IFM Investors Infrastructure Carbon Footprint Report

February 2019

ifm investors

One Purpose.
Shared Prosperity.

Established by all-profit-to-members Australian superannuation funds, IFM Investors focuses on delivering competitive net investment returns to members of superannuation and pension funds and like-minded institutional investors around the world.

IFM Investors' distinct ownership drives an alignment with investor objectives, a commitment to investing for the long term, and respect for labour rights and environmental and social responsibility.

Foreword

IFM Investors has a long and proud history of focusing on investors, and aims to achieve competitive long-term performance. Thinking, behaving and investing responsibly has always underpinned our approach. While IFM Investors' purpose has always been shared prosperity, there is now, more than ever, a responsibility to ensure that investment decisions and asset management strategies consider the long term, embed responsible investment principles, and align both financial and environmental, social and governance (ESG) goals of our investors.

Our Responsible Investment Charter sets the framework for how we manage investors' capital, highlighting how our core investment beliefs inform our day-to-day activities. A core principle of our Charter states 'climate change is real, and we all have a shared responsibility'.

Climate change will have environmental, social and economic consequences, and will potentially impact all geographies and sectors of the global economy. We believe that for markets to grow and prosper over the long term, we must properly consider the impact of climate change on our investments and also how our investments impact climate change.

While recognising carbon footprint analysis on its own has limitations with respect to informing sound investment decisions, we believe transparency is a pre-requisite to improvement. Carbon footprint analysis contributes to our understanding of the relative impacts of investments and sectors and enables us to design pathways for emissions reduction. Moreover, the results of the footprint analysis also generate awareness and healthy discussion on climate change, both internally and externally.

Our informed and planned action on climate change will help to protect our investments and manage climate impact over the long term. We are delighted to share with you our Infrastructure Carbon Footprint Report 2018. It details recent developments in regulation, our governance framework, illustrations of tangible action at our investments and the carbon footprint of our infrastructure portfolio.

This report forms part of an ongoing effort, and is part of our multi-year strategy, to demonstrate and build on our robust approach to managing climate risk.

Kind regards,

Kyle Mangini
Global Head of Infrastructure

Michael Hanna
Head of Infrastructure - Australia

Christian Seymour
Head of Infrastructure - UK/Europe

Julio Garcia
Head of Infrastructure - North America

Chris Newton
Executive Director, Responsible Investment

Our philosophy

We believe in transparency - emissions data helps to highlight the impact our assets have on the environment.

We believe that real value and longer term performance comes from our active management approach.

We work closely with our assets to reduce our climate risk exposure, our emission profile and, importantly, to maximise opportunities for our assets.

We are always looking for opportunities to drive value for our investors and society.

Our performance

3,160,055
tCO_2e
Infrastructure portfolio's financed emissions

2,619,353
tCO_2e
Global Infrastructure Portfolio

540,702
tCO_2e
Australian Infrastructure Portfolio

Our commitments

Continue to measure our emissions footprint

Establish emissions reduction targets and pathways

Report annually on these measures

Drivers of change

The threat of climate change is being recognised by regulators and politicians across the globe.

Global economic and financial institutions including the International Monetary Fund, the Organisation for Economic Co-operation and Development, and the World Economic Forum have warned of the significant economic consequences of climate change. In Australia, both the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investment Commission (ASIC) have acknowledged climate risk has the potential to disrupt the stability of the global financial system. These comments follow a number of significant global developments driving increased investor focus on climate change, including:

- Mark Carney, Governor of the Bank of England, in 2015 describing climate change as a "tragedy on the horizon" that would have profound implications for financial stability and the economy.
- In 2016, the adoption of Article 173 of the law on energy transition and green growth in France, which sets out a roadmap to mitigate climate change and diversify France's energy mix away from fossil fuels and nuclear power in favour of renewable energy.
- In 2016, the adopting of the EU IORP II Directive, which will require pension funds to take into account ESG factors, including climate risk, when making investment decisions. This was followed by UK legal opinion[2] that agreed trustees would not be properly exercising their powers if they failed to manage climate change where it is found to be a material financial risk.
- In Australia, the legal environment is evolving. Mr Noel Hutley SC, has stated that many climate change risks are "foreseeable at the present time" and that Australian company directors need to consider and assess the risks posed by climate change.
- The launch of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) disclosure framework in July 2017, designed for use by companies to report and demonstrate their strategic recognition of climate change and the actions they are taking to mitigate potential risks and capitalise on opportunities.
- US cities and businesses representing approximately half the US economy and population adopting greenhouse gas reduction targets and declared support for the Paris Agreement under the 'America's Pledge' initiative.
- California, the fifth-largest economy in the world, passing Senate Bill 100 (SB 100) in 2018, increasing its carbon reduction goals to target 50% of its electricity from renewable energy resources and zero-carbon resources by 2026, and 100% by 2045.[3] SB 100 aims to eliminate reliance on fossil fuels to power homes, businesses and factories, accelerating a shift already under way.

