are directing our votes to increase skill and gender diversity on company boards, improve climate risk management and disclosures, and encourage remuneration policies and practices that are more closely aligned to shareholder outcomes. The equities teams are required to provide input on all of IFM's voting decisions which are overseen and managed through IFM's proxy and engagement committee (PEC).

Voting and engagement focus themes for FY21

During the 2020 annual general meeting (AGM) season in Australia, we will continue to

consider the adequacy of company responses to the impacts of COVID-19 on working people. In particular, companies whose workplaces have been significantly impacted through large numbers of redundancies and or who have received JobKeeper.¹¹

In the COVID-19 operating context, we will also apply close scrutiny to executive remuneration and bonus payments to ensure they duly reflect the adverse impacts of the pandemic on their workforces.

Our focus on climate change risk management, protecting working people's rights in agricultural supply chains, and gender diversity will continue. We will also define our engagement priorities for Modern Slavery.

Board oversight and accountability for key company risks will also continue to be an area of focus for IFM.

FY20 Proxy voting summary

252
company meetings

1521
resolutions

10%
of votes were against management

Priority Engagement Themes

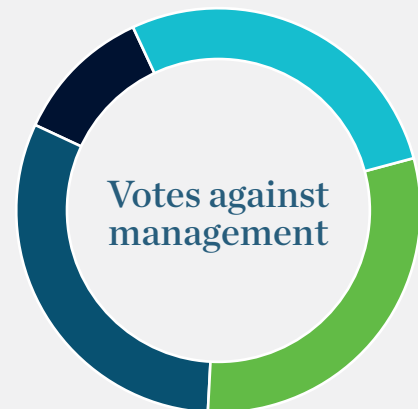
Board skills and diversity

Climate change

Health and Safety

Governance and accountability in relation to key areas of risk

Working people: conditions, wage underpayment



- Director elections **28%**
- Executive Remuneration **30%**
- Remuneration Reports **31%**
- Other* **11%**

* 'Other' includes resolutions relating to director fees/grants, shareholder proposals, and Merger & Acquisition.

¹¹The JobKeeper Payment is a scheme administered by the Australian Taxation Office to support businesses and not-for-profit organisations significantly affected by COVID-19. It aims to help keep more Australians in jobs. www.business.gov.au

Austrac allegations at Westpac

IFM voted against the re-election of Peter Marriott to the Westpac Board. Having served on the board for six years, we believe Mr. Marriott failed in regards to his oversight duties and is accountable, alongside other longer standing directors, in relation to the Austrac claim.

We also voted against the remuneration report as we failed to see adequate recognition or the assumption of responsibility by the full Board of Directors regarding oversight of risk management and culture.

We acknowledge Mr. Hartzler's forfeit of his FY 2018/19 bonus, but in our view, payment of his full fixed remuneration (in lieu of 12 months' notice) is not appropriate in light of the shareholder loss. In allowing this payout, the Board appeared to have afforded Mr. Hartzler the benefit and presumption of innocence before a full investigation of events was completed. In our view, this reflects an attitude that he has done no wrong, despite reasonable expectations that senior management of large institutions should ensure that their business complies with both the spirit and the letter of the law.

Leadership spill at AMP

In August 2020, Directors David Murray and John Fraser resigned from the AMP Group Board, and Boe Pahari stood down as CEO of AMP Capital.

We believe this outcome is testament to the benefit of engagement and the hard work put in by ACSI, IFM and many other investors over the weeks prior to the leadership changes.

IFM has been actively engaging with AMP's leadership both directly and alongside ACSI and other investors for over two years. We have maintained significant concerns with the suitability of the AMP Group management and board to lead a rebuild of the company's integrity and culture, and implement strategies and actions that would contribute to the long-term value of the company.

IFM has expressed dissatisfaction in the past by voting against the appointment of Chair, David Murray in 2019 and against the Remuneration Report in May 2020. In both instances it was

our belief that the Board failed to appropriately consider the negative impact of their actions on shareholders.

In relation to Boe Pahari's appointment, IFM engaged with the company alongside ACSI and directly. In our opinion, Boe Pahari's appointment as CEO of AMP Capital, and the company's response to internal and external concerns raised following the announcement of his appointment, was unacceptable. We believed that the company's initial response could destroy value at a company undergoing a significant restructure and transformational change. We also raised concerns regarding the impact of these events on the attraction and retention of talent.

We came away with limited confidence on the ability of the incumbent leadership to recognise the cultural issues that exist at the firm, effectively deal with them, and re-establish or build the value of the company.

