IFM Investors

IFM Investors Stewardship Report

Reporting period: 1 July 2022 to 30 June 2023

April 2024

Contents

Glossary

This report refers to activity in the reporting period of 1 July 2022 to 30 June 2023 financial year (FY23), unless otherwise stated.

IFM, we and our	Refer to IFM Investors Pty Ltd (see https://www.ifminvestors.com/en-au/about-us/) and its subsidiary undertakings. IFM acts in a capacity as a diversified portfolio advisor or manager and any references to IFM acting as an "asset manager" or references to "our investments", "our portfolios", "IFM's portfolios" or equivalent should be read as understood to be in this capacity.
asset classes	Refers to the sum of IFM's infrastructure equity portfolio, IFM's listed equities portfolio, IFM's debt investment portfolio and IFM's private equity portfolio (see https://www.ifminvestors.com/en-au/capabilities/Our capabilities | IFM Investors | IFM Investors for further details).
IFM's debt investment portfolio	See Debt Investments | IFM Investors
IFM's infrastructure equity portfolio	See Infrastructure | IFM Investors
IFM's listed equities portfolio	See Listed Equities | IFM Investors
IFM's private equity portfolio	See Private Equity | IFM Investors
stewardship	Refers to IFM's use of various strategies, including the responsible allocation, management and oversight of capital with the aim of creating long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.
sustainable investment or SI	Refers to IFM's approach to integrating sustainability factors into investment analysis, decision-making, ongoing management and oversight of investments, recognising the impacts these can have on investment performance, as well as wider society and the environment. Our sustainable investment approach is tailored to asset classes, tenure of holding and degree of influence we have. Our definition and use of sustainable investment differs from, and is not intended to refer to, the technical definition of "sustainable investment" in Article 2, point (17) under the European Union's Sustainable Finance Disclosure Regulation (SFDR).
sustainability factors	Refers to factors that relate to society and the environment, such as worker safety, inclusion and diversity and climate change. These factors, and how they are integrated into investment processes, can give rise to investment risks, opportunities and impacts that may be financially relevant and ultimately affect investment performance. Our assessment of relevant sustainability factors and the approach we take varies across asset classes, tenure of holding and degree of influence we have. References to "sustainability opportunities" and "sustainability risks" shall be construed as opportunities and risks associated with such sustainability factors (as applicable). Our definition and use of "sustainability factors" and "sustainability risks" differs from, and is not intended to refer to, the technical definitions of "sustainability factors" and "sustainability risks" in Article 2, points (24) and (22) respectively under the European Union's Sustainable Finance Disclosure Regulation (SFDR) or other applicable regulations.
sustainable business	Refers to IFM's sustainable investment activities combined with IFM's overarching organisational approach to sustainability across key areas of risk management, and value building practices and activities (encompassing sustainability factor integration, stewardship, collaboration and advocacy, transparency and reporting and corporate sustainability).
our Purpose	Refers to IFM's purpose which is to invest, protect and grow the long-term retirement savings of working people.
ESG Policy	Refers to IFM's Environmental, Social and Governance (ESG) Policy, which is updated from time to time.

David Neal
Chief Executive, IFM Investors

Foreword

IFM Investors was very pleased to become a signatory to the Financial Reporting Council's UK Stewardship Code[1] in September 2023. We support the aims of the Code to promote transparency and accountability in the market and enhance stewardship outcomes across all asset classes to help improve long-term returns to clients and beneficiaries.

IFM was founded and is owned by pension funds. Our Purpose is to invest, protect and grow the long-term retirement savings of the working people that our clients represent. We seek to maximise returns over the long-term for the benefit of our clients and we believe our stewardship helps maintain and strengthen alignment with their interests.

We manage our priority sustainability themes – climate change, workplace leadership and inclusion and diversity – with a primary focus on enhancing and protecting the long-term performance of our portfolios. Through our collaborative engagement and policy advocacy activities we aim to strengthen the financial systems in which we operate and reduce systemic environmental and social risks to our investments.

During the FY23 reporting period we continued to focus on the integration of sustainability factors into our investment approach, as well as enhancing our sustainable investment capabilities. Climate change remains one of our priority themes across our sustainable investment activities and our investment teams in all asset classes continue their work on managing climate change risk in their portfolios, as well as assessing investment opportunities presented by the global energy transition. We have also continued to promote fair, safe and inclusive standards for working people and have been working on integrating this into our sustainable investment activities, consistent with our belief in the importance of managing social factors to build long-term value.

This report outlines our stewardship approach and progress across our global portfolio during FY23 and provides details of how we meet the twelve principles of the UK Stewardship Code under the four broad areas of: purpose and governance, investment approach, engagement and exercising rights and responsibilities. We have incorporated case studies which aim to illustrate our direct and collaborative efforts across our asset classes and the outcomes we achieved in the period.

The report has been reviewed and approved by the IFM Board Responsible Investment and Sustainability Committee.

[1] IFM Investors was recognised as a signatory by the Financial Reporting Council as at 30 August 2023.

PURPOSE AND GOVERANCE

Principle 1: Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Principle 1: Purpose, investment beliefs, strategy and culture

About IFM Investors

Owned by pension funds. Inspired by their members. Investing in what matters. Our purpose is to invest, protect and grow the long-term retirement savings of working people.

The interests of working people are at the heart of our heritage and our Purpose. Our 660-plus clients collectively manage the retirement savings of more than 120 million people[2] around the world – everyday people like nurses, teachers and construction and hospitality workers. We're focused on investing, protecting and growing the long-term retirement savings of these working people. We aim to do this in ways that create benefits for them and the communities in which they live, now and for generations to come.

IFM acts in its capacity as a diversified portfolio advisor or manager for investments across infrastructure equity, debt, listed equities and private equity portfolios. Where possible, we aim to build a real and lasting impact by focusing on investments that we believe combine excellent long-term risk/reward characteristics with broad economic, environmental and social benefits to the community.

Large institutional asset managers like IFM can be regarded as universal owners, as our portfolios cover a broad cross-section of the economy. This means we are exposed to systemic risks that affect the entire economic system, which have the potential to result in lower investment returns over the long-term. We believe universal owners have a role in identifying and helping tackle systemic risks. We seek to do so by applying our sustainable investment approach and integrating sustainability factors within our investment processes.

Our sustainable investment approach encompasses the integration of sustainability factors into investment processes in a manner we believe benefits our clients and their beneficiaries. We aim to engage with investments with the goal of encouraging the management of sustainability risks and opportunities to support their net performance while minimising our portfolios' investment risk. This approach is part of our broader sustainable business approach which encompasses how we consider sustainability on an organisation-wide basis across key areas of risk management and value building practices and activities as further detailed below and throughout this report.

As a signatory to the United Nations-supported Principles for Responsible Investment (PRI)[3] and the UK Stewardship Code, we seek to actively engage on sustainability factors with the companies in which we invest, noting that the level of engagement and our approach is tailored depending on the asset class, type of investment and the level of governance rights.

To fulfil our duty to our owners and clients, now and in the future, we remain focused on the role we can play in addressing the systemic issues that affect the long-term stability of the broader systems in which we invest and operate.

We believe that our collaborative engagement and policy advocacy activities are examples of areas of opportunity to do this.

We believe that cultivating a unifying and purpose-aligned culture across the organisation is a key factor to our success. We strive to foster a culture that motivates our people to deliver on our Purpose.

2 At 30 June 2023

3 The Principles for Responsible Investment is a United Nations-supported international network of asset managers, asset owners and service providers working together to promote and implement six principles for responsible investment incorporating ESG issues into investment practice.

Our Purpose is to invest, protect and grow the long-term retirement savings of working people.

Our values

Our values together with our Purpose, guide our people and our work.[4] These core values, set out below, inform our actions across IFM's three priority sustainability themes – climate change, workplace leadership and inclusion and diversity.

Prioritise Client Outcomes

We are trusted partners, making the delivery of superior and sustainable outcomes for clients and their beneficiaries our priority.

Achieve Together

We work together as One IFM – collaborating to get things done and make a lasting, positive difference.

Value Everyone

We all play our part in shaping an environment that's inclusive, caring and respectful of one another.

Embrace Growth

We are curious and agile, always learning and thinking of ways to evolve to deliver long-term value.

These values empower us to navigate economic ups and downs, build long-term prosperity and help drive our actions to assist the communities in which we operate to thrive. This, in turn, helps us to further our Purpose, to protect the value of our portfolio assets and maximise our long-term returns for our clients.

Our values also inform our approach to risk, such as threats posed by climate change and the opportunities that can arise in the transition to a low carbon world. Our focus on core values also helps us demonstrate workplace leadership with a focus on promoting a fairer, safer and more inclusive workplace, which we believe can help us achieve better long-term outcomes for our clients.

[4] In March 2024 we transitioned to four core values from our previous five cultural foundations and behaviours which were in place in FY23. These cultural foundations and behaviours were: Prioritise investors, Achieve excellence, Respect each other, Inspire innovation and Lead by example. Further information on our four core values can be found here: https://www.ifminvestors.com/about-us/our-purpose/.

About us

IFM Investors is owned by 17 profit-to-member Australian industry superannuation funds. Through alignment with these funds' strategies and engagement on priorities, we have the opportunity to drive alignment between our Purpose and our investors' objectives, helping to affirm our Purpose, which in turn can produce sustainable benefits for the economy, the environment and society.

We invest on behalf of 660-plus institutional investors globally – who collectively manage the retirement savings of more than 120+ million people around the world.[5]

We operate globally from offices in Melbourne, Sydney, New York, Houston, London, Amsterdam, Berlin, Milan, Zurich, Tokyo, Hong Kong, Seoul and Warsaw.

£112.7 billion

funds under management across four asset classes[6]

IFM's infrastructure equity portfolio

£56.5bn

Targeting core infrastructure, with interests in 41 portfolio companies operating across 20 countries.

IFM's listed equities portfolio

£24.9bn

Includes global listed equities across an extensive range of active, indexed and smart beta options.

IFM's debt investment portfolio

£30.6bn

We are a specialist credit, infrastructure debt, core bond and cash manager. Includes global infrastructure debt and diversified credit.

IFM's private equity portfolio

£0.6bn

With direct holdings represented by investments in Australia in service sectors targeting technology, healthcare and business services.

Global offices

Our infrastructure equity portfolio companies operate globally, supporting a collective workforce of more than 65,000 people. Read more online Global Infrastructure asset portfolio | IFM Investors.

[5] As at 30 June 2023.
[6] All figures in this graphic are as at 30 June 2023 and may not sum due to rounding.

Our approach to sustainable business

As a global asset manager focused on maximising risk-adjusted returns for our clients over the long-term, we recognise the multiple roles we play as a steward of everyday people's retirement savings, as a global employer and as a corporate citizen. We see these roles as mutually reinforcing as we aim to carry them out in ways that create economic and social benefits for a broad range of stakeholders.

A sustainable business approach to our activities and corporate practices underpins our focus on maximising long-term risk-adjusted returns and investment value for our clients.

Specifically, our sustainable business approach encompasses five key areas of risk management and value building practices and activities:

- sustainability factor integration
- stewardship
- collaboration and advocacy
- transparency and reporting
- corporate sustainability

FIGURE 1

OUR SUSTAINABLE BUSINESS APPROACH

We focus on managing risk and building value for our owners, our clients and their beneficiaries, and our people. We aim to do this in ways that contribute to the long-term strength and stability of the communities and markets in which we operate, so that we can help meet the needs of the present, without compromising the needs of future generations.

To support IFM to manage risk and build value, we seek to establish and maintain robust governance and oversight practices across our corporate and investment activities. This approach is in line with research that indicates that well-governed companies managing their social and environmental impacts typically make for better long-term investments and stronger returns.[7] Refer to Principle 2 for further details.

In FY23, we continued to prioritise the following three sustainability themes that we believe we must address both in respect of our investment activities and our corporate operations and practices to help deliver on our Purpose:

- Managing the risks of climate change and transitioning to a low carbon economy.
- Demonstrating workplace leadership with a focus on promoting fair, safe and inclusive standards for working people.
- Championing inclusion and diversity.

Further detail on these priority sustainability themes is set out below and within in this report.

Sustainability factor integration

IFM seeks to maximise risk-adjusted returns over the long-term for the benefit of our clients and we aim to identify risks and opportunities that could impact the financial performance of our portfolios over the short, medium and long-term. To help us meet this obligation and to help with a comprehensive assessment of these risks and opportunities, we integrate sustainability factors across our investment process,[8] as outlined in our ESG Policy, alongside a wide range of other relevant financial and investment risk factors.

This means we consider the impact of sustainability factors in our pre and post investment processes for our infrastructure equity, debt investment, listed equities and private equity portfolios, noting our approach differs across the different asset classes and depends on the nature of the investment. This assessment helps us to identify and manage a broader set of risks with a view to protecting and maintaining the long-term value of our portfolios. Investment teams across asset classes also work closely with our SI team to help ensure that our practices align to our ESG Policy. See further details in Principles 2 and 7.