> **"The days of viewing climate change within a purely ethical, environmental or long-term frame have passed … Some climate risks are distinctly 'financial' in nature. Many of these risks are foreseeable, material and actionable now. Climate risks also have potential system-wide implications and APRA and other regulators, here and abroad are paying much closer attention.**
>
> Geoff Summerhayes, Chair of APRA - 2017

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[2] Opinion given by Keith Bryant, QC, confirmed that pension fund trustees who fail to consider climate risk could be exposing themselves to legal challenge. The opinion concludes that where climate risks carry material financial implications for fund performance, trustees must take those risks into account in investment decisions. [3] www.mercurynews.com/2018/09/10/california-mandates-100-percent-clean-energy-by-2045/

Recognising climate change as a financial risk

The challenges posed by climate change have resulted in a number of recent initiatives by IFM Investors. The risks to our investment portfolio are monitored closely both by our investment teams and the investee company's Board.

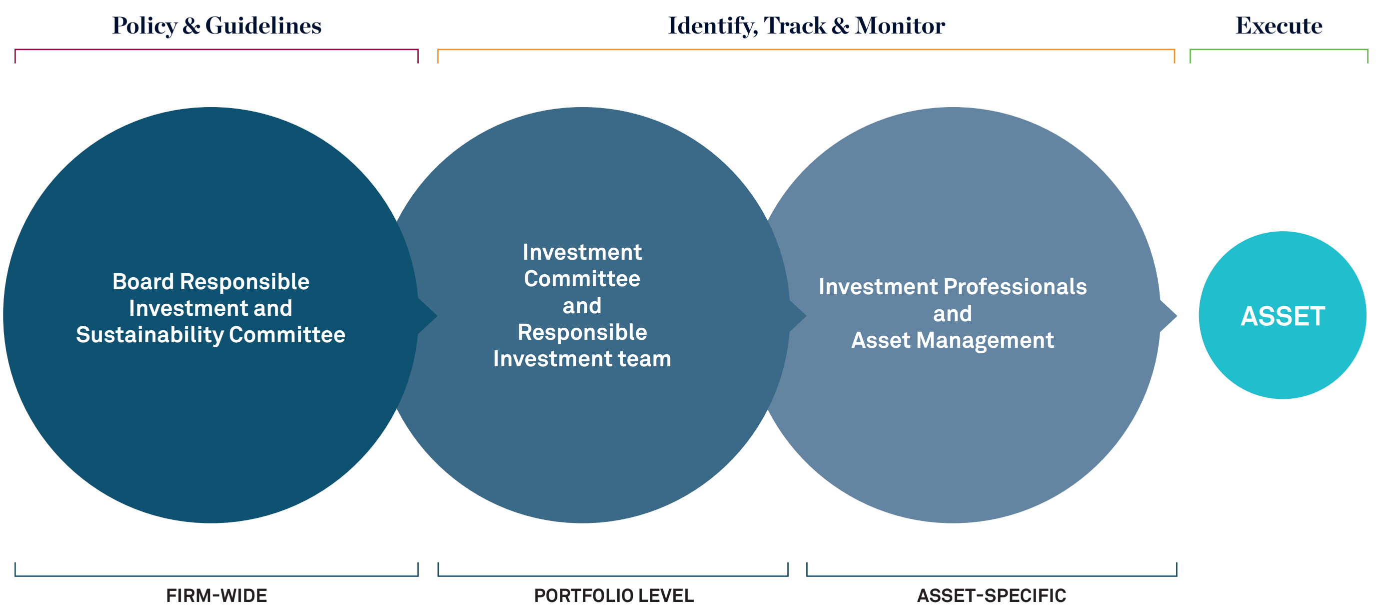
IFM Investors believes climate change poses a significant investment risk with the potential to impact value over the short, medium and long term. Climate change is an overarching, complex issue that is likely to affect all sectors of the economy. Our infrastructure investments, which are the focus of this report, span a range of sectors and geographies. As such, we think it is important to establish the appropriate governance and strategic processes to effectively identify and manage climate change risks and opportunities across all of our investments through the lifecycle.

Governance

The IFM Investors Board Responsible Investment and Sustainability Committee (BRISC) is responsible for the oversight of our climate change management approach and monitoring progress against key firm-wide commitments. The BRISC convenes on a quarterly basis. The IFM Investors Board is provided with activity updates at least annually.