→ FIND OUT MORE

Our bi-annual Australian Listed Equities Voting and Engagement reports and a searchable record of voting activity is available at www.ifminvestors.com.





Private Equity

IFM is an active private equity investor with current activities focused on direct investment in Australian-based middle-market growth companies.

My Plan Manager's purpose is to create an inclusive Australia where everyone has the opportunity to reach their full potential.

The Private Equity team maintains a pragmatic and commercial approach to managing risk and building value in a sustainable and responsible manner, to protect and grow the retirement savings of our investors' members and beneficiaries.

ESG considerations are integrated in pre- and post-acquisition investment processes to identify potential areas of risk and opportunity that can affect investment value.

The team works closely with portfolio companies and key stakeholders to manage and monitor identified ESG risks and opportunities.

A refreshed ESG Framework

We are continuing to improve how we integrate ESG factors into our investment decision making and stewardship activities. During 2019, we expanded our approach beyond ESG risk management to one that also incorporates consideration of how we can have a greater positive impact during ownership, particularly regarding social outcomes for employees. During 2020, we explored ways to take this further to create and measure positive social and environmental outcomes that also benefit customers, communities and the environment. We have taken this approach because we believe it is essential to protecting and growing long-term investment value and returns.

The result of this work is a refreshed ESG framework, which we are operationalising during

FY21. The framework places a greater emphasis on articulating company purpose and driving positive social outcomes that we believe underpin long-term value creation with portfolio companies.

In due diligence, we identify ESG-related risks and investment exposures and integrate these into Investment Committee (IC) papers and discussions. Following the IC decision, we address identified ESG risks and exposures in our 'first 100 days' ownership plan. All investment cases are required to articulate the company's 'noble purpose' - its overarching mission - and IFM's approach to supporting this purpose. A clear set of 'Year 1' ESG deliverables is required, and these actions are tracked through the bi-annual portfolio review process.

During the stewardship phase, the Private Equity team works in partnership with company boards and management to drive positive outcomes and value. Key stewardship themes include delivery of the 'noble purpose', progress towards carbon neutrality, enhanced inclusion and diversity, improved employee and customer engagement, and best practice governance.

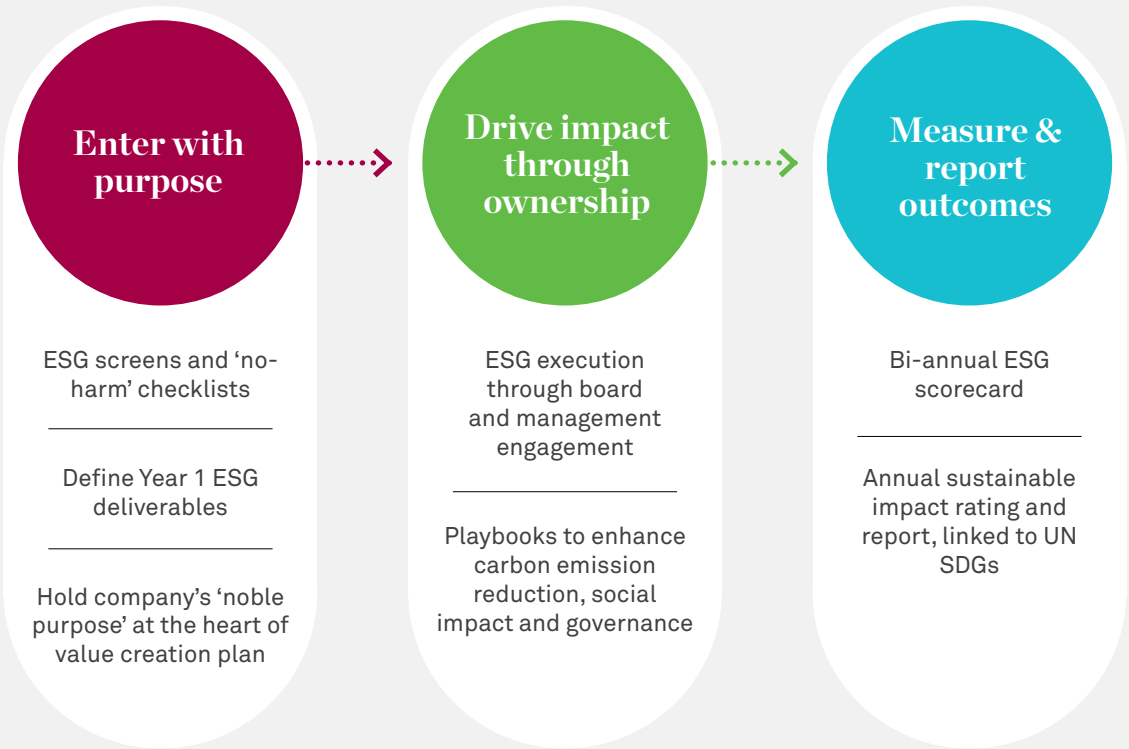
Regular measurement and reporting against these themes, as relevant, ensures accountability for outcomes. Each portfolio company updates its ESG scorecard bi-annually and a more comprehensive annual assessment will link outcomes to the United Nations Sustainable Development Goals (SDGs).