We also believe that the consideration of sustainability factors in the way we invest has the potential to contribute positively to the overall sustainability of financial markets.

We integrate the consideration of sustainability factors within our own corporate operations and practices, as further detailed in Principle 2.

Stewardship

Our stewardship activities incorporate the responsible allocation, management and oversight of capital with the aim of creating long-term value for our clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society. Each of our investment teams tailors its stewardship approach to suit the needs of its specific strategy, the tenure of holdings and the degree of influence we have. Refer to Principles 2, 7, 10 and 12 for further details.

Collaboration and advocacy

We believe that through our collaboration and advocacy activities we can have a greater positive impact on policy development and market practices that support our ability to maximise returns and investment value for our clients over the long-term. We are members of and signatories to a range of collaborative industry initiatives. Through these initiatives and our policy advocacy activities, we work with other investors, civil society and governments to seek to drive change and promote sustainability-related principles and practices, in pursuit of our Purpose. Refer to Principle 4 and 10 for further details.

Transparency and reporting

To earn and maintain the trust of our owners, our clients, our people and our other stakeholders, we seek to uphold the principles of transparency and we support the application of sustainability reporting frameworks. In addition to this report, we provide investors and other stakeholders with a range of reporting, thought leadership and insights that aim to provide transparency about our approach, practices and outcomes. Refer to Principle 6 for further details.

[7] For example: https://acsi.org.au/wp-content/uploads/2020/11/Financial-Materiality-and-ESG-November-2020.pdf; https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021%20Rev_0.pdf; and https://www.unepfi.org/fileadmin/events/2018/sydney/ESG-and-Corporate-Financial-Performance.pdf

[8] Over 85% of IFM's listed equities portfolio is invested in passive index tracking equity strategies, so engagement and voting are the primary tools used to integrate sustainability factors in the asset class (as at 30 June 2023).

Our sustainable investment strategy

Our sustainable investment strategy forms a key part of our overarching global growth strategy. Under our growth strategy, we aspire to become a truly global, diversified private markets investment firm with a proud Australian heritage, while continuing to deliver on our Purpose, which is to invest, protect and grow the long-term retirement savings of working people. We recognise the need for a strategy that reflects the expectations of our owners, our clients and our people. We are also mindful of the rapidly evolving regulatory environment and, importantly, the broad range of new investment opportunities that global developments, such as the transition to a low carbon economy, present to IFM and our clients as we pursue our Purpose.

In FY23 we developed and introduced a new SI operating model which aims to enhance our capabilities relating to SI management and decision-making. The model is built around a centralised SI team collaborating with integrated sustainability specialists within our investment teams. We began to operationalise the model in FY23 and will continue to progress this in FY24. Read more in Principle 2.

In addition to developing the new SI operating model, over FY23 and FY24 we have continued to build our understanding of our clients' and owners' sustainability-related priorities. Our program of research, which included desk-based analysis and direct engagements with our owners, highlighted a number of sustainability-related priority areas for our owners, clients and broader market trends, such as climate change, labour rights, diversity and inclusion, as well as emerging areas of focus such as nature and biodiversity, and artificial intelligence. We believe ongoing engagement with our clients and owners and the priority areas identified thus far, will help to inform the future development of our SI strategy and areas of focus.

In Principle 6 we provide further information on how we engage with our owners, clients and the broader market to understand how we are meeting their needs and the effectiveness of our approach.

Corporate sustainability

Corporate sustainability relates to our corporate operational practices and activities, which form a key part of our sustainable business approach. This extends to how we build capability and seek to support our people to thrive, our environmental impact, our operational systems and platforms and enterprise risk management processes, and our community-facing activities that aim to contribute to the long-term resilience of the communities and broader system in which we operate. We believe our focus on fostering a diverse and talented team with a respectful and inclusive culture within our own operations, as noted below, further supports our stewardship and investment activities.

Our purpose-led inclusive culture

Cultivating diverse and talented teams with a respectful and inclusive culture continues to be a strategic focus area at IFM and important to how we do business. We believe that championing inclusion and diversity in our own business and our investments supports fulfilling our Purpose.

We believe that an inclusive culture that embraces diverse qualities, backgrounds and perspectives leads to more innovative thinking, better decision making and competitive business performance. We believe this makes a significant contribution to attracting and retaining a global team that works collaboratively to develop, execute and improve our stewardship approach and outcomes, which we believe in turn helps to deliver on our Purpose.

We continue to integrate our inclusion and diversity strategy, defined by five pillars or focus areas as illustrated below, across our operational practices and to develop the ways we drive and measure progress.

Our Inclusion Index[9] aims to help us track and measure the inclusive experience of our people over time. The results of the May 2023 survey indicated a positive overall Inclusion Index response score of 82%, which was seven points above our 2022 score and 2% above the Kincentric Global Diversified Financials benchmark average.[10]

[9] The Inclusion Index has comprised part of our enterprise engagement survey since 2021. It comprises the same set of questions each year that seek the views and experience of our people as it relates to inclusion at IFM.

[10] Kincentric is IFM's enterprise employee engagement survey platform provider. The Global Diversified Financials benchmark comprises other global financial services organisations that measure inclusion as part of their Kincentric employee engagement survey.

FIGURE 2

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 distinct 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 our Inclusion and Diversity 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.

LGBTQI+
We will celebrate our LGBTQI+ 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 I&D strategy, this pillar extends building our pipeline of female talent and future women leaders.

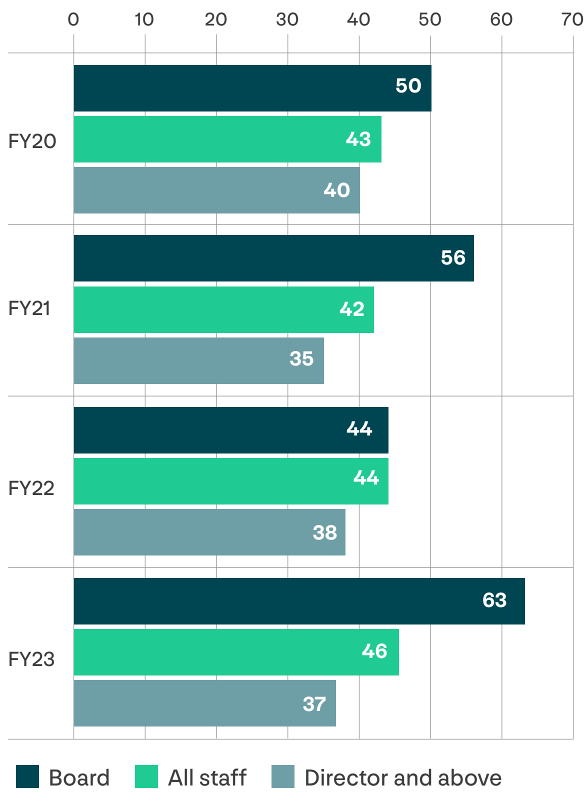
FIGURE 3

Inclusion Index

The survey participation rate in 2021 was 88%, in 2022 was 83% and in 2023 was 81%.

FIGURE 4

Gender diversity
Female representation (%) at IFM



Figures are as at 30 June for the respective financial years.

Highlights of our inclusion and diversity-related activities in FY23 included:

- Continuing to seek to progress towards our IFM organisation goal of no more than 55% of any one gender at both all-employee level and at the director and above level by 2026. This was supported by continued pursuit of individual business unit-level gender diversity goals across the organisation, which recognise that each unit has a different starting point, in terms of gender diversity, as well as different commercial challenges. Business units are required to provide periodic progress updates to the IFM Board.

- Continuing the development of our Corporate First Nations Strategy, with the overarching objective to reduce the retirement savings wealth gap between First Nations and non-First Nations Australians. During FY23, this inaugural strategy initially focused on Australia and we are looking to extend and tailor it more widely over the longer term. Read more about the strategy below.

- Delivering inaugural leadership programs which support our objective to build a more diverse succession pipeline which included: awarding five scholarships through our Women in Leadership Scholarship program to support participants to invest in building their leadership capabilities; and our 9-month Breakthrough Leadership program, focused on building key leadership capabilities, with 20 aspiring leaders who are a diverse representation of our global business and communities we operate in.

- Commencing an initiative to capture data to support evolving our efforts to further integrate inclusion and diversity in our corporate practices and decision-making. Starting in February 2023, this initiative asked our people to disclose diversity-related data, voluntarily and confidentially, before being rolled out globally in July 2023. As we better understand the makeup of our workforce, we believe we will be better equipped to develop longer term plans that aim to achieve our inclusion and diversity aspirations.

- With the aim of building cultural capability and supporting an inclusive mindset, we held a series of 'Embedding Inclusion' training programs for our people globally. The training aimed to raise awareness of unconscious bias and identify ways to thoughtfully mitigate bias to help support a diverse, inclusive and equitable workplace for our people.

Our Corporate First Nations Strategy

In FY23, we continued work that started in FY22 in partnership with 15 Times Better – a First Nations-owned and led business specialising in helping organisations accelerate the impact of their First Nations engagement activity – to start developing a Corporate First Nations Strategy.

We launched our inaugural Corporate First Nations Strategy in Australia in early 2023. Its overarching objective is to reduce the retirement savings wealth gap between First Nations and non-First Nations Australians.

Data has shown that First Nations people retire with about half the savings of non-First Nations Australians and have shorter life expectancies that restrict access to retirement savings. We plan to work with stakeholders to identify how IFM can contribute to closing this gap.

This strategy initially involves establishing the key foundational elements required to drive implementation activity across the business. Priorities include:

- establishing an internal governance structure to support strategy execution, which has included the engagement of external First Nations specialists, 15 Times Better.

- building our internal understanding of the alignment between our industry ecosystem and First Nations peoples through cultural learning and industry-specific education, which has included the engagement of a leading specialist cultural capability educator, John Briggs Consultancy, and other providers to deliver tailored cultural learning sessions that we've made available to all Australian employees in FY24.

We are in the early stages of our Corporate First Nations Strategy and believe it is the beginning of a longer journey towards IFM making a contribution to address inequality experienced by Indigenous Peoples. This inaugural strategy has to date focused on Australia, but we are looking to extend and tailor it more widely over the longer term. We continue to focus on our strategy and longer-term approach being Indigenous Peoples-led.

Examples of our work with our Australian assets within IFM's infrastructure equity and listed equities portfolios in FY23 are set out in our case studies.

Gender Pay Gap

IFM seeks to eliminate unintended bias in our pay practices by regularly comparing the remuneration of men and women in like-for-like roles and when compared to external market benchmarks.

Where material differences between the average pay of people of different genders in like-for-like roles are identified, we seek to document, investigate and take appropriate action. We have recruitment, promotion and succession planning strategies and processes in place through which we monitor the development of any pay gaps between like-for-like roles with a view to achieving pay equity over time.

In Australia, we submit remuneration data for our Australian employees to the Workplace Gender Equality Agency (WGEA) to facilitate assessment of the gender pay gap in Australia, as required under the Australian Workplace Gender Equality Act 2012.[11]

For the first time in February 2024, WGEA published gender pay gap data by firms submitted for 2023, under the Australian Workplace Gender Equality Amendment (Closing the Gender Pay Gap) Act 2023.

It is important to note that the gender pay gap as reported by WGEA compares the difference in earnings between women and men in the workplace[12] and should not be confused with men and women being paid the same for the same or comparable job. This is equal pay, and we have strategies in place to help ensure we remunerate all of our people equally for equal work or work of equal value, as noted above.

Gender Pay Gap[13]	IFM	Industry Comparison Group
Median base salary	17.9%	23.4%
Median total remuneration	23.7%	23.2%

Source: Workplace Gender Equality Agency, WGEA Reporting Industry Benchmark Report 2023

We believe we have a clear understanding of what is driving our overall difference in earnings between women and men, through our strategies and processes through which we monitor differences in pay between genders.

The primary driver of the difference in the median total remuneration and median base salary figures results from the over-representation of men in senior investment roles where there are higher levels of variable, performance-based remuneration.

We have strategies in place to attain greater gender representation across all levels and goals in place to hold ourselves accountable, as noted in the examples of our activities in FY23 above, and in more detail in our response to the WGEA reported outcomes published on our website.[14]

[11] For further details see our most recently submitted report here: https://www.ifminvestors.com/siteassets/shared-media/pdfs/esg-governance/inclusion-diversity/wgea-public-report-22-23.pdf

[12] While WGEA collects data for those identifying as non-binary, these results are not published due to the small numbers and voluntary nature of reporting.

[13] As analysed under the WGEA methodology. The median gender pay gap is the percentage difference between the median earnings of men and women. For details read i) Publishing employer gender pay gaps FAQ | WGEA; and ii) Employer_Gender_Pay_Gap_Technical_Guide.pdf (wgea.gov.au)

[14] For further details see: https://www.ifminvestors.com/siteassets/shared-media/pdfs/esg-governance/gender-equality-in-remuneration-at-ifm-investors---wgea-feb-24.pdf

PURPOSE AND GOVERANCE

Principle 2: Signatories' governance, resources and incentives support stewardship.