IFM Investors reviews climate change initiatives at the infrastructure portfolio level and monitors the climate-related initiatives being implemented within individual assets. This includes the collection of data, monitoring and review of climate change strategies.

The investment team is responsible for the implementation of data collection, risk management and roll out of climate related initiatives and reporting to the BRISC annually. Climate change is factored into investment due diligence, post-acquisition asset management plans and annual asset reviews, where appropriate. IFM Investors' Responsible Investment team works closely with the investment teams to implement IFM Investors' climate change management approach.



Our journey

In 2017, IFM Investors undertook its first carbon footprint assessment, drawing together existing data and information available across all assets in the IFM Investors Australian Infrastructure portfolio (AI) and the IFM Investors Global Infrastructure portfolio (GI). We compiled and published this information for investors in a report titled, *Climate Change: Our Shared Responsibility* (2017).

The *IFM Investors Carbon Footprint Report 2018** provides an update on the emissions footprint of our infrastructure portfolio. Carbon footprint measurement and reporting represents one phase of our long-term strategy, allowing us to gauge emissions associated with our infrastructure assets and develop improvement and transition pathways. We believe this measurement, combined with additional asset level risk assessment and analysis, will inform our ongoing asset management strategy and help to determine pathways for reducing the emissions of the portfolio.

It is important to recognise the contribution and support of our co-shareholders and investors to achieving success; our interests are aligned in the effort to manage climate change risk to support investment returns over the long term.

IFM Investors is also a member of several investor groups and industry bodies that are collaborating to understand and drive action on climate change. For more information, see page 17.

Assessing risks and opportunities

Our next phase of work is developing our long-term strategy for the management of climate change. It will aim to understand how different types of climate related risks and opportunities may impact our infrastructure investments. This will be completed in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

We have recently commenced more detailed portfolio risk assessment work to understand the potential impact of climate change on our portfolio including:

1. Transition risks stemming from changes in policy, law, markets, technology and prices; and
2. Physical risks stemming from the direct impact of climate change on our physical environment, such as resource availability or disruptions and damage from changes in extreme weather event frequency and/or severity.

Pre-existing climate scenarios (including a 2 degree scenario) will be selected and used to inform our portfolio assessment.

The risk assessment of both the AI and GI portfolios is currently underway and, upon completion, we will determine the most suitable plan of action.

In Australia, in addition to the portfolio risk assessment task described above, we have engaged technical specialists to work with the five largest Australian assets (representing 90% of the AI portfolio's emissions) to consider Science Based Targets (SBTs) and suitable emissions reduction pathways. In 2019, we intend to establish emissions reduction targets for the smaller assets in the AI portfolio, applying the tools and methodologies developed in this first stage of work.

After the development of targets for our Australian assets, this work will be extended out across the Global infrastructure assets.

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*The report was first shared with IFM Investors clients in December 2018.

Understanding our infrastructure portfolio's impact on the climate

The total financed emissions for IFM Investors' infrastructure portfolio for 2017 were 3,160,055 tCO_2e.

An 'equity share' approach was used to determine the financed emissions for our Australian and Global infrastructure portofolios.[4] Financed emissions are the greenhouse gas emissions associated with our ownership stake in portfolio companies. Measuring and understanding the portfolio's financed emissions helps us understand our portfolio's impact on climate change and determine opportunities for improvement.

It is important that any impact assessment is based on sound, rigorous and internationally recognised methodologies and standards. To calculate our financed emissions, we have used the *GHG Protocol Corporate Value Chain Accounting and Reporting Standard*. This standard provides guidance for companies wanting to prepare and report indirect emissions in the value chain. The following table provides definitions of the emissions calculated and reported for the portfolios.

For the 2017 data period, the total financed emissions for IFM Investors' infrastructure portfolio are 3,160,055 tCO_2e. This includes 540,702 tCO_2e for AI and 2,619,353 tCO_2e for GI.

This represents an approximate 5% increase in financed emissions compared to a 27% increase in investment value over the period, accounting for capital appreciation and addition of new assets. Emissions intensity was reduced by approximately 18% year-on-year in US$.[5] See page 15 for details on the emissions intensity of the AI and GI portfolios.

It is important to note that it is not appropriate to compare the portfolio footprint data to the previous year on an absolute basis - as the composition of the portfolio has materially changed over the reporting periods. In addition, financed emissions are context specific and dependent on the primary operations and activity of each asset and/or sector. Carbon emissions do not reflect environmental performance more broadly and simple comparisons between assets or across sectors is not appropriate or informative.

The comparative intensity data above has been provided for reference purposes only. Drawing conclusions, making decisions or setting targets would need to take a wider set of variables into account.