Talent & Culture Toolkit

In September 2020, we updated our proprietary Talent & Culture toolkit to more explicitly incorporate culture and behaviours regarding 'noble purpose' and ESG. The purpose of this toolkit is to support the IFM private equity team in addressing people and culture matters during diligence and throughout the period of ownership of portfolio companies. We believe that corporate culture is paramount to continuous improvement against ESG ambitions.

The Private Equity team partners with an Executive Value Creation Network (EVCN) which consists of senior industry executives with deep sector and functional expertise, as well as extensive networks. The EVCN includes a senior human capital advisor who has supported the enhancement of our Talent & Culture toolkit.

Private Equity ESG Framework



Evolving our approach towards greater impact creation and measurement

In December 2019, the Private Equity team launched a project to measure the social and environmental impacts of the portfolio. The purpose of the project was to challenge traditional investment decision-making and the integration of ESG through pre-investment screening, due diligence and stewardship.

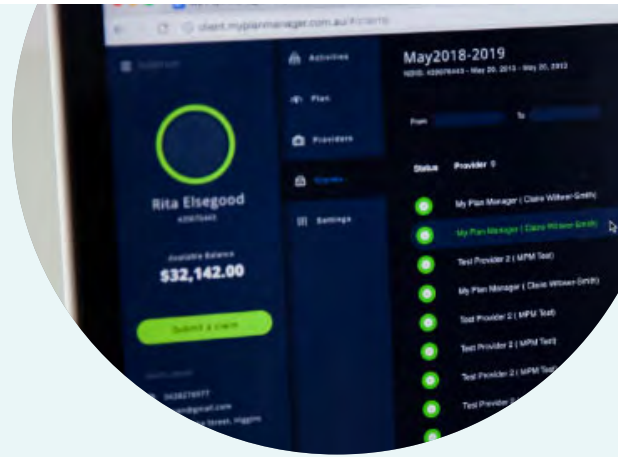
In considering how to evolve the team's decision making approach, we referenced the Impact Management Project (IMP).¹² The IMP provides a set of norms and guiding criteria for investors to categorise the type of impact they seek to create along a spectrum of acting to avoid harm to actively considering how to create opportunities that benefit stakeholders and contribute to solutions.

IFM's Responsible Investment team and Private Equity team jointly commissioned a research paper to explore the emerging practices of ESG impact measurement in private equity and linking these to the SDGs. An internal think tank was formed and a workshop facilitated by external advisors to assess the tools, methodologies and metrics for investing for positive social and environmental outcomes.

We identified that the development of a social impact tool and methodology, which can assess the Private Equity team's ESG management activity, would be a crucial step to further evolving our responsible investment approach. Insights from this research will inform the development of a standardised model for the Private Equity team to capture ESG outcomes, which we will work on during FY21.

¹²The IMP is a forum of enterprise and investment practitioners working towards building consensus and sharing best practices in impact measurement and management. www.impactmanagementproject.com

My Plan Manager, creating an inclusive Australia where all people have the right to reach their potential



My Plan Manager is a prominent Australian National Disability Insurance Scheme (“NDIS”) plan manager. Its mission or “noble purpose” is to create an inclusive Australia where everyone has the opportunity to reach their full potential. For people with disabilities, this means enabling their right to exercise choice and control in the pursuit of their goals; access high quality care and support; contribute to social and economic outcomes; and live an independent life.

My Plan Manager was a founder-led and operated business prior to IFM acquiring a significant majority equity stake in 2019. Since acquisition, IFM has worked closely with the company to drive an accelerated growth strategy, which has delivered:

- A greater than 70 per cent increase in client numbers;
- Embedded measurement of employee engagement and client advocacy;
- A complete technology transformation; and
- Refreshed governance and controls, including a new board and leadership hires.