Principle 2: Governance, resources and incentives

Our approach

We believe the systems and governance throughout our investment and corporate decision-making processes support rigour and accountability in our approach. From the boardroom to the investment committee and our investment teams, we have structures and policies in place that define, integrate and track our sustainable business activities and stewardship, as set out in our ESG Policy. We regularly review our risks, policies and processes to seek to ensure our approach is effective as part of our risk and policy governance as an organisation, as outlined in Principle 5.

IFM was established in 1994 and is a wholly owned subsidiary of Industry Super Holdings Pty Ltd (ISH), which itself is owned by a collective of 17 profit-to-member Australian industry superannuation (pension) funds. IFM operates as a separate business entity with a focus on institutional funds management for aligned investors.

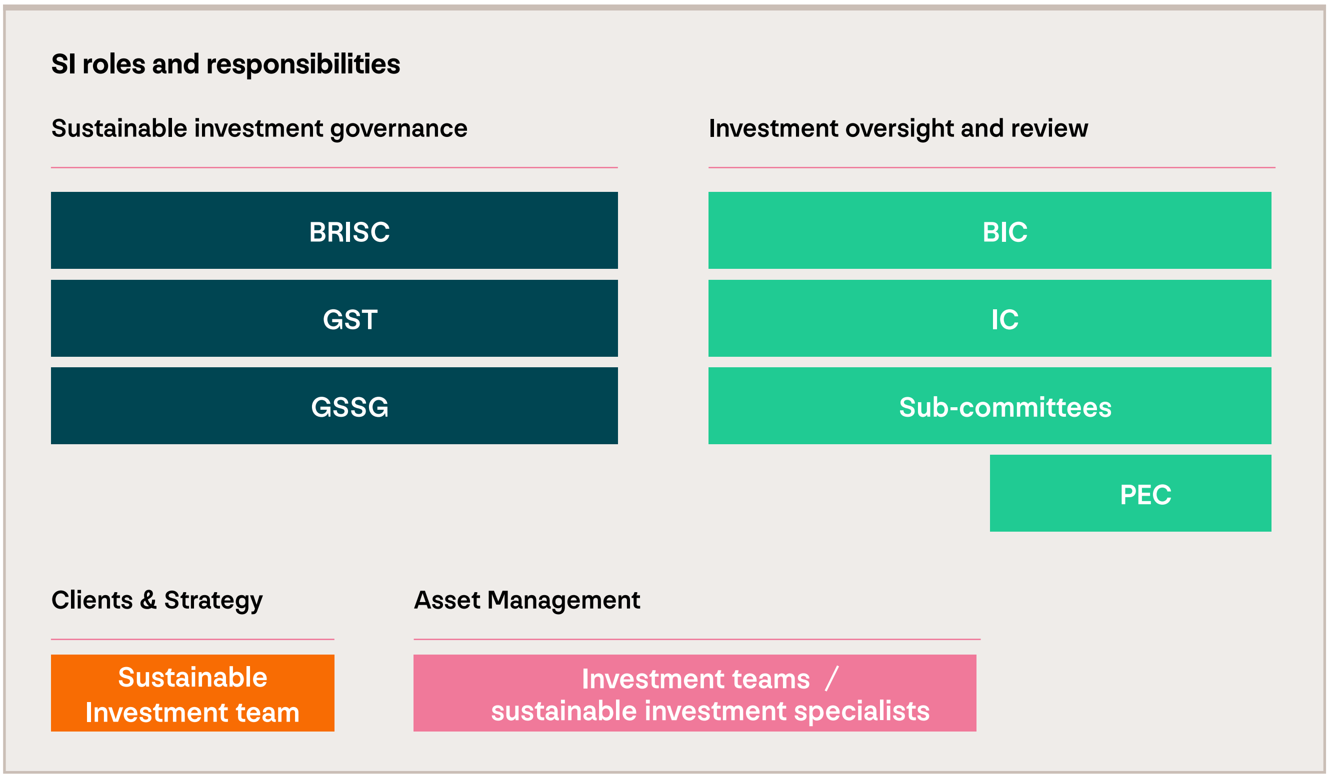
This ownership model and the fact that our owners invest alongside our clients helps drive alignment between our Purpose and our owners' and clients' objectives, and affirms our commitment to seeking to maximise returns over the long-term for the benefit of our clients.

We conduct due diligence on potential clients which takes into account factors such as whether they are institutional investors, the anticipated investment tenor, the extent of alignment with our Purpose, reputational risks, structure and operational complexity. We believe this process helps ensure that we are aligned with the interests of our client base. The process is reviewed on an ongoing basis with a view to ensuring our approach to due diligence remains robust and aligned with our strategy.

Governance and responsibilities

As we pursue our Purpose, we understand the importance of robust governance. We seek to ensure policies and procedures are in place throughout our investment and corporate decision-making processes to bring rigour and accountability to our sustainable investment and corporate sustainability practices.

At IFM, our overarching sustainable investment approach is established and monitored at the IFM Board level. Management supports the execution of this approach, aiming to ensure sustainability opportunities and risks are appropriately 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 efficacy of our sustainability strategy and reporting framework. The BRISC approves IFM's sustainable investment approach and ESG policy, reviews our organisational performance scorecard for sustainable investment and receives regular reporting on sustainability-related developments from asset classes and the central Sustainable Investment (SI) team. The BRISC monitors and oversees progress against key sustainability objectives and provides guidance on IFM's sustainable investment approach as proposed by management. The BRISC convenes on a quarterly basis and receives written updates between meetings, as required.

Executive management responsibility – Global Strategy Team (GST)

The GST supports IFM's Chief Executive in executing overall responsibility for the management of IFM. Our GST is focused on ensuring high-quality support is provided to the IFM Board including by seeking to maintain an efficient and collaborative workplace, foster a strong, coherent and inclusive culture, and develop IFM's capabilities, including those related to our sustainable investment approach and stewardship.

Investment oversight and review - Board Investment Committee, Investment Committee and Sub-committees

IFM's Board Investment Committee (BIC), Investment Committee (IC) and Investment sub-committees (Sub-committees) have oversight of our investment programs and portfolios, with a view to ensuring our sustainable investment approach is appropriately factored into investment decisions and ongoing portfolio management.

The IC and Sub-committees are responsible for reviewing and approving new and follow-on investments for our infrastructure equity, debt investments and private equity portfolios. The approval process includes an assessment, where relevant, of the sustainability risks and opportunities by the investment teams, which is also reviewed by the SI team. The review and, where appropriate, challenge on sustainability factor assessments helps with the appropriate consideration of sustainability risks in support of investment objectives as part of the approval process and in the context of our overall Purpose.

The IC also monitors the outcomes of past investment decisions.

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

The PEC provides oversight of proxy voting activity for our Australian listed equities portfolio assets. This includes determining our approach to proxy voting and approving selected votes on listed equities. Our PEC also approves and monitors engagement activities that take place between IFM and our listed equities portfolio companies. The PEC delegates authority for day-to-day engagement and voting on listed securities to representative members in the SI team and our listed equities portfolio team.

Global Sustainability Steering Group (GSSG)

The GSSG, comprising senior executives from each IFM business unit and chaired by the Global Head of Sustainable Investment, helps coordinate and share information across IFM, support multi-disciplinary projects, and monitor progress against sustainability initiatives.

Firm-wide SI responsibilities

IFM's SI team leads on the development and supports the implementation of our overarching sustainability approach and associated policies and guidelines that are implemented and developed further by teams in each asset class as relevant. The SI team is divided into four functional areas: sustainable investment integration; stewardship; governance, reporting and research; and corporate sustainability. The team focusses on integrating the expectations of IFM's clients and wider stakeholders into the firm's sustainability approach and works closely with asset classes to seek to ensure client voices are appropriately reflected in investment strategies and processes.

The SI team also provides support and specialised advice, collaborating with investment teams on their sustainable investment and stewardship approaches. Additionally, the team coordinates knowledge sharing between asset classes and across the broader business. Our SI team also provides specialist peer review support to the Investment Committee.

Investment & Portfolio-level SI responsibilities - Investment teams

The Global Heads of each asset class and the Global Head of Asset Management (Infrastructure) are accountable for the execution and implementation of IFM's ESG Policy in the investment and asset management process. They are supported in this process by their investment teams and, where applicable, integrated asset class sustainable investment specialists and the SI team.

Each investment team considers sustainability factors and undertakes stewardship activities in their respective investment and asset management processes to the extent further outlined in this report.

Investment teams design and execute asset class-specific strategies, frameworks and reporting in consultation with the SI team. For sustainable investment reporting, metrics and data, our asset class teams manage asset and portfolio specific data and the SI team collates this data for external client and regulatory reporting.

Sustainable investment capability and resourcing

As outlined below, a new sustainable investment operating model was developed and introduced in FY23. Through this period, we have increased sustainable investment capabilities and team resources both directly within asset classesand the central SI team. The structure and composition of the central SI team has changed and developed as we expanded the team globally.

AVERAGE TENURE AND EXPERIENCE OF THE CENTRAL SI TEAM

	Number in team (people)	Average tenure with IFM (years)	Average sustainability experience (years)	Average industry experience (years)[15]
As at 30 June 2023	5	3.3	8.5	18.2
As at time of this report, April 2024	10	2.3	8.1	15.9

In addition, there are six dedicated sustainability specialists within our investment teams.

Recent appointments include:

- Our central SI team – appointment of a new Global Head of Sustainable Investment in the UK in September 2023, and two Directors, one in the UK in May 2023 and another in the US in February 2024. Internal appointment of Head of Sustainable Investment, Australia in April 2023, joining the current Director, Sustainable Investment & Stewardship.
- Our infrastructure equity portfolio team – appointment of two specialist Directors, Environmental Sustainability in September 2023, joining the current specialist Director, Social Responsibility in the infrastructure equity portfolio asset management team.
- Our debt investment portfolio team – appointment of three sustainability specialist Associate Directors in July 2023.

AVERAGE TENURE AND EXPERIENCE OF SUSTAINABILITY SPECIALISTS

	Number of specialists (people)	Average tenure with IFM (years)	Average sustainability experience (years)	Average industry experience (years)[16]
As at time of this report, April 2024	6	2.5	16.2	19.2

IFM also uplifted our sustainable investment capabilities and capacity through our learning and development approach, as we outline below.

[15] Refers to experience in the sustainability and/or financial services sectors.
[16] ibid

Progress in FY23 – Our SI operating model

In FY23 we introduced a new sustainable investment (SI) operating model to continue to enhance our capabilities relating to sustainable investment management and decision-making. IFM engaged with a global consulting firm to develop a model that we believe is fit for our growth strategy and supports our investment goals and Purpose. We began to operationalise the model in late FY23 and continue to do so in FY24. The model is built around a centralised SI team collaborating with integrated sustainability specialists within our investment teams. Our new SI operating model has allowed us to get more clarity regarding the responsibilities of our SI team and investment teams as they collaborate and leverage each other's specialist capabilities to support the investment process. These responsibilities are outlined in greater detail in Principle 7. We have also welcomed several new colleagues who joined our central SI team and investment teams, bringing with them a wealth of sustainability experience gained in the context of asset owners, asset managers and infrastructure businesses around the world.

Global Sustainability Steering Group

An important element of the new operating model is the Global Sustainability Steering Group (GSSG), which brings together senior executives across the asset classes and all business functions to facilitate informed decision making with respect to strategic objectives, resource efficiency, and risk management as they relate to sustainability.

Sustainability Scorecard

Given the importance of our sustainability-related pursuits, we have taken a decision to explicitly link our employee remuneration to achievement of sustainability-related goals for all our people.[17] We aim to achieve this by incorporating a sustainability scorecard into our broader corporate performance scorecard – an approach that has been approved by the IFM Board and is in operation for FY24.

Evolving our SI strategy

In addition to working on operationalising IFM's sustainable investment operating model in FY24, other strategic focus areas have included a refresh of our overarching SI strategy and the continued build-out of the central SI team and SI asset management specialists so that we are well positioned to support our investment teams, owners and our clients, in delivering for our stakeholders across the world.

An important part of our strategy work is the further enhancement of IFM's ability to engage with a wide range of stakeholders and to seek to influence systemic issues, such as climate change and human rights. In doing so, we aim to contribute to improving the long-term stability of global social, environmental and economic systems, which we believe ultimately helps deliver on our Purpose and supports the performance of our portfolios for the benefit of our clients and the millions of people they represent.

Implementing our stewardship program

Each of IFM's investment teams across asset classes tailor their stewardship approach to match the needs of their specific strategy, the tenure of holdings and the degree of influence we have. In line with details outlined in Principle 7, investment teams take sustainability factor considerations into account in their due diligence and stewardship approach which includes consideration of differences in the types of investments, ownership structures, geographic locations and underlying portfolio assets/companies in which we invest. Details on our specific approaches across assets classes are outlined below.