Scope 1 emissions	Direct emissions from operations including fuel combustion, company vehicles and fugitive emissions
Scope 2 emissions	Indirect emissions from the purchase of acquired electricity, steam, heating or cooling
Financed emissions	The proportion of Scope 1 and 2 emissions from each asset representative of the investor's ownership stake (percentage)
Scope 3 emissions (not currently measured)	All indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions (i.e. emissions from purchased goods and services, business travel, employee commuting, waste disposal, transportation and distribution, etc.)

[4] Under the equity share approach, a company accounts for GHG emissions from operations according to its share of equity in the operation.
[5] Assumes Investment Value utilised to calculate intensity for 2016 reporting period, consistent with 2017 methodology.

CASE STUDY

Clean Energy Finance Corporation

IFM Investors and the Clean Energy Finance Corporation work together to reduce emissions.

In March 2018, IFM Investors secured a A$150 million investment from the Australian Government's Clean Energy Finance Corporation (CEFC) into the IFM Investors' Australian Infrastructure portfolio. The investment was awarded on the basis that the carbon footprint of the portfolio's assets will be reduced.

This is the first ever funding commitment by the CEFC to a core infrastructure fund and reflects CEFC's interest in the scale and importance of the portfolio's assets and IFM Investors capability in delivering strong ESG outcomes.

"Infrastructure assets are central to our economic and social well-being. They are usually large, expensive and built for the long term. It is absolutely critical that the assets of today contribute to the overall emissions reduction task that we are facing," said Ian Learmonth, CEFC CEO.

IFM Investors has developed a Carbon Emission Reduction and Energy Efficiency Framework for its Australian Infrastructure assets. The partnership with the CEFC should enhance the IFM Investors Asset Management teams' current initiatives to reduce emissions and boost energy efficiency across the AI portfolio. As part of our asset management strategy to transition to a low carbon economy, IFM Investors has commenced work to complete the following:

- Establish an energy and emissions baseline for Australian Infrastructure assets;
- Develop science-based targets for carbon emission reductions across the Australian Infrastructure portfolio; and
- Establish an energy consumption and emissions reduction target for all Australian assets and develop pathways to achieve these.

Estimates prepared ahead of the CEFC's commitment are that a five per cent improvement in emissions across the AI portfolio would abate almost 69,000 tonnes of $CO2$-e annually. This is equivalent to removing 14,775 cars from the road each year, or eliminating the emissions associated with supplying electricity to about 7,450 homes a year.

Data assumptions and calculation methodology

- Data for energy consumption or Scope 1 and Scope 2 emissions was collected. Scope 1 emissions are direct emissions from fossil fuel combustion, company owned vehicles and fugitive emissions. Scope 2 emissions are indirect emissions from the purchase of electricity, heat and steam.
- Data in this report was collected directly from assets. While we believe the reported the data to be materially correct, we cannot guarantee the completeness or accuracy of the data. It should not be relied upon to make an investment decision.
- Australian assets report data as of June 2017 and global assets report data as of December 2017.
- Investment Value is used to calculate emissions intensity. In the prior report, Net Asset Value (NAV) was used to calculate emissions intensity.
- Emissions factors were sourced from National Greenhouse Account Factors (August 2017) and international electricity emissions factors sourced from IEA Emissions Factors for 2017. In the prior report, calculations referenced the National Greenhouse Account Factors (2016) and the UK's Department for Environment, Food and Rural Affairs (2014) international electricity emissions factors.
- Emissions offsets have not been included in emissions totals, in line with the the GHG Protocol Corporate Value Chain Accounting and Reporting Standard.
- Financed emissions were calculated based on IFM Investors' share of total Scope 1 and Scope 2 emissions, by percentage ownership of each asset.

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IFM Australian Infrastructure portfolio

Established over 20 years ago, the IFM Australian Infrastructure portfolio comprises a diversified portfolio of core infrastructure assets, including airports, toll roads, electricity supply assets and ports.

NSW Ports

Carbon footprint of Australian Infrastructure assets (year ending June 2017)

Sector	% of portfolio by value	Total Scope 1 emissions (tCO_2e)	Total Scope 2 emissions (tCO_2e)	Portfolio financed emissions (tCO_2e)
Electricity T&D	23.8%	241,314	924,959	**476,847**
Airports	36.9%	24,686	106,188	**35,402**
Social PPPs	0.9%	580	11,882	**12,462**
Train station	2.7%	502	9,863	**10,365**
Ports	29.2%	11,469	4,944	**4,566**
Toll roads	4.4%	216	7,073	**1,060**
Total emissions (tCO_2e)		**278,768**	**1,064,908**	**540,702**

Note that all assets in the AI portfolio except for Perth Airport Property Trust, Wyuna Water, IFM Aged Care Financing Trust and NSW Rent Buy were included in footprint assessment. These non-reported assets combined comprise less than 2% of the portfolio by value for the reporting period.