Our active management approach aims to build leadership and sustainable competitive advantage in plan management and related services by delivering improved outcomes for over 50,000 clients. We seek to do this in a way that differentiates the company as one with a unique culture that is underpinned by the values of being kind, inclusive, genuine and innovative.

During our first year of ownership, we have worked closely with management to deliver a number of ESG outcomes, predominantly in relation to governance and social areas, as listed below:

- Refined My Plan Manager’s “noble” purpose and values.
- The new board introduced independent non-executive directors and a separate Board Risk Committee.
- Built out a stronger management team, which

included the appointment of a new chief executive officer, chief financial officer and chief technology officer.

- Retained the founder as a core part of the Board and leadership team to champion the culture and purpose of the organisation, whilst also acting as a client advocate.
- Transformed the ICT (information and communications technology) environment to ensure systems and processes are suitable for future growth ambitions, which involved:
 - Migrating to cloud-based technology;
 - Establishing a Board Information Technology Steering Committee;
 - Building business continuity and data recovery plans; and
 - Identifying and addressing cyber and data security vulnerabilities.
- Improved job stability for workers by transitioning the high proportion of casual employees to permanent employment contracts and aligned pay rates to the applicable Award and market rates.
- Business growth and increased client numbers has enabled jobs growth; at the time of acquisition the headcount was 145 full-time equivalents (FTEs), which increased to 255 FTEs at 30 September 2020. Increased training, particularly sales training, which means the larger workforce is also an upskilled workforce.
- Commissioned Social Return on Investment (“SROI”) work to define and measure My Plan Manager’s social impact and deepened relationships with the National Disability Insurance Agency to facilitate better outcomes for clients.

IFM believes My Plan Manager is well placed to continue to offer a competitive service, be a trusted advisor to clients and stand up for an inclusive Australia. We will continue to work closely with management to strengthen quality of service and workplace culture as a fundamental base for future growth.



Our Responsible Business Roadmap

FY21 to 2022

An important element of
our responsible business
transparency is addressing
what's next for IFM

We remain committed to pragmatic and practical responsible business actions. We seek to do this through our investment analysis and decision making, stewardship activities, advocacy and collaborative work, and in our own corporate practices.

We recognise there is always more work to do. And we see ongoing opportunity to evolve our responsible business approach as we pursue our purpose - particularly in relation to our priority areas: climate change, working people and inclusion and diversity.

The roadmap below outlines key pieces of work that are planned or currently underway. As we progress these pieces of work, the interests of our investors and the millions of working people around the world that they represent remain at the core of our decisions.

Investment analysis and decision making

- Refresh ESG due diligence processes to align with strategy development in priority areas: climate change, working people and inclusion and diversity.
- Explore integrating leading global frameworks (e.g. SDGs) into pre-investment analysis for private assets.

Stewardship and active management and monitoring

- Continue to evolve measurement of investment and business activity contribution to the SDGs.
- Develop Listed Equities engagement prioritisation and tracking system to support accountability and improve outcomes measurement.

Advocacy & Collaboration

Extend work with key peak bodies and investor-driven collaborations that we are members of or signatories to.

Climate Change

Develop a firm-wide strategy that builds upon our climate change management activities to-date and give effect to our net zero 2050 commitment, incorporating:

- Measurable asset, portfolio and firm-wide targets;
- Policies and frameworks to transition new and existing unlisted assets;
- Enhanced governance frameworks; and
- Identification of new product and investment solutions.

Working People

Develop a firm-wide strategy that builds upon our

work-to-date in the area of promoting fair, safe and equitable standards for working people:

- Identify opportunities and pathways to leadership and impact in this area;
- Identify best practice protocols and build capacity across IFM to deliver these;
- Establish an engagement plan with local and global labour movements; and
- continue work across investment asset classes to promote and drive best practice occupational health and safety management.

Inclusion and Diversity (I&D)

- Develop a firm-wide approach that addresses I&D across investment asset classes, taking action where we can leverage our influence.
- Operationalise IFM's refreshed internal I&D strategy.

Modern Slavery

A continued focus on improving the integration of modern slavery risk considerations into our investment and procurement life cycles and raising awareness of modern slavery risks and our collective responsibilities within IFM. We will continue to collaborate with industry peers and beyond to support meaningful change.