Stewardship also includes our advocacy and government engagement activities across key regions where we operate. IFM advocates for public policy outcomes that we believe will help us to invest, protect and grow the long-term retirement savings of working people; and for policy outcomes that aim to strengthen the financial systems in which we operate and reduce systemic environmental and social risks to our investments. You can read more about these activities in Principle 4.

Engagements and initiatives, led by the investment teams and/or our SI team, can be bottom up at the asset or portfolio company level and also top-down focussing on a particular thematic such as safety in IFM's infrastructure equity portfolio companies. These engagements are an important input into IFM, for example helping form our proxy voting recommendations for IFM's listed equities portfolio in Australia as well as being an important source of information for the investment teams to assist with their view of portfolio companies.

[17] Applies to all IFM employees excluding some risk and financial control employees.

SI team engagements are conducted directly or collaboratively with others. Regardless of who is undertaking engagement, there is ongoing communication and collaboration between the central SI team members and the investment teams which now also include integrated sustainability specialists, as outlined above.

Our investment and SI teams conduct internal sustainable investment related research and draw on research and data from external investment analysts, ESG research and data service providers (see below) and learn from peers and best practice insights drawn from our participation in investor collaborations and industry organisations as outlined in Principle 10.

IFM's infrastructure equity and private equity portfolios

Our infrastructure equity and private equity portfolio teams are responsible for developing and executing their stewardship plans and priorities. Once engagement priorities are determined, members of the investment and asset management teams determine the objectives, time frames and the appropriate process of engagement. They also execute their stewardship plans and when required obtain support from the central SI team.

We have an Asset Management Specialist team (AMST) supporting our infrastructure equity portfolio that is comprised of circa 30 individuals based in Australia, the UK and the US. This team brings deep operational, governance and sustainability experience and focus within the investment team. This team plays an important governance and stewardship function that aims to monitor and support our infrastructure equity portfolio assets' performance and help ensure that we are actively identifying and managing material risks, including sustainability risks. Through board representation and membership of management committees in our infrastructure equity portfolio's assets, the AMST seek to establish appropriate governance structures, protections and rights, taking into account the limitations of holding various investments as minority interests. This process includes working with infrastructure assets to support maturing sustainability-related policies and procedures. We believe this proactive approach to asset management has added value across strategic initiatives, and to our approach to financial management, capital expenditure and regulatory compliance.

Our private equity portfolio team is based in Australia and currently manages a portfolio of four companies. The team seeks to integrate sustainability factor considerations pre- and post-acquisition of portfolio companies to identify material risks and opportunities. When a deal reaches the Investment Committee, the team seeks to identify and clearly articulate the relevant portfolio company's key environmental or social objective; discuss sustainability risks and propose incorporating mitigations into the first 100-day plan; along with setting up tracking of the first-year sustainability deliverables in the bi-annual portfolio review process. During the ownership phase, sustainability-related objectives are established as part of the value-creation plan for individual investments and the IFM team works in partnership with portfolio company boards to advance and monitor outcomes and value. Key topics include supporting emissions reduction plans; enhanced modern slavery and cybersecurity risk assessment; and consistency in our sustainability-related approach for all new investments for our private equity portfolio.

IFM's listed equities portfolio

Our stewardship activity in our listed equities portfolio primarily focuses on Australia, as the majority of our listed equities products are invested in Australian listed companies. We engage directly with Australian companies and via the Australian Council of Superannuation Investors (ACSI), as outlined below, and seek to exercise our voting rights to influence positive change.

We also participate in several thematic engagement initiatives alongside other major Australian shareholders through industry collaborations such as Climate Action 100+. Our team managing our active Australian products within IFM's listed equities portfolio also engage directly with portfolio companies' management on business strategy and performance.

Our listed equities portfolio does not have a designated investment team located outside Australia, so our international engagement and voting efforts in support of our listed equities portfolio are limited. For IFM's listed equities portfolio assets outside Australia, we use the advice from international proxy advisor Glass Lewis. At all times, our clients are able to advise us of their individual voting position given the portfolios we manage are under an individual client mandate.

More information on how we engage is outlined in Principle 9 and on our approach to voting in Principle 7 and Principle 12.

IFM's debt investment portfolio

In supporting our debt investment portfolio, our engagement on sustainability factors is typically concentrated in the investment due diligence phase when we have the best ability to engage with our borrower companies and issuers on relevant sustainability-related matters. Our debt investment portfolio team leverages a range of tools to inform our sustainability factor due diligence and works closely with the central SI team to identify material risks and opportunities. Where appropriate, we seek to influence pre-investment the sustainability credentials of our borrower companies to help better manage and/or mitigate risk over the life of the investment. One element of this is requesting additional sustainability data from the issuer so we can more deeply consider sustainability risks in our due diligence; another element of this is seeking to influence the terms of the loans we negotiate so sustainability risks can be better managed and monitored during the investment period. More information on engagement in relation to our debt investment portfolio is outlined in Principle 7. For government debt instruments, we approach stewardship activities via our policy advocacy and government engagement, working closely with these issuers. More information is provided in Principle 4.

Incentives

IFM has a remuneration framework in place with remuneration and reward structures that are designed to attract, retain, and motivate the best people in a competitive global marketplace. Our remuneration outcomes are aligned to our results for clients. Our reward approach is also designed to incorporate and uphold IFM's Risk Management frameworks, including the consideration of sustainability risks.

All IFM employees have performance goals that are established to align with their key responsibilities. These are assigned on an annual basis.

Part of IFM's remuneration structure is also tied to our aspiration to build an inclusive culture. We include gender diversity targets for senior management as part of their goals.

In recent years, we have also increased our focus on the demonstration of our values[18] for all employees when assessing overall performance. From FY24 onwards, an updated performance framework aims to better balance the "what" has been delivered with the "how" it has been delivered through an assessment of individuals' demonstration of our values. The updated framework also includes a greater alignment of individual and company goals when determining overall performance and remuneration outcomes. This includes company-wide sustainability goals that apply to IFM employees'[19] remuneration outcomes in FY24 as outlined above.

Sustainability-related incentives in FY23

In FY23, goals relating to our sustainable business strategy, projects and commitments were typically relevant for the SI team, asset class heads and other investment team members.

Examples of sustainability-related goals include:

- integrating sustainability factor process improvements;
- goals relating to portfolio company engagement;
- an identifiable improvement in sustainability-related disclosure and client communication;
- completion of annual sustainable investment training;
- external investor annual survey sustainable investment scores and feedback; and
- maintaining or improving relevant asset class scores in the UN-supported PRI assessment process.[20]

Training and development

We aim to cultivate a learning culture at IFM with a range of programs, tools and resources based on the following principles:

1. Learning is a shared responsibility
2. Leverage your strengths
3. Learn from others
4. Experience counts
5. Development is continuous

IFM follows a 70:20:10 learning model which is based on the principle that people learn the most from on-the-job experience, and divides the focus on development actions across:

- 70% on-the-job experience – which can also include stretch or 'higher-duty' opportunities, participating in projects, taskforces or committees, alongside continued development of the skills and capabilities needed to perform the role;

- 20% learning from others – which might include shadowing, mentoring, conference attendance and involvement in industry groups; and

- and 10% education – which might include structured learning like courses and workshops.

[18] In March 2024 we transitioned to four core values from our previous five cultural foundations and behaviours which were in place in FY23, as outlined in Principle 1. FY23 performance was assessed on our cultural foundations and behaviours and will be in place for FY24 assessments as we transition our assessment to our four core values from 1 July 2024 (FY25).

[19] Applies to all IFM employees excluding some risk and financial control employees.

[20] See Principle 5 for further details.

Examples include:

- Members of our central SI team and SI specialist colleagues attending sustainable investment and stewardship focused conferences which in FY23 included attending the PRI, ACSI and IGCC conferences.
- We provide opportunities for nominated employees to enrol in the UN-supported PRI Academy's Understanding Responsible Investment and Applied Responsible Investment courses and participate in the CFA Institute's ESG Investing Certificate.
- We provide internal training which in FY23 included IFM's duties and obligations, developments in cyber risk, anti-bribery and corruption, sustainability factor and greenwashing risk.

During FY23 we commenced work on building a bespoke foundational sustainable investment online module, including stewardship related learnings. This module aims to build a consistent and shared foundational understanding of sustainability factors and how they link to our Purpose, strategy, and sustainable investment approach.

We are also developing a program of structured sustainability-related learning and development pathways for our people over time, with opportunities relevant to specific roles and functions that provide both technical and skills-focused content. Implementation of this three-year program, developed with the support of a specialist consultant, is expected to commence in late 2024.

External resources and tools

IFM has internal teams supporting all our asset classes, and we rely on both this internal resource and external resources to undertake sustainability factor research, due diligence and stewardship. For our infrastructure equity and private equity portfolios, we are typically able to access sustainability factor data and information directly from portfolio assets/companies and engage directly with them to seek to understand sustainability issues and influence change and performance. However, we also engage external consultants to provide support on transaction due diligence, undertake more specialised health and safety, environmental or social assessments and to assist with particular pieces of research or analysis. Our infrastructure equity portfolio team also uses InFRAME, which is a proprietary risk management system that enables the team to analyse the underlying revenue streams that drive the performance of infrastructure assets.

We also use several tools that help us store, manage and consolidate sustainability factor data. For example, our private equity portfolio team uses Pathzero to measure, analyse, and guide on carbon emissions reduction options associated with portfolio companies in order to encourage them to set emissions reduction goals and commitments. We also subscribe to the MSCI ESG Manager portal to access ESG ratings and underlying carbon data and analytics for IFM's listed equities portfolio companies. These data points help us identify portfolio companies that are lagging behind their peers on sustainability issues and define the issues we may target for engagement.

We believe these tools are useful because they support IFM in quantifying what we consider to be the material sustainability-related risks of a particular company on a case-by-case basis. This helps to inform targeted engagement as well as assisting investment teams with their view of the underlying investment. Climate change research and data are obtained from multiple sources, especially through our membership of a number of investor bodies which are focused on climate change, as well as external investment analysts' research and participation in climate-focused working groups and round tables. We also commission climate assessments related to our infrastructure equity portfolio from external providers such as BCG, Arup, ERM and Pollination, among others. Across our infrastructure debt products within IFM's debt investment portfolio, we have integrated the Cambridge Institute for Sustainability Leadership (CISL) ClimateWise Transition Risk framework[21] into our analysis with respect to climate transition. The framework as implemented by IFM uses data from the International Energy Agency (IEA) Net Zero Emissions scenario[22] to quantitatively assess assets in higher risk sectors for exposure to transition risks.

In addition to our own direct stewardship engagement with Australian listed companies, IFM is a member of ACSI which engages with Australian listed companies on our behalf. ACSI provide pre and post meeting file notes and an ongoing engagement tracker which records company progress against material sustainability issues. ACSI also provides us with proxy voting recommendations. As members of ACSI we gain benefit from the company engagement they undertake on our behalf as we believe they are

[21] For further details see: Climate risk | Cambridge Institute for Sustainability Leadership (CISL)
[22] For further details see: Net Zero Emissions by 2050 Scenario (NZE) – Global Energy and Climate Model – Analysis - IEA

clear on the engagement asks of the companies they meet. This follows regular conversations between IFM and ACSI on our three priority sustainability themes. Read more detail on how we work with ACSI in Principles 4, 5, 7, 8, 9, 10 and 12.

We use Glass Lewis to execute our voting decisions, providing us with proxy voting research and recommendations, and the Glass Lewis Viewpoint online platform to manage all our proxy voting activity.

Research and recommendations from two proxy advisors provide IFM with multiple alternate views with regard to voting recommendations. See Principle 7 and 12 for details on our approach to exercising voting rights in companies within our listed equities portfolio.

Key third-party data and research providers and platforms that support our sustainability factor integration and stewardship activities

Service provider	Description
MSCI ESG data	ESG data, research and ratings acts as an input into proprietary analysis and screening. Carbon data and analytics are used to help understand the progress of companies on their decarbonisation journey.
S&P	Individual company data is used on a case-by-case basis by our debt investment portfolio team.
Arabesque	Arabesque ESG Book is a sustainability monitoring tool which combines over 200 environmental, social and governance metrics with news signals from over 50,000 sources across 15 languages. This provides an assessment of a company's performance on certain sustainability criteria and is used as an input in our proprietary investment process in active products withing our listed equities portfolio.
RepRisk	RepRisk uses artificial intelligence and human analysis to gather and analyse public information from media, stakeholders, and other sources to identify and assess potential ESG risks faced by companies and investments.
PathZero	Pathzero is an online platform that is used to measure and analyse, a company's carbon emissions.
PWC DataKit	A data collection platform for assets within our infrastructure equity portfolio, covering SFDR and other ESG data requirements.
Ownership Matters	Provides bespoke governance and accounting risk analysis for ASX 300 companies.
ACSI	Company engagement service and proxy voting research and advice for the ASX 300.
Glass Lewis	Proxy voting research and recommendations and the provision of the Viewpoint online voting management service.