The table above shows the financed emissions attributable to each sector. For 2017, the financed emissions associated with the assets in AI total 540,702 tCO_2e.

This represents an approximate 5.5% decrease in financed emissions compared to an approximate 9.4% increase in Investment Value in A$ over the period, accounting for capital appreciation and currency movements. Carbon emissions intensity for the AI portfolio has reduced by approximately 13.6% in A$ in comparison to 2016.[6] Carbon emissions intensity for the AI portfolio is reported on page 15.

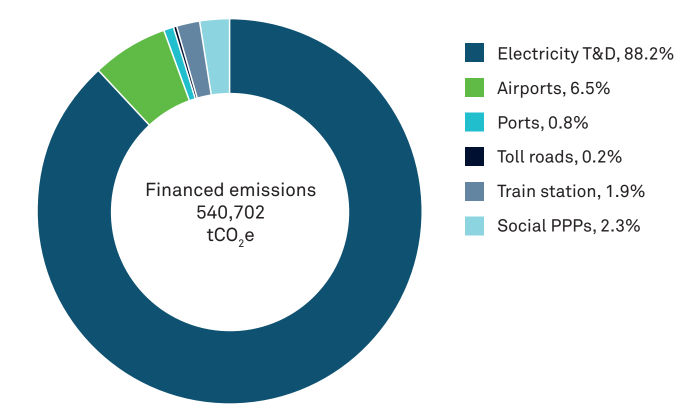
AI's electricity generation and distribution assets, Ecogen Energy (recently divested) and Ausgrid, contributed 45% and 43% of the financed emissions associated with the portfolio.[7]

Ausgrid operates the electricity transmission and distribution network that supplies electricity to more than 1.7 million homes and businesses in the Sydney, Central Coast and Hunter regions of New South Wales. Ausgrid's network covers over 22,000 square kilometres and includes substations, as well as poles and wires above and below ground. Ausgrid's emissions are primarily Scope 2 emissions associated with electrical line losses within its grid and from substations and equipment used to operate the grid.

Airports (Melbourne, Brisbane, Northern Territory and Adelaide) contribute 6.5% of the portfolio's financed emissions. While Melbourne Airport contributes a large portion of emissions, it has a lower emissions intensity than the other airports on a per customer basis. Its emissions primarily arise from the heating, lighting and other electrical requirements of its built spaces. The majority of Scope 1 emissions arise from the consumption of natural gas from the operation of the tri-generation facility, which reduces the airport precinct's overall consumption of grid power. Melbourne Airport operates a tri-generation facility which is estimated to save 920,000 tonnes of carbon emissions over 15 years. Additionally, in 2020 Melbourne Airport is planning to install 6.5 megawatts of solar generation capacity within the airport precinct which is estimated to save approximately 12,000 tCO_2e per year.

The remainder of the Australian assets comprise approximately 5% of the AI portfolio's financed emissions. These emissions are primarily Scope 2 emissions from electricity use, and Scope 1 emissions from diesel combustion in the case of the NSW Ports and Port of Brisbane.

CARBON EMISSIONS BY SECTOR (year ending June 2017)



[6] Assumes Investment Value utilised to calculate intensity for 2016 reporting period, consistent with 2017 methodology. [7] As a result of changing market and supply agreements Ecogen Energy was no longer considered to be 'core infrastructure'. The asset was divested in March 2018.

IFM Global Infrastructure portfolio

Established nearly 15 years ago, the IFM Global Infrastructure portfolio comprises a diversified portfolio of core infrastructure assets, including utilities, ports, toll roads, airports, telecommunications and midstream assets.

Aleatica

Carbon footprint of Global Infrastructure assets (year ending December 2017)

Sector	% of portfolio by value	Total Scope 1 emissions (tCO_2e)	Total Scope 2 emissions (tCO_2e)	Portfolio financed emissions (tCO_2e)
District heating	2.7%	4,646,568	24,028	**1,868,238**
Electricity T&D	2.8%	2,411	1,043,481	**418,357**
Midstream	8.7%	23,123	1,236,085	**201,818**
Water service	5.0%	98,112	227,645	**64,435**
Airports	20.9%	21,828	64,505	**31,970**
Telecommunications	2.9%	338	112,683	**16,829**
Port	5.1%	15,704	13,071	**11,222**
Toll roads	27.8%	3,314	4,550	**6,484**
Total emissions (tCO_2e)		**4,811,397**	**2,726,049**	**2,619,353**

Note that all assets in the GI portfolio except for Freeport LNG, the loan to Aleatica Investments and all of Aleatica's concessions were included in the footprint assessment. These assets were either non-operational or data was unavailable for the reporting period due to recent acquisition. The non-reported assets combined comprised approximately 24% of the portfolio by value for the reporting period.