Corporate Responsibility

Define our corporate responsibility priorities via a refresh of our corporate responsibility framework and strategy to focus and guide our activities in relation to:

- Exploring opportunities to support safe, sustainable and meaningful employment pathways for marginalised or disadvantaged groups;
- Taking responsibility for and reducing negative impacts on our immediate environment;
- Aspiring to be a safe and inclusive place to work for a community of engaged employees;
- Operating and furthering our purpose in a manner that is ethical, transparent and compliant; and
- Supporting the most vulnerable in our communities in exceptional circumstances and during times of emergency, crisis and disaster.

Through our responsible business actions, we seek to manage risk and build value to protect and grow the long-term retirement savings of millions of working people around the world.

We aim to do this in ways that create outcomes that benefit our people, the people who work at our investments, and the communities in which we invest and operate. We believe this approach helps us to earn and maintain the trust of these important stakeholders.



Chris Newton
Executive Director,
Responsible
Investment.

Appendix 1: Responsible Business Governance & Oversight

As IFM pursues its purpose and continuously strives to meet the expectations of our investors as well as the communities in which we invest and operate, robust responsible business governance and oversight are essential.

We believe we have the governance structures, systems and policies in place throughout our investment and corporate decision-making processes to bring rigour and accountability to our responsible business practices.

Roles and responsibilities

IFM's overarching responsible investment and sustainability strategy is established and monitored at the Board level. Management is responsible for the execution of this strategy, ensuring ESG risks are reflected in our risk management frameworks and plans at the corporate and investment levels.

Board oversight – Board Responsible Investment and Sustainability Committee (BRISC)

The BRISC assists the IFM Board by providing an objective, non-executive view of the effectiveness of IFM's responsible investment and sustainability strategy and reporting framework. The BRISC is responsible for monitoring and overseeing progress against key responsible investment and sustainability objectives, and endorses and provides guidance on ESG-strategies proposed by management.

Management responsibility – Global Strategy Team (GST)

The GST supports the Chief Executive in executing its overall responsibility for the management of IFM. The GST is focused on ensuring IFM provides high-quality support to the Board by maintaining an efficient and collaborative workplace, a strong, coherent and inclusive culture, and developing IFM's capabilities, including those related to responsible investment and stewardship.

Investment responsibility – Investment teams

IFM's investment teams, representing Infrastructure, Listed Equities, Debt Investment and Private Equity, are responsible for the design

and execution of asset class-specific strategies, frameworks and reporting, and responsible investment and stewardship outcomes at the investment level. The Responsible Investment Team works closely with the investment teams to carry out these responsibilities.

Responsible Investment and Stewardship leadership – Responsible Investment Team

The Responsible Investment (RI) team is responsible for the development of IFM's overarching responsible investment and sustainability strategy. Team members have diverse skill sets and backgrounds, provide consultation and specialised advice, and work collaboratively with investment teams on their responsible investment and ESG integration approaches. The RI Team also provides specialist support and advice to the Investment Committee.

Investment oversight and review – Investment Committees

The Investment Committee (IC) is responsible for the review and approval of new and follow-on private market investments. The IC has oversight of our investment programs and portfolios, as well as our Environmental, Social and Governance policy and Responsible Investment Charter. The IC's approval process includes an assessment of ESG risks and opportunities. The IC is also responsible for monitoring the outcomes of past investment decisions.