In addition, IFM works with a number of consultancies across our global locations to supplement our internal resources and seek specialist advice on an ad hoc basis.

PURPOSE AND GOVERANCE

Principle 3: Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

Principle 3: Managing conflicts of interest in the best interests of our clients and beneficiaries

IFM's Conflicts Management Policy and Conflicts Management Procedure set out our commitment to act in our clients' best interests at all times and include details on IFM's approach to identifying, managing and disclosing conflicts of interests. IFM's Conflicts Management Policy is made available publicly upon request, and to all employees via IFM's intranet site.

Conflicts may arise when our employees' roles, interests or duties are in actual, potential or perceived conflict with one another. All employees are required to consider conflicts in every aspect of, and through, their roles with IFM, recognising that our clients' interests are always prioritised.

IFM employees are also subject to IFM's Code of Conduct which is outlined on our Business Ethics Contact Line.[23]

Due to the importance of stewardship to our business, we have developed policies and procedures to prevent undue influence on IFM's proxy voting activity. We understand the significance of managing potential conflicts of interest on behalf of our clients in our proxy voting activity and engagement with investee companies.

Identifying potential conflicts

The process to identify conflicts is captured by the IFM Conflicts Management Policy and the IFM Market Abuse Policy.

IFM's framework for identifying conflicts as part of IFM's stewardship activities (including voting and engagement) involves adopting a set of guidelines to identify circumstances which may give rise to conflicts of interest. These guidelines offer examples and consider circumstances such as personal conflicts (including personal account trading), investment conflicts (for example investment teams seeking opportunities in an asset held by another investment team) and corporate conflicts, including related party transactions.

Material non-public information through stewardship activities

In cases where material non-public information is obtained through stewardship activities, our Global Risk and Compliance team is informed and relevant controls are implemented, such as ensuring information barriers are in place for those on the 'inside'. We understand that the proper management of inside information is critical to effectively manage conflicts of interest and to maintain the trust of our owners, investors, regulators, and the communities in which we operate.

We have implemented policies, procedures and training that aim to ensure our staff understand the concepts of inside information and insider trading, and the controls we must implement to manage and monitor the risk of unauthorised disclosure of inside information that could lead to insider trading and undermine the fair operation of financial markets.

Managing conflicts of interest

IFM's Conflicts Management Policy also establishes the core principles for managing conflicts of interest between clients, employee personal conflicts and conflicts between our business and clients as required by various laws and regulations. It also provides guidance on situations where potential conflicts may arise between and within investment teams.

The guiding principles followed by IFM with respect to conflicts of interest are:

- that all investors should be treated fairly and equitably; and
- that no investor should be disadvantaged in the management or avoidance of the relevant potential or perceived conflict.

The IFM Conflicts Management Policy is applicable to all IFM Board members and IFM employees. It is reviewed every two years or when material changes occur in the internal or external business and/or regulatory environment and approved by the IFM Audit & Risk Committee. Potential conflicts are managed and reviewed by the Conflicts Committee which meets on an as-needs basis. The Conflicts Committee is a sub-committee of the IFM Risk Committee (IFMRC) and comprises of two IFMRC members at a minimum, provided always that Conflicts Committee members are not members of the business unit involved in the potential conflict.

The Conflicts Committee ensures that once a conflict has been identified, a process has been undertaken to mitigate or avoid it. In the rare instances where the conflict is unable to be mitigated, the Conflicts Committee will ensure controls are implemented to evidence management of the conflict. Guidelines have been implemented as part of this process to ensure the Conflicts Committee remains consistent and independent when assessing conflicts raised within IFM's course of business.

[23] https://secure.ethicspoint.com/domain/media/en/gui/67853/index.html

Examples of personal potential conflicts of interest include:

- having a close relationship with a service provider;
- holding outside employment or a directorship with an investor or service provider;
- situations where IFM or a representative are likely to make a financial gain from an investment decision, which may or may not be aligned with the interests of investors.

In situations where the Conflicts Committee is not deemed the appropriate management committee, the matter may be referred to the IFM Board and/or Audit & Risk Committee.

The IFM Conflicts Management Policy provides detailed guidance for the following examples (not an exhaustive list):

- assessing conflicts when approving investments;
- the appointment of external advisors;
- managing conflicts arising from knowledge held by different groups within IFM and the consideration of conflicts of interest between IFM entities (for example, where one entity provides management services to another entity within the IFM group);
- conflicts including company directorships; and
- conflicts arising between IFM, our portfolios and individual portfolio companies, related party transactions, deal allocations and common board memberships.

A conflicts register is maintained detailing instances of conflicts as they arise. The register is reviewed on an ongoing basis to ensure it remains up to date.

Managing conflicts of interest

We believe we managed conflicts effectively in FY23, putting the interests of clients and beneficiaries first in managing investments.

Recent examples of incidences include:

- Our team working on diversified credit products within our debt investment portfolio wished to sell a number of debt positions in a variety of entities, held by a common group of mandate investors. This was triggered by one investor wishing to exit their position. The team brought a proposed divestment plan to the Conflicts Committee for approval of the conflicts controls, ensuring fair value, arm's length transactions, first offer refusal to existing lenders, and the use of market data to ensure correct pricing.
- Our private equity portfolio team wished to divest of an asset and sell the relevant holding to another private equity firm. The company in question had to obtain >50% approval from shareholders, one of whom was an IFM director. The Chair of the entity sought approval to approach the director for their vote, given the confidentiality of the proposed sale, and the information barriers in place at IFM. Members of the Conflicts Committee were consulted and the deal team's approval obtained for the entity's Chair to approach the IFM director to obtain their approval for the envisaged transaction.
- Investment teams regularly reach out to our Risk & Compliance team to determine if other investment teams have an interest in an entity. The Risk and Compliance team sit "above the wall" and have access to the latest pipeline information, so can provide real time guidance whether a transaction can proceed, or further considerations needs to be made.
- There are instances where assets within IFM's infrastructure equity portfolio may go through a financing project and issue bonds. These are public bonds available on the market, however considering the potential for a perceived conflict, the debt investment portfolio team would still seek approval when wishing to invest in such instruments. The Conflicts Committee assesses whether the transaction passes the public offer test, whether the bond will form part of the Bloomberg Composite Bond index (further proof of it being a public offer) and whether all relevant information is available publicly and no information barriers have been breached.

IFM Investors

PURPOSE AND GOVERANCE

Principle 4: Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Principle 4: Responding to market-wide and systemic risks

A key aspect of our processes is the early identification and detection of risks. IFM's Risk Management Framework and Strategy is designed to enhance our understanding of risks and support us to adapt our business and processes accordingly.

Our investment teams identify, analyse, measure and monitor risks in our portfolios (which includes market-wide and systemic risks where relevant), through their risk identification processes during investment due-diligence, portfolio and asset management. Systemic risks related to economic social and environmental aspects, are identified by multiple teams examining the range of inherent and operational risk factors particular to assets, companies, sectors and regions.

Some of the approaches that IFM is taking to identify and respond to market-wide and systemic risks, and help promote a well-functioning financial system include:

Conducting research and analysis

We utilise our in-house resources and occasionally work with third-party partners to conduct research and analysis to identify market-wide and systemic risks. This covers many areas, including (but not limited to) analysing economic data and trends, changes in government and central bank policies and key investment themes.

Monitoring regulatory developments

To seek to effectively manage our regulatory risks, working with external counsel, we have identified and mapped out what we understand to be our key regulatory obligations across our operating jurisdictions and captured them within a register. An external electronic tool is used to capture relevant amendments to existing compliance regulations and alerts relating to new compliance regulations on the horizon. In the event where legislation and regulation fall outside of the capabilities of the electronic feed, manual monitoring of relevant websites is also used. Following analysis and identification of regulations impacting IFM, a business impact assessment is undertaken, and there is a process for communication to the relevant business units as regulations evolve. A regulatory change management process is in place that is governed by the IFM Group Regulatory Change Management Policy. This process seeks to identify, assess, communicate, and manage the implementation of new or amended regulation in all relevant jurisdictions. IFM's Global Regulatory Change Working Group (RWG) provides oversight for the portfolio of regulatory change activity across IFM. The RWG operates under delegated authority from the IFM Risk Committee, meeting on a regular basis.

Participating in industry associations and networks

We participate in industry associations and networks that focus on systemic risk factors, for example climate change. Our involvement helps us to stay current on developments in the industry and to collaborate with other stakeholders on identifying and addressing systemic risks. More information on these industry associations and our interaction with them is provided later in this Principle.

Engaging with companies and regulators

We engage with companies and regulators to gain insights into potential systemic risks. For example, we may ask companies about their exposure to certain risk factors or engage with regulators through our industry bodies, to understand potential changes to regulation.

Utilising specialised tools and services

There are a variety of tools and services available to help us identify, measure and monitor risks, market volatility and liquidity. For example, our proprietary risk management system InFRAME enables us to analyse the underlying revenue streams that drive the performance of infrastructure assets. InFRAME synthesises risk profiling, scenario modelling and portfolio optimisation to help identify and achieve a target strategic asset allocation for IFM's infrastructure equity portfolio.

Potential systemic risks and how we are responding

The interconnectedness of the financial system and the economy – especially supply chains – was highlighted in recent years by the COVID-19 pandemic and the invasion of Ukraine. There is a risk that the disruption of major supply chains, social settings, or the failure of one institution or market could lead to a cascading effect that could threaten the stability of the entire system.

Material risk factors such as business, economic, geopolitical, regulatory, credit, liquidity, volatility risk, or cyber risk factors are managed as part of the day-to-day risk management operations undertaken by our Investment, Risk and Compliance, Commercial Legal and Economics teams.

Whilst not the only systemic and market-wide risks we consider as part of our day-to-day operations, climate change and the energy transition, their impact on inequality for people and communities and the need for a just transition are specific systemic risks we have identified and to which we are responding as outlined in the following (non-exhaustive) examples.

Climate change and the energy transition

Climate change and mitigation efforts may pose systemic risks and opportunities for our portfolios, with the potential to affect long-term investment performance.

We believe having a plan to mitigate the risks of climate change, as well as harness investment opportunities arising from the transition to a net zero economy, is important to our ability to create long-term value and deliver on our Purpose. Specifically, we believe the most efficient way to mitigate climate change risk for long-term investors in a manner aligned with our Purpose is an orderly decarbonisation to a net zero economy by 2050.

Transition over divestment

We are focused on developing investment strategies that help our portfolios build resilience to climate risks and increase their ability to adapt and benefit from the shift to a more sustainable, low carbon economy.

While some of our products prioritise climate solutions as a means of helping to deliver our overall Purpose, our overarching climate strategy emphasises transition over divestment or exclusions.

We believe there exists an opportunity to uphold our obligations to clients and maximise risk-adjusted returns for them by harnessing the tailwinds of the energy transition, in such a way that also creates wider economic, social and environmental benefits for our broader stakeholders.

Portfolio management

Each of our asset classes either have or are building frameworks to identify and assess climate risk exposure and opportunities and manage our portfolios to improve value and performance over time. We believe this approach is in the financial interests of our clients and the members and beneficiaries they represent.

We produce reports for clients outlining how we are responding to climate change, including our Infrastructure Climate Change Report 2022 (for our clients and investors), published in September 2023. See Principle 6 for further details.

We also produce a number of thought leadership papers that discuss investment and climate change, which are available via our website Thought Leadership page.

Our Net Zero commitment

In 2020, IFM committed to reducing greenhouse gas emissions targeting net zero (across scope 1 and scope 2 emissions) across all asset classes by 2050. For IFM's infrastructure equity portfolio and IFM's private equity portfolio we have also announced interim 2030 targets. Work to develop plans to be in position to set targets for IFM's listed equities portfolio and IFM's debt investment portfolio is ongoing.

We also established a dedicated, multi-disciplinary taskforce in 2020, which included representatives from all asset classes, to develop and integrate our climate strategy. Our work to integrate our strategy is ongoing, with our approach tailored across asset classes.

Our largest asset class[24] is IFM's infrastructure equity portfolio, and the emphasis of our climate strategy for this asset class is on transition to a low carbon economy, as opposed to divestment, in order to foster real-world decarbonisation outcomes. We believe that assets in IFM's infrastructure equity portfolio – from airports and toll roads to water management and heating utilities – serve key needs of the societies and economies where they are located, that they will continue to do so for decades to come and that the global economy will rely heavily on transitioning existing infrastructure to decarbonise and progress to net zero.

We believe our strategy (described above) to mitigate climate change risk across our portfolios is important to our ability to protect and grow long-term investment value. Likewise, we believe our plan to harness the investment opportunities arising from the transition to a net zero economy supports us to create further investment value for our clients and their beneficiaries.

While investment teams in each of our asset classes continue to assess and seek to mitigate climate change risk, we recognise that along with the evolution of science; investment conventions, market expectations, public policy responses and global frameworks to support investors to transition portfolios continue to evolve, and may be non-linear and vary across region.