The table above shows the financed emissions attributable to each sector. For 2017, the financed emissions associated with the assets in GI total 2,619,353 tCO_2e.[8]

This represents an approximate 7.0% increase in financed emissions compared to an approximate 37.7% increase in Investment Value over the period in US$, accounting for capital appreciation and the addition of new assets to the portfolio. Carbon emissions intensity for the GI portfolio has reduced by approximately 22.3% in US$ in comparison to 2016.[9] Carbon emissions intensity for the GI portfolio is reported on page 15.

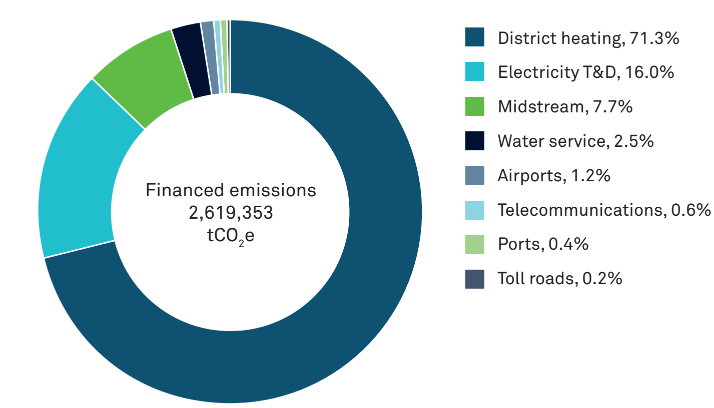
Veolia Energia Polska (VEP), a district heating company, provides heating services to households across Poland and represents a little over 70% of the portfolio's emissions. Since our investment into VEP there has been considerable reduction in emissions – including a reduction in dust, NOx and SOx after a US$150m+ investment program. Importantly, there remains further opportunity to improve the emission profile over the longer term and maintain essential services to thousands of people.

Over the reporting period, 50Hertz, an electricity transmission and distribution company, contributed 16% of the financed emissions associated with the portfolio. A large majority of these emissions relate to electricity transmission line losses. 50Hertz has been opportunistically divested post the reporting period.

Midstream oil and gas assets, which include Colonial Pipeline Company and VTTI, represent approximately 7.7% of emissions. Colonial consists of more than 5,500 miles of pipeline connecting the US refinery region of the Gulf Coast with customers throughout South and the Eastern United States. VTTI is an independent provider of energy storage worldwide. Emissions are generated by energy consumed by the pump stations along the length of the pipeline at Colonial and within the terminal facilities at VTTI. As such, we continue to look for project opportunities for these assets to increase energy efficiency and renewable uptake, such as utilising drag reducing agents and completing solar projects to offset grid electricity purchased.

The remainder of the reported assets account for approximately 5.0% of the portfolio's financed emissions and are primarily Scope 2 emissions generated from the consumption of electricity. These assets are independently implementing initiatives which reduce electricity consumption and emissions. For example, London Stansted, East Midlands and Manchester airports, which represent the Manchester Airports Group (MAG), were the first airports in the UK to achieve carbon neutrality.[10] In addition to purchasing 100% of their electricity from renewables, MAG has invested heavily in, and focused its efforts on, reducing energy consumption and their carbon footprint over the last decade.

CARBON EMISSIONS BY SECTOR (year ending December 2017)



[8] Changes to the portfolio post reporting period include: Divestment of 50Hertz; Acquisition of Aleatica (including Aleatica's concessions in Mexico); and partial divestment of equity stake in Conmex; Divested assets were sold opportunistically to realise value. [9] Assumes Investment Value utilised to calculate intensity for 2016 reporting period, consistent with 2017 methodology. [10] Manchester Airports Group, CSR 2016-17 Report.

CASE STUDY

Veolia Energia Polska

Providing reliable heating to the people of Poland.

Veolia Energia Polska (VEP) is a district heating and cogeneration business in Poland comprising the district heating networks of Warsaw, Poznań and Łódź, and cogeneration plants in other districts around Poland. VEP is a leading district heating player in Poland, providing 25% of country's private heat needs. District heating networks are attractive, core infrastructure since they provide essential services, contribute to GDP growth and have local natural monopoly characteristics.

VEP provides an opportunity for growth - including green energy investment through the development of biomass and gas projects, opportunities for organic network expansion and consolidation through acquisitions of publicly-owned district heating networks. Since 2010, IFM Investors' ownership has also resulted in improved governance, capital structure and synergy implementation.