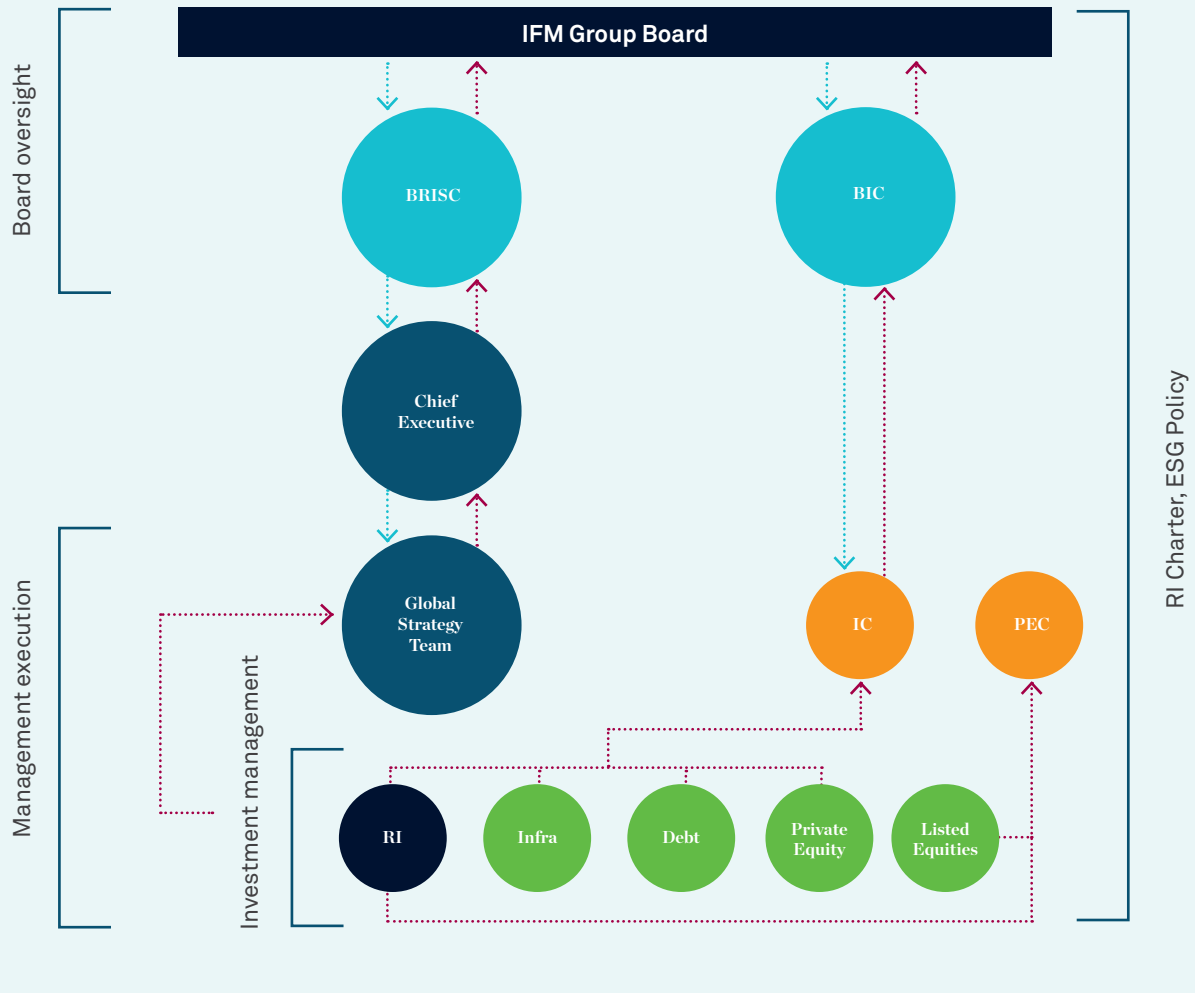
The Board Investment Committee (BIC) is delegated to review and make final decisions on transactions under consideration for approval by the IC that exceed certain deal value parameters.

Proxy voting and engagement – Proxy Voting and Engagement Committee (PEC)

The PEC is responsible for oversight of all proxy voting activity. This includes determining our approach to proxy voting and approving all voting on listed equities. The PEC also approves and monitors ESG engagement activities, which aim to ensure investee companies are acting in ways that are consistent with our Environmental, Social and Governance Policy.



Responsible business governance and oversight



Responsible Investment Charter and ESG Policy

→ FIND OUT MORE

IFM's Responsible Investment Charter sets out the core beliefs, pillars and principles that define our responsible investment behaviours and approach. This Charter acknowledges the investment risks of key ESG and sustainability issues, articulating that the long-term strength and sustainability of the global economy is only possible if we have a healthy environment, inclusive society and strong governance.



Appendix 2: Public Reporting and disclosure

For greater depth on specific elements of our responsible business approach, please refer to the following reporting, disclosure and insights at www.ifminvestors.com

Asset class-specific



→ Infrastructure Carbon Footprint Reporting



→ Australian Infrastructure Carbon Reduction Initiative – summary of asset targets



→ Australian Listed Equities Bi-Annual Voting and Engagement Reporting

IFM Insights



→ Further corporate and asset class-specific ESG updates and thought leadership can be found on our Insights page.

Corporate level



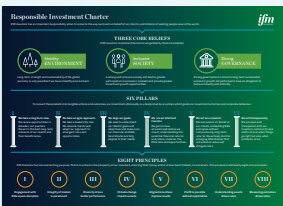
→ IFM Investors Responsible Business Report 2019



→ Modern Slavery: IFM Investors Anti-slavery and Human Trafficking Statements



→ IFM Investors Climate Change Statement



→ IFM Investors Responsible Investment Charter



→ IFM Group Environmental, Social and Governance (ESG) Policy



→ PRI RI Transparency Report 2020



→ PRI Assessment Report 2020

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