During FY24, we plan to review our strategy to seek to reflect any changes that we consider necessary against this dynamic landscape.

[24] Based on funds under management

Inequality and just transition - people and communities

We believe collective actions of large institutional investors have the potential to shape our economies and societies. Universal owners, like pension funds, now have the scale, the capacity and the influence to lead change to maximise long-term outcomes for working people. As such we believe that long-term capital can and should play a role in helping to alleviate inequality and social tensions, in turn contributing towards risk minimisation to long-term diversified portfolios.

IFM is committed to engaging with workers and their unions (where those are in place) to understand their concerns and what their expectations are of IFM in relation to just transition. This is in line with the Australian Council of Trade Unions' (ACTU) Guidance to asset managers on Securing a Just Transition.[25]

We believe that the transition to a low carbon economy could adversely impact workers in relevant sectors unless active and coordinated steps are taken by key economic entities, primarily governments, as well as large operating companies, civil society, and investment managers. This will take significant consideration, engagement and planning by a wide range of stakeholders.

We are also continuing to seek to decarbonise the assets in IFM's infrastructure equity portfolio in a way that supports a just transition.

We recognise that automation, digitisation and the introduction of artificial intelligence, along with other megatrends may also impact on assets and their workforces and require consideration. This includes integrating considerations about the transition's impact on the workforce and the wider community into investment due diligence and stakeholder engagement.

IFM is a signatory to the United Nations Principles for Responsible Investment's Statement of Investor Commitment to Support a Just Transition on Climate Change[26] and the Climate Action 100+ global investor initiative.[27]

[25] For further details see: securing-a-just-transition_feb2021-2.pdf (actu.org.au)

[26] For further details see: https://www.unpri.org/download?ac=10382. The Principles for Responsible Investment is a United Nations-supported international network of asset managers, asset owners and service providers working together to promote and implement six principles for responsible investment incorporating ESG issues into investment practice.

[27] For further details see: http://www.climateaction100.org

Participating in industry and peer collaborations

We are signatories to or members of a number of organisations and initiatives promoting responsible and sustainable business principles globally. We aim to be part of collective efforts that seek to support actions that put these principles into practice, including by considering systemic risks and providing transparency about them.

We participate in working and consultation groups, signatory reporting, and collaborative engagements alongside our owners, clients and peers. Refer also to collaborations and initiatives outlined in Principle 10.

Our participation in collaborative initiatives during FY23 included the following:

Climate Action 100+

IFM is a signatory to Climate Action 100+ (CA100+), an investor-led initiative that focuses on encouraging the world's largest corporate greenhouse gas emitters to take necessary action on climate change.[28] IFM's participation in this initiative involves engaging with several of Australia's highest greenhouse gas-emitting publicly listed companies. The CA100+ benchmark provides a consistent framework of 11 categories that guide our discussions with companies that aim to encourage improvements in their decarbonisation strategies. Read about our work with Climate Action 100+ in Principle 10.

Australian Council of Superannuation Investors

IFM is a full member of ACSI, which focuses on engaging with ASX 300 companies on a range of sustainability factors and associated risks and opportunities. An IFM representative from our SI team sits on the ACSI Member Council and IFM is represented on ACSI's Board by our Deputy CEO.[29] We subscribe to ACSI's engagement service and receive proxy voting advice, and we also attend company engagements convened by ACSI on behalf of members. In FY23, we were members of several ACSI working groups, including the new Diversity other than Gender, and Social Factors working groups initiated in early 2023; and the ongoing Rights and Cultural Heritage Risk Management working group.

During FY23 ACSI commenced the bi-annual review of its governance guidelines, which outline the expectations it has of the listed companies it engages with on behalf of members. We were part of this working group and sought to ensure the update was fit for purpose and reflected long-term investor expectations of listed companies. The guidelines were published in December 2023.[30]

ACSI also engages with government, regulators and policymakers to better align financial markets with the interests of long-term investors, and regularly provide a forward-looking long-term investor voice in regulatory and policy review, on behalf of IFM and other ACSI members. Read more about our work with ACSI in Principle 10.

Collaborating to combat modern slavery with IAST APAC

During FY23, we continued to collaborate with industry peers through Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC). Through IAST APAC, we have opportunities to lead and support engagements with a number of ASX 200 companies, including large retailers. This initiative also provides opportunities for knowledge-sharing among members on a range of related topics, including engagement skills, global modern slavery updates – including the Global Slavery Index, evolving legislation and regulation and ESG data providers who cover modern slavery. Read more about our engagement on modern slavery in our case studies.

CERES: Diving deep into issues facing the US finance industry

As an active member of the CERES Investor Network, we participate in the initiative's Policy Working Group in the US. The group comprises sustainable and responsible investment professionals from the financial services sector and focuses on state and federal government level activities.

The Policy Working Group continues to follow developments in relation to anti-ESG pension investment bills that have come out of some US states. The Policy Working Group discussions centre on how individual group members are managing the implications of these bills for their respective firms. The Policy Working Group provides an important forum for discussion, while also seeking to act as a vehicle through which action can be taken on behalf of the industry. Of particular note in FY23 was the Policy Working Group's ability to consolidate industry sentiment to the proposed US Securities and Exchange Commission's rule on climate disclosure and submit a formal response during the notice and comment period.

[28] For further details see: http://www.climateaction100.org/
[29] For further details see: https://acsi.org.au/about/board-member-council/
[30] For further details see: https://acsi.org.au/publications/governance-guidelines/

Engaging with government bodies and policymakers

We participate in industry forums and work with other investors, civil society and governments to promote and contribute to discussions about sustainable investment objectives, as well as advocate for policy development that aims to maintain and build environmental, social and economic value.

During FY23, we continued to undertake our advocacy and government engagement activities across the key regions in which we operate. We have advocated for public policy outcomes that we believe will help us to invest, protect and grow the long-term retirement savings of working people, and policy outcomes that aim to strengthen the financial systems in which we operate and reduce systemic environmental and social risks to our investments.

We also engaged with elected political representatives, government officials and industry stakeholders directly and through participation in a range of industry events and collaborative forums.

Policy advocacy and supporting collective action by long-term investors

We have continued to highlight the significant opportunity of mobilising superannuation and pension funds, or 'pension capital', for new infrastructure projects and supporting the decarbonisation of existing infrastructure.

These activities have included our participation in globally convened working groups via the Organisation for Economic Co-operation and Development's (OECD) Public Procurement directorate, as well as the Blue Dot Network. The Blue Dot Network is an initiative co-led by Australia, the United States, Japan and the United Kingdom, together with the OECD, to develop a voluntary private-sector-focused and government-supported certification scheme based on quality infrastructure standards.

Regional advocacy activity

Decarbonisation continues to be a key theme guiding region-specific activities. We have also sought to increase our focus on the social dimensions of the clean energy transition and building resilience, as outlined in the regional updates below.

Australia

Improving long-term superannuation performance

IFM participated in the Australian Government's review of Your Future, Your Super (YFYS) measures undertaken in late 2022. IFM participated in the Government's YFYS Technical Working Group and IFM made written submissions to the review. The superannuation performance test administered by the Australian Prudential Regulation Authority assesses products and seeks to ensure poorly performing products are not offered to new members. IFM's submissions made recommendations for addressing systemic risks such as climate change in the design of the performance test and to put the focus of the test on investment strategy and portfolio construction, which we see as major contributors to long-term returns. In releasing updated regulations for the August 2023 performance test, the Australian Government said it will continue to explore and consult on further changes to improve the sophistication of the test to scrutinise underperformance across superannuation products. This further consultation was announced in March 2024.

Advocating for a just transition

IFM supported advocacy efforts for the creation of a federal net zero authority, including those led by the Australian Council of Trade Unions (ACTU) in early 2023. Australia's National Net Zero Economy Agency (the Net Zero Agency) was created in July 2023 to support a positive economic transformation associated with achieving net zero emissions. The Hon Greg Combet AM (former Chair of IFM Investors Pty Ltd) was appointed as the agency's inaugural Chair.[31] The Net Zero Agency has commenced work and is anticipated to become a legislated Authority before the next Federal election.

The Net Zero Agency's work so far[32] includes:

- helping investors and companies to engage with net zero transformation opportunities;
- coordinating programs and policies across the government to support regions and communities to attract and take advantage of new clean energy industries and set those industries up for success; and
- supporting workers in emission-intensive sectors to access new employment, skills and support as the net zero transformation continues.

Treasurer's Investor Roundtables

IFM participated in the first Treasurer's Investor Roundtable on housing in November 2022. Alongside a number of industry superannuation funds, we supported the National Housing Accord, which seeks to address the supply and affordability of housing. IFM is

[31] Mr Combet will complete his term as Chair in mid-2024 and commence as Chair of the Future Fund, following his appointment by the Australian Government. For additional information, please see the Australian Department of Prime Minister & Cabinet: https://www.pmc.gov.au/news/net-zero-economy-agency-chair-appointed-head-future-fund

[32] For additional information about the agency, please see the Australian Department of Prime Minister & Cabinet: https://www.pmc.gov.au/netzero/our-work

exploring the opportunities and challenges regarding institutional investment into social and affordable housing, including key worker housing and how to deliver scale and long-term risk-adjusted returns.

IFM also participated in the second Treasurer's Investor Roundtable on energy in April 2023. Participation allowed IFM to engage with business leaders and the highest levels of government in discussions on opportunities and barriers to investment in Australia's energy transition and potential supporting government policies. We continue to engage with our owners and across federal and state governments to provide an investor perspective on the energy transition in Australia.

United States

Closing the infrastructure gap

In FY23, we continued to advocate for legislation that will help close America's infrastructure gap and facilitate the transition to renewable sources of energy – a prominent theme carried through from previous years' advocacy activities.

IFM has actively engaged with the nation's governors, Biden Administration officials and Members of Congress. We have been vocal about the need to pass federal incentives to encourage the use of public-private-partnerships in US public infrastructure.

We have also participated in forums such as the National Governors Association, and a delegation of IFM board members and our owners attended the Select USA Conference. Through active attendance at these forums, we were able to:

- seek to advance the case for Infrastructure Investment Incentive Grants;
- engage in discussion about the effectiveness of renewable energy tax credits as part of the Inflation Reduction Act; and
- represent IFM's growing presence in diverse assets across the United States.

United Kingdom and Europe

An increasing focus on managing social factors

There was an increasing focus on social sustainability factors during FY23, as evidenced by the UK Pensions Minister launching the Taskforce on Social Factors (the Taskforce).

Chaired by IFM's Chief Strategy Officer, Luba Nikulina, and co-chaired by IFM's Global Head of Sustainable Investment Maria Nazarova-Doyle,[33] the Taskforce convened market practitioners across the investment industry, including pension funds, insurers, relevant membership associations and non-governmental organisations and observers from government departments and regulators.

The expectation is for the Taskforce to support UK pension scheme trustees to further embed social factor considerations into their investment decisions and stewardship activities. In addition to producing guidance for trustees, the Taskforce is anticipated to look to publish recommendations for policymakers and wider industry participants to help improve the consideration of social factors throughout the whole investment chain.

The Taskforce also presented to a cross party group of Members of the UK Parliament about its work, with an open consultation with the industry running during October and November 2023.

The final guide and supporting materials were published by the Taskforce in March 2024.[34]

Engaging on legislation and regulations

In the European Union (EU) the implementation of the 'Green Deal' across multiple pieces of law and regulation continues. In FY23, IFM sought to contribute our views where relevant, for example in relation to the Corporate Sustainability Due Diligence Directive (CSDDD), where an IFM representative met with representatives of the unit within the Directorate-General for Justice and Consumers leading on CSDDD legislative developments, as well as members of the EU parliament. IFM representatives also participated in the Institutional Investors Group on Climate Change Policy Steering Group, subsequently renamed Policy Advisory Group, in relation to the CSDDD and SFDR.

Focusing on financing and regulatory structures to drive the energy transition

More broadly, the public policy focus on delivering the energy transition across the continent has accelerated during the past 12 months. The ramifications of Russia's invasion of Ukraine have created further impetus for the energy transition, highlighting the need to find alternative sources for the large volume of fossil fuels supplies that had previously entered Europe from Russia. Energy security has been a recurring theme in the UK's energy transition debate, which has seen home-grown renewable energy supply increase in prominence.

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[33] These Chair and Co-chair roles with the Taskforce are in addition to their roles at IFM. Maria Nazarova-Doyle joined IFM in September 2023.

[34] For further details see: https://www.gov.uk/government/publications/considering-social-factors-in-pension-scheme-investments-a-guide-from-the-taskforce-on-social-factors

PURPOSE AND GOVERANCE

Principle 5: Signatories review their policies, assure their processes and assess the effectiveness of their activities.

Principle 5:
Reviewing policies and processes to assess effectiveness

Our policy framework

Our sustainability factor integration and stewardship approach is guided by the following key policies and manuals:

- Our ESG Policy (which includes our Voting Guidelines)
- IFM Group Corporate Proxy and Engagement Committee (PEC) Charter
- IFM individual investment teams Operations Manuals
- IFM Group Listed Equities Climate Change Engagement and Escalation Policy
- IFM Group Sustainable Finance Disclosure Regulation (SFDR) Policy

Our ESG Policy outlines IFM's sustainable investment approach and the range of sustainability risks and opportunities we consider in our investment recommendations. The sustainability factor integration and stewardship approach for each of our asset classes is described in the ESG Policy, as well as our commitment to advocacy and transparency. IFM's Voting Guidelines (see Principle 12 and Appendix 1 in this report) are also contained within the ESG Policy.

For IFM's listed equities portfolio, the PEC is responsible for reviewing proxy voting activity as noted in Principle 2. IFM's PEC Charter outlines the function, process and authorities of the PEC, as well as listing the requirements relating to composition, frequency of meetings and reporting.

We also have detailed Operations Manuals that outline applicable policies and procedures for each asset class or investment team. In addition to our own policies and manuals, IFM is a member of ACSI and adheres to many of ACSI's policies, including ACSI's Governance Guidelines and Gender Diversity Voting Policy.

Internal oversight (governance)

Refer to Principle 2 for details of IFM's governance structure and oversight of our stewardship activities.

Policy and procedures review

Our policies define what, why and how IFM will seek to manage risk and ensure regulatory obligations are met. To support accuracy and currency, policies are subject to periodic review and update. The relevant approval authority is determined based on the type of policy or procedure, this may include the IFM Board, a Board Committee, a Management Committee, or the relevant executive approval. The majority of frameworks and policies are subject to review and initial approval by the Policy and Document Sub-Committee (PDSC), which is a sub-committee of the IFM Risk Committee.

The PDSC is responsible for:

- Overseeing the application of IFM's Policy Governance Principles;
- Approving frameworks and policies not requiring IFM Board, Board Committee, or Management Committee approval; and
- Approving procedures applicable to IFM.

The PDSC is comprised of delegates from several business units including Risk & Compliance, People & Culture, Operations, Commercial and Investments.

The IFM Policy Governance Principles are in place to ensure the application of a principles-based approach to content, document type and policy governance, supported by the IFM Policy Governance Procedure which outlines the process for writing, reviewing and/or updating policy documents.

IFM reviews policies in accordance with the related risk rating, or per the regulatory or legislative requirement as relevant.

In situations where major updates are needed, we may engage the services of a third party to undertake a gap analysis or benchmarking exercise to provide an external lens and help ensure our policies and procedures remain current. The same occurs for our process documents.

Over FY23, we continued to refresh a number of asset class due diligence toolkits and checklists to help us to adequately identify, assess, document and manage risks associated with a number of sustainability factors, which included modern slavery, physical and transition climate risk and cybersecurity. This work was undertaken with assistance from external consultants.

Assurance activities are performed regularly throughout IFM, across three 'lines of defence' (consisting of all employees, our Risk & Compliance Team, and our Internal Audit function) as part of the IFM Risk Management Framework and Strategy. These assurance activities take the form of attestations, self-assessments, control testing, compliance monitoring, risk assessments, internal audit, external audit, and/or independent reviews.

Responding to SFDR

During FY23, we implemented regulatory disclosure requirements to comply with SFDR, where applicable to IFM. In addition to our SFDR Working Group finalising a group-level IFM SFDR Policy specific to funds in scope of SFDR, we have developed processes to support meeting SFDR reporting requirements.

Key elements of the SFDR work program in FY23 included:

- Policy and processes: A specific IFM SFDR Policy was agreed in a cross-functional working group. This included agreement on the definition of "Good Governance" as well as setting "Do No Significant Harm" thresholds for IFM. Additional SFDR processes for the IFM infrastructure equity portfolio were operationalised for 1 January 2023 to support our infrastructure equity portfolio team with compliance with SFDR which included training on the newly operationalised processes.

- Data collection: To support policy and processes outlined above, our infrastructure equity portfolio team worked with an advisor to customise a data collection tool to meet applicable SFDR requirements. The team used the tool to collect data from portfolio assets, performing quality assurance and clarifying data points as necessary. Where data was not available from assets, IFM developed estimates.

- Data processing: Our infrastructure equity portfolio team performed "Good Governance" tests and considered "Principal Adverse Indicators" (PAI) for all investments by our infrastructure equity portfolio.

- Disclosures: Data collected at the IFM infrastructure equity portfolio asset level was aggregated at the asset manager level. These disclosures were released to clients in line with the regulatory reporting deadline, following a cross functional review and are made available on request where applicable.

Since the end of the reporting period, IFM has continued our implementation of the SFDR framework and operating model (including reviewing and updating our SFDR Policy) to ensure these are effective and fit for purpose.

Monitoring and assessing effectiveness

IFM's listed equities portfolio

Our stewardship activity for IFM's listed equities portfolio is primarily focused on Australian companies due to the majority share of IFM's listed equities portfolio being investments in Australian listed companies. We record IFM's direct engagements with listed Australian companies and track them in a third-party online platform which can be accessed by our listed equities portfolio team and the central Sustainable Investment team. This enables a form of peer review and information sharing which helps to ensure we are focusing our engagement efforts in the right areas.

Engagement undertaken by ACSI on behalf of members is stored and tracked in a central ACSI member platform. Representatives from our Sustainable Investment team often attend engagement meetings convened by ACSI for members which allow us a level of scrutiny and direct involvement from IFM.

Details of all ACSI engagement meetings are recorded within the member platform. The platform enables detailed tracking on the number of engagements, method of engagement, level within the organisation at which the engagement occurred, topics discussed, detailed summaries of discussions, together with observations of progress, including publicly available materials/statements.

In addition to tracking engagement progress and voting outcomes, we also meet regularly with ACSI as well as proxy advisor Glass Lewis to discuss market issues and trends as well as significant events. We also review engagement priorities with ACSI, which provides IFM with regular reporting on the number of company engagements conducted, as well as progress on key stewardship themes.

Each year, in addition to the dedicated ACSI Member Council meetings, ACSI seeks member feedback on issues for inclusion in the following year's programme of work. ACSI also presents the priority issues it is considering to members and requests comment and input. This provides us with an opportunity to seek to influence ACSI so that the companies and issues on which ACSI is engaging on are those most relevant to IFM and our clients. IFM is also represented on the ACSI Board and Member Council, as well as on the committee responsible for reviewing the Governance Guidelines every second year.

IFM's internal audit process (undertaken by an external auditing firm) includes a review of our stewardship voting activity and records against the statistics reported and procedures described in internal and external documents. Read more about this in our voting process in Principle 12.

IFM's infrastructure equity and private equity portfolios

Due to the direct nature of their investments, our infrastructure equity and private equity portfolio stewardship activities are monitored and tracked directly by our investment and asset management teams, and/or via the IFM appointed director on the investee company board.

Material risks which are identified during due diligence are fed into asset management plans for risk assessments and monitoring. Portfolio assets are reviewed at least on an annual basis and portfolio and asset priorities and plans are updated frequently, depending on the level of progress.

Data and information relating to our infrastructure equity and private equity portfolios' assets are maintained in data systems managed by the relevant investment team. This information is reviewed in collaboration with our infrastructure asset management specialist team to help ensure data consistency and quality. We don't currently engage external auditors for sustainability data, however some of the portfolios' larger assets do undertake independent external verification of sustainability-related indicators.

IFM's Board Investment Committee (BIC) oversees performance, including SI considerations, across our private investments in infrastructure equity, private equity and debt investment classes. The BIC's remit includes approval of private market investments and divestments (above the relevant threshold) on the recommendation of the IFM Group Investment Committee, overseeing the valuation process of private market investments, and reviewing the strategic direction and portfolio construction of major investment portfolios. BIC is a sub-committee of the IFM Board and is composed of IFM Directors. This provides independent oversight of our private investments.

IFM's debt investment portfolio

For infrastructure debt products, our debt investment portfolio team seek to identify material risks, for instance during investment due diligence, with their approach informed by our sustainability factor risk matrix which in turn is informed by SASB standards[35], MSCI ESG Industry Materiality Map[36] and the Cambridge Institute ClimateWise Transition Risk framework[37]. The matrix considers discrete sustainable investment topics (e.g. greenhouse gas emissions, resource scarcity and degradation, labour practices and community relations) that are individually assessed, with an iterative review also undertaken with the Sustainable Investment team where deemed to be required following a risk based assessment. We may also draw upon third party data (e.g. RepRisk reports) or expert advice when making a credit assessment.

Our Debt Risk Monitoring and Valuation (RMV) team monitors investments for any sustainability factor-related metrics material to the performance of an asset. Although we recognise the relatively limited scope for debt investors to influence company management once an investment is made, we maintain a level of engagement with debt issuers post-investment as part of our ongoing risk management process. Based on review of the various reporting borrowers are required to provide on their operations and performance, the RMV team may choose to engage on sustainability factor matters if a material risk is identified.

In assessing climate transition, we have integrated the CISL ClimateWise Transition Risk framework into our analysis across the infrastructure debt products within IFM's debt investment portfolio. The framework as implemented by IFM uses data from the International Energy Agency Net Zero Emissions scenario[38] to quantitatively assess assets in higher risk sectors for exposure to transition risks.

An enhanced climate diligence framework has also been implemented across the diversified credit products within our debt investment portfolio, to enable a more in-depth assessment of climate and transition risks, where the relevant company is in a high-risk sector and/or is emissions intensive relative to its industry peers. Read more in our case studies.

Stewardship reporting

We believe transparent reporting about our stewardship approach, actions and outcomes is crucial to earning and maintaining the trust of our clients and other key stakeholders. We aim to ensure our stewardship reporting is fair, balanced and understandable. We seek to do this via reviews and benchmarking of our reporting against peer and competitor reporting. We also incorporate formal and informal feedback from clients and other key stakeholders into considerations about how to improve our reporting.

[35] For further details see: https://sasb.ifrs.org/standards/
[36] For further details see: https://www.msci.com/our-solutions/esg-investing/esg-industry-materiality-map
[37] For further details see: Climate risk | Cambridge Institute for Sustainability Leadership (CISL)
[38] For further details, see: Net Zero Emissions by 2050 Scenario (NZE) – Global Energy and Climate Model – Analysis - IEA

All stewardship reporting is subject to a number of internal reviews, as appropriate, before being published. This includes reviews by subject matter experts from investment teams, the Sustainable Investment team, corporate affairs and marketing and communications, as well as risk and compliance reviews to help ensure we comply to applicable regulations across the jurisdictions in which we publish or make available such reporting. Our stewardship report (this submission) is reviewed and approved by IFM's BRISC.

We also survey and interview our clients on an annual basis via our Investor Sentiment Questionnaire (ISQ) which asks a series of questions about client satisfaction, with the reporting we provide including relevance, accuracy, timeliness and ease of understanding.

More information on our methods for requesting and collecting investor feedback and a more detailed overview of our stewardship communications and reporting are addressed in Principle 6.

2023 UN PRI Assessment

Since 2008, IFM has been a signatory to the UN-supported PRI, which is an international network of asset managers, asset owners and service providers, working together to promote and implement six principles for responsible investment. We participate in the PRI's assessment process,[39] which benchmarks our governance, investment and stewardship approach against the six principles and our signatory peers around the globe. IFM's 2023 public assessment and transparency reports are published on our website.

Our 2023[40] PRI assessment scores are summarised below. The policy, governance and strategy module include scoring on IFM's stewardship approach.

Module	Median score	IFM score
Firm		
Policy Governance and Strategy	59%	**83%**
Confidence building measures	80%	**80%**
Asset Classes		
Direct – Infrastructure	79%	**99%**
Direct – Listed equity – Active quantitative	65%	**87%**
Direct – Listed equity – Active fundamental	71%	**63%**
Direct – Listed equity – Other	50%	**37%**
Direct – Listed equity – Passive[41]	42%	**0%**
Direct – Fixed income – Securitised	64%	**84%**
Direct – Fixed income – Private Debt	69%	**83%**
Direct – Fixed Income – Corporate	68%	**76%**
Direct – Fixed income – SSA	59%	**66%**
Direct – Private Equity	69%	**93%**

RIAA Responsible Investment Benchmark

IFM is a member of the Responsible Investment Association Australasia (RIAA), which produces an annual Benchmark Report of the region's investment managers that apply a responsible investment approach. The 2023 report, published in September 2023, details the Australian responsible investment market for the 12 months ending 31 December 2022 and compares these results with the broader Australian financial market. The classification of responsible investment practices used in the report is based on the seven approaches for responsible investment used by the Global Sustainable Investment Alliance, including stewardship, ESG integration and corporate engagement. The research universe of the 2023 report comprised 272 investment managers, representing A$3.31 trillion in assets under management.

Of these, 54 were classified as Responsible Investment Leaders, which the report defines as 'a responsible investor that demonstrates an exceptional ability to deliver on its responsible investment promises', and with a score in the top 20% of scores on the Responsible Investment Scorecard.[42] For the seventh consecutive year, IFM maintained its place in the Responsible Investment Leaders group.

[39] For further details see: How investors are assessed on their reporting | Reporting guidance | PRI (unpri.org)

[40] There was no reporting window in 2022 https://www.unpri.org/reporting-and-assessment/reporting-framework-pilot-next-steps-for-signatories/8159.article. We made our 2023 submission in August 2023 and results were published in January 2024.

[41] For our passive listed equity strategies within IFM's listed equities portfolio, IFM elected to answer that we do not incorporate environmental, social and governance (ESG) considerations (via integration, screening and thematic investing). In practice, each of these strategies is designed with the aim of meeting individual client requirements, both in terms of ESG and factor enhancement, and in terms of investment constraints and risk budget. We believe the more appropriate way to reflect this would be NA, however, this was not an option available in the PRI questionnaire.

[42] Further details about this benchmarking, research definitions, methodology and findings are available here: https://responsibleinvestment.org/wp-content/uploads/2023/09/RIAA_benchmark_report_australia_2023-1.pdf

INVESTMENT APPROACH

Principle 6: Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

IFM Investors

Principle 6: Understanding the needs of our clients and communicating stewardship outcomes

Investing on behalf of aligned owners and clients

As noted in Principle 2, IFM is owned by a group of profit-to-member Australian industry superannuation funds.

We believe acting in a responsible manner supports our aim to maximise net investor returns and this closely aligns us with the objectives of these owners who are also our clients and invest with us on behalf of their members. Across our client base, IFM invests on behalf of over 660-plus institutions worldwide[43].

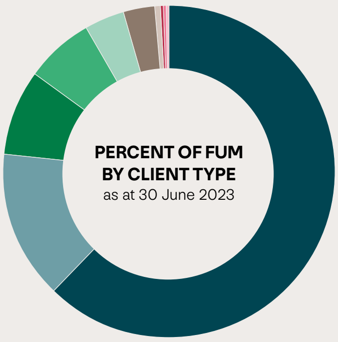
In line with our heritage, pension funds constitute a significant proportion of our client base. We are also continuing to broaden our client base, prioritising well-capitalised investors that are seeking to maximise long-term risk-adjusted returns. This includes sovereign wealth funds, foundations, endowment funds, government entities, charities and insurers, amongst others.

The charts below provide details of our client base by client type, funds under management by asset class and by client geographical location.

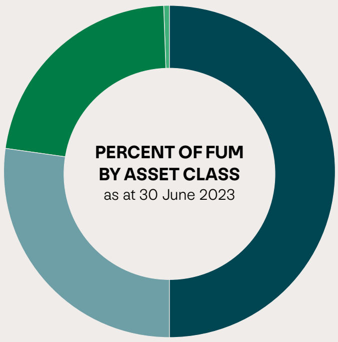
FIGURE 5

OUR FUNDS UNDER MANAGEMENT (FUM) AND CLIENT BASE AT 30 JUNE 2023

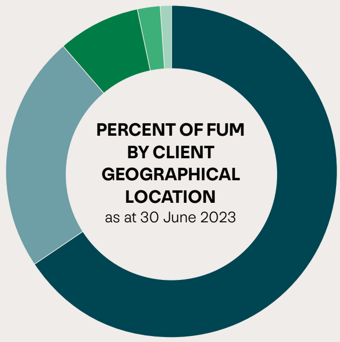
£112.7 billion
assets under management



- Superfund **62.3%**
- Public Pension **14.4%**
- Corporate/Private Pension **8.3%**
- Insurance **6.8%**
- Taft-Hartley/Industry Pension **3.7%**
- Financial Institution **3.1%**
- Foundation **0.7%**
- Endowment **0.3%**
- High Net Worth and Family Office **0.3%**
- Sovereign Wealth Fund **0.1%**



- Infrastructure Equity **50.2%**
- Debt Investments **27.1%**
- Listed Equities **22.1%**
- Private Equity **0.5%**



- Australia **65.8%**
- North America **23.1%**
- UK and Europe **8.0%**
- Asia **2.1%**
- The Middle East **1.0%**

Please refer to Principle 1 for further information on our portfolio.

[43] As at 30 June 2023

Investment time horizons

Investment time horizons vary by asset, strategy and by client, from relatively short term for certain investment strategies, like cash and bond funds within treasury services, to medium and longer-term, for other strategies, like private debt, private equity and infrastructure equity. Our various strategies meet the differing needs of our owners, clients and beneficiaries. IFM aims to develop and manage investment strategies that generate attractive risk-adjusted returns and meet the preferences of our clients.

Our infrastructure equity investment strategy centres on the long-term ownership and active asset management of core infrastructure investments (e.g. utilities, ports, airports and toll roads) with long-term, stable cashflows. We believe open-ended fund structures best-suit this investment strategy in long-term infrastructure investment. For example, our longest held assets Brisbane[44] and Perth[45] Airports have been within our infrastructure equity portfolio for over 25 years.

Our stewardship approach

We integrate sustainability factor considerations into our investment processes and corporate practices, as further described in Principles 1, 2 and 7. This helps us to identify and manage a broad set of material risks and opportunities, helping us to protect and maintain the long-term value of our investment portfolios.

Our stewardship approach helps maintain and strengthen alignment with the interests of our clients and owners. Our aim to maximise net risk-adjusted returns aligns us with the objectives of our clients who invest with us on behalf of their beneficiaries.

The way we approach stewardship differs depending on the asset class, strategies, whether portfolios hold assets directly or indirectly, our regional presence and our clients' preferences. More information applicable to the different asset class and regional differences are outlined in Principle 7.

Understanding our clients' needs

We engage frequently with our owners and clients. Our engagement is two-way and provides us the opportunity to seek feedback via the following formal and informal channels:

- Shareholder Advisory Board;
- Investor Advisory Committees;
- Our Investor Sentiment Questionnaire; and
- Direct interaction via investor forums, regular briefings and client meetings.

Shareholder Advisory Board

The Shareholder Advisory Board consists of representatives from IFM's major shareholders who meet to discuss IFM's performance, business planning, governance, results, leadership and other agreed topics of interest including sustainable investment matters.

Investor Advisory Committees

IFM's Investor Advisory Committees (IAC's) are also important forums for consultation between IFM and our clients on matters including our sustainable investment approach. These committees exist for our infrastructure equity portfolio, our private equity portfolio and our infrastructure debt products within our debt investment portfolio. We seek broad investor representation on these committees which are designed to provide a forum for consultation between IFM and investors on a variety of issues relating to their investments. The IAC platform enables the sharing and discussion of feedback, requests and advice amongst committee members.

The following are examples of some of the functions relating to the IAC platform for our infrastructure equity portfolio:

- Discuss and consider the impact of changing circumstances and market conditions on the strategy and performance of the infrastructure equity strategy.
- Review and if appropriate, approve conflicts of interest and related party transactions.
- Discuss and consider opportunities as to how IFM and investors, where appropriate, may influence stakeholders to contribute to the opportunities available to the portfolio.

Investor Sentiment Questionnaire

Our Investor Sentiment Questionnaire (ISQ) uses independent qualitative research via interviews with trustees, chief executives, chief investment officers and asset consultants to assess our investor service quality on an annual basis. This assessment includes a critical assessment of IFM's sustainable investment approach.

The ISQ provides IFM's clients the opportunity to give feedback about their experience with IFM. The areas covered in the 2023 ISQ review included: overall satisfaction with IFM, investment performance, satisfaction with the relationship, strategic alignment, onboarding, legal and related documentation, consultant feedback, client meetings, reporting, sustainable investment reporting, customer service and branding.

[44] For further details see: https://www.ifminvestors.com/capabilities/infrastructure/our-portfolio/brisbane-airport/
[45] For further details see: https://www.ifminvestors.com/capabilities/infrastructure/our-portfolio/perth-airport/

The results for the 2023 ISQ program continued to reinforce the momentum we have seen in previous years, with the “overall satisfaction” score remaining at 8.4 (out of 10), the equal record high from 2022. The results also indicate that the majority of our investors continue to be satisfied with their relationships with IFM, and the resilience of their investments across asset classes.

IFM’s overall sustainable investment reporting scores have remained high, with both IFM’s responses to bespoke client sustainable investment questionnaires and overall delivery of SI expectations of clients rating highly. IFM’s sustainable investment performance relative to competitors also remained consistent with the previous year’s results.

Investor forums, regular briefings and client meetings

IFM adopts an open, proactive and transparent approach to investor relations. We foster open and ongoing communication with clients to help ensure they have up-to-date information on matters relating to our stewardship approach, activities and outcomes, as well as the broader market and economic context in which we steward their capital. This includes investment performance, fund information, qualitative commentary, quantitative indicators, sustainable investment approach considerations and market developments.

IFM’s regular communication with our clients includes:

- Monthly statements and quarterly reports detailing performance and market developments;
- Regular conference calls, client updates and client briefings;
- Publication of thought leadership whitepapers;
- Masterclass sessions to share investment insights; and
- Customised investor deliverables, as agreed.

This is complemented by engagement and outreach undertaken by IFM’s Chief Executive and senior executives, including investment team heads. As a result IFM stays close to our clients and responds quickly to market developments, investment trends and sustainable investment themes.

A recent example of this can be seen in the development of the investment parameters for the most recently established product in IFM’s infrastructure equity portfolio which specifically targets infrastructure assets that seek to accelerate transition to a net-zero emissions economy. For this product, client feedback informed the development of some of the portfolio investment objectives and criteria.

To date, the information and feedback gathered on client needs has been distributed to the relevant stakeholders within IFM, following evaluation of the relevant forums and necessary action plans developed in response. We believe there is an opportunity for more proactive, systematic and intentional engagement specifically on sustainability matters to provide opportunities for the organisation to respond and better serve our clients.

Aligning our investment management approach to our clients’ needs

Our approach to aligning with our clients includes focusing on understanding their interests and using this information to inform our actions, working hard to build long-term, constructive investor relationships and acting as a trusted advisor and steward of our clients’ money.

Our Shareholder Advisory Board and Investor Advisory Committees enable us to regularly engage in a formal way with our clients and learn more about their needs and concerns. The information obtained from these interactions is used to inform our business decisions and the types of products and services that we offer our client base.

We seek to develop new investment strategies that take into account the changing needs of our clients. These include:

- targeting opportunities that will help facilitate and scale up decarbonisation efforts and accelerate the transition to net zero;
- supporting clients’ net zero ambitions through reducing their carbon emissions exposure in Australian listed equities; and
- providing loans for specified projects that aim to facilitate and support the transition to a low carbon, climate-resilient and sustainable economy or that incentivise borrowers to improve their sustainability standing by meeting, or exceeding, predetermined sustainability performance objectives.

These strategies incorporate sustainability objectives and are aimed at supporting our clients who have set their own net zero commitments. These were developed in consultation with clients, to strengthen alignment to their investment policies with respect to sustainability factors.

At the individual client level, we develop bespoke mandates and sustainability-themed strategies in collaboration with clients that are tailored to their direct needs. These bespoke solutions can also be adjusted over time, for example, as a client’s climate goals evolve.

We value the feedback we obtain from our owners and clients as part of our annual ISQ survey and regular interactions and we use this information to help improve our approach and better meet client needs.

The collaborative efforts in which we participate also result in us engaging alongside some of our clients. While investor engagement is not the primary objective of our involvement in these collaborations, it nonetheless helps provide another channel to determine the range of issues our clients consider important.

Client disclosures

Below we outline publications we provide our investors and other key stakeholders explaining our stewardship approach, activities and outcomes. We aim to be open and transparent with our clients, community and people, not just when things go right but also when problems occur. In addition to our regulatory disclosures and published reports, we:

- disclose information beyond our regulatory requirements through annual reports to our owners, market updates and sustainability briefings;
- actively inform our clients, stakeholders and staff of relevant information or circumstances which affect our portfolios; and
- report openly to our owners and staff on our performance metrics – both relating to financial and sustainability performance.

IFM's public reporting and disclosures

ESG Policy – our approach to sustainable investment including the integration of sustainability and stewardship in the investment process.

Sustainable Business Report – Annual firm-wide, publicly available document that reports on how we are delivering on our Purpose for our clients and owners via our investment, stewardship, advocacy and corporate activities.

UN PRI Transparency and Assessment Reports – We publish our UN PRI Transparency and Assessment reports on our public website.

Insights – We produce a range of thought leadership, white papers and regular updates for our clients and other stakeholders which include topics relating to our stewardship activities and outcomes. We publish these on our website.

Listed Equities Stewardship reports and voting records – We publicly report every six months on our Australian listed equities portfolio stewardship activities, covering our proxy voting and engagement activities and outcomes for the period. We also provide a real-time list of voting activities on our website. These are available via the stewardship page on our website.

Infrastructure Climate Change Report (distributed to our clients and investors): We report carbon footprint data and outline our decarbonisation pathways and progress towards our 2030 emissions reduction target to our clients via annual reports and periodic client updates.