VEP provides heating for thousands of people in Poland, which has long, cold winter periods and relies on coal for approximately 80% of its electricity needs. Poland has committed to move towards cleaner fuels, and acknowledges that it will require time to improve its environmental footprint due to its historical reliance of coal.

VEP already plays a significant part in supporting Poland's emission reduction pathway:

- District heating and cogeneration are one of the most environmentally friendly way of producing heat and electricity in Poland.
- Cogeneration brings significant energy savings, as the heat released during electricity generation is captured and used.

IFM Investors and VEP have significantly improved VEP's environmental footprint and will continue to do so as there is significant potential upside, from both a financial and environmental perspective.

- VEP has converted coal units to biomass in the past in the cities of Łódź and Poznań. The conversion has resulted in an annual 10 – 12% emissions reduction for the company, equivalent to 350,000 – 400,000 metric tons of carbon emissions a year.
- Up to 15% of the fuel mix can be produced from clean sources following the conversion leading to benefits for the regional economy, as boiler biomass is mainly sourced locally within 150km of the site.
- VEP has further invested PLN700+ million (US$185+ million) to reduce nitrogen oxides (NOx), sulphur oxides (SOx) and dust emissions.

We are actively assessing the regulatory and market conditions in Poland to ensure VEP is well-placed to capture financial and environmental opportunities as they present themselves.

Portfolio emissions intensity

Carbon intensity is the amount of carbon dioxide equivalent (measured in tonnes) emitted per $m of investment.

The tables below show the carbon emissions intensity for AI and GI by investment value in Australian and US dollar terms.

Emissions intensity for the IFM Australian Infrastructure portfolio

Carbon emissions intensity	June 2017	June 2016	% change
Total financed emissions (tCO_2e)	540,702	571,952	-5.5%
US$ value* as at 30 June	$7,625m	$6,774m	12.6%
A$ value* as at 30 June	$9,937m	$9,084m	9.4%
Emissions intensity per US$1m investment	**70.9 tCO_2e**	**84.4 tCO_2e**	**-16.0%**
Emissions intensity per A$1m investment	**54.4 tCO_2e**	**63.0 tCO_2e**	**-13.6%**

* Reflects Investment Value of included assets.
In 2017, Perth Airport Property Trust, Wyuna Water, IFM Aged Care Financing Trust and NSW Rent Buy are excluded from the calculation. In 2016, Perth Airport Property Trust, IFM Aged Care Financing Trust and NSW Rent Buy were excluded from the calculation. Ausgrid emissions and investment value were included in calculations for both years despite not being purchased until post June 2016.

Emissions intensity for the IFM Global Infrastructure portfolio

Carbon emissions intensity	December 2017	December 2016	% change
Total financed emissions (tCO_2e)	2,619,353	2,447,851	7.0%
US$ value* as at 31 December	$12,644m	$ 9,186m	37.7%
A$ value* as at 31 December	$16,170m	$ 12,687m	27.4%
Emissions intensity per US$1m investment	**207.2 tCO_2e**	**266.5 tCO_2e**	**-22.3%**
Emissions intensity per A$1m investment	**162.0 tCO_2e**	**192.9 tCO_2e**	**-16.0%**

* Reflects Investment Value of included assets.
In 2017 Freeport LNG, the Loan to Aleatica Investments, Duquesne and all of Aleatica's concessions are excluded from the calculation. In 2016 Freeport LNG, Freeport Notes, M6Toll, VTTI, Mersin International Port, the loan to Aleatica Investments, Duquesne and all of Aleatica's concessions (except for Conmex) were excluded from the calculation.

Scope 3 supply chain carbon emissions

Scope 3 emissions are indirect emissions that occur both upstream and downstream in the value chain of the asset or company. Our carbon footprint analysis does not currently capture Scope 3 emissions, but we recognise the significant risks and opportunities these emissions present for our portfolio. For many of the assets (ports, airports and toll roads), Scope 3 emissions are likely to represent the assets' largest contribution to climate change in the longer term. Without an understanding of the nature and scale of these emissions, companies may overlook significant opportunities for improvement of their emissions profile.

Our portfolio companies are focusing their efforts on addressing and reducing their Scope 3 emissions to mitigate these risks. For example:

- Ausgrid has introduced a program to incentivise customers who invest in renewables and energy efficiency measures that permanently reduce their electricity use on Ausgrid's network, including measures such as LED lighting, smart building control systems, on-site renewable energy generation, and other measures. The program is expected to reduce emissions by about 10,000 tonnes per year, and reduce the need for Ausgrid to replace ageing electricity network infrastructure by lowering demand on the grid.
- NSW Ports is encouraging ships to improve their environmental standards by offering a reduction in vessel-related charges for cleaner vessels visiting the ports. For more information, refer to the case study below.
- Aleatica has been facilitating the rollout of "EcoTag" on its tollway, Conmex in Mexico City. This initiative offers customers with electric or hybrid cars a 20% discount to travel along the corridor, encouraging the reduction of Scope 3 emissions from automobile travel.

CASE STUDY

NSW Ports

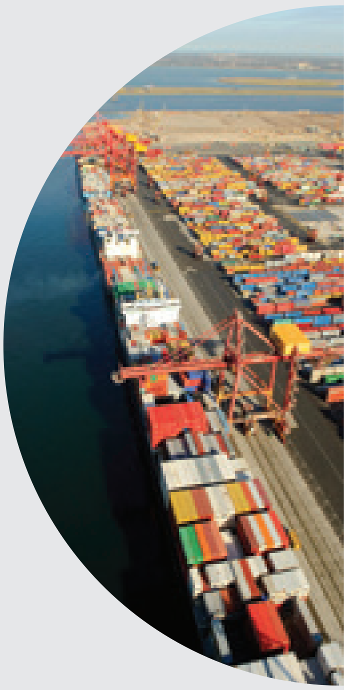
NSW Ports to provide emissions reductions incentives to ships.

In April 2018, International Maritime Organisation (IMO) members agreed to reduce carbon emissions from shipping by at least 50% by 2050, compared to 2008 levels.

To support this agreement, NSW Ports announced it will provide an incentive by reducing vessel-related charges at Port Botany and Port Kembla for vessels meeting the highest environmental and emissions standards. An official statement release by NSW Port states:

"We are passionate about environmental issues and wanted to take a lead in Australia to help encourage change through an incentive to encourage shipping lines to improve their emissions."

NSW Ports is the first Australian port organisation to introduce this type of incentive. Its operations include Port Botany, the container port servicing NSW, and Port Kembla, Australia largest vehicle importer and a major exporter of coal and grain.



Working with others to drive action on climate change

IFM Investors is a member of investor groups and industry bodies who collaborate to understand and address climate change risks and opportunities, including:

The Principles of Responsible Investment (PRI)

IFM Investors has been a signatory to the PRI since 2008. The PRI believes that "climate change is the highest priority ESG issue facing investors". The PRI is undertaking a number of initiatives to help investors protect their portfolios from risks and take advantages of opportunities in the shift to a low-carbon global economy.

Investor Group on Climate Change

The IGCC is a collaboration of Australian and New Zealand investors focusing on the impact that climate change has on the financial value of investments. The IGCC operates through a number of working groups which help shape IGCC's position on key issues through the collaborative effort of members. IFM Investors is represented on the Adaptation Working Group and the Disclosure Working Group.

The IGCC is part of the Global Investor Coalition on Climate Change which represents investors in Europe, North America and Asia.

Climate Action 100+

IFM Investors is a signatory to the 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.

Ceres

The Ceres Investor Network on Climate Risk and Sustainability comprises more than 161 institutional investors, collectively managing more than US$25.2 trillion in assets. Ceres is a North American-based organisation, representing influential investors from leading asset management firms, pension funds, labour funds, foundations, endowments and family offices.

The Australian Council of Superannuation Investors

IFM Investors is a member of ACSI and sits on the Member Council. ACSI is responsible for engaging with ASX 200 companies on a range of ESG issues, including climate change. Over 2017, ACSI engaged with 16 priority companies under the climate change theme, to gauge strategic awareness of climate change and risk management practices.

CDP

The UK-based CDP runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. In 2017, IFM Investors led an engagement program alongside CDP by sending over 70 letters to ASX-listed companies who had not yet publicly reported their greenhouse gas emissions, urging them to participate. This was followed up with over 120 letters in 2018. We believe that releasing such information to the Australian market would help us and other investors to mitigate risk, capitalise on opportunities and make investment decisions that drive action towards a more sustainable economy.

Task Force on Climate-related Financial Disclosures

The TCFD framework requires organisations to consider the physical, liability and transition risks associated with climate change and to disclose the governance, strategies, process and metrics they have in place to manage climate change risks and opportunities. IFM Investors supports the recommendations of the TCFD and commits to full disclosure in alignment with the TCFD recommendations by 2020.

In addition to aligning our own disclosures against the TCFD requirements, we are engaging with the listed companies in our equity portfolio to adopt the framework for their climate change related disclosures.

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Responsible Investment Charter

In early 2017, IFM Investors released its Responsible Investment Charter (RI Charter), setting out our core beliefs, and the pillars and principles that define our responsible investment behaviours and mindset underpinning our day-to-day activities.

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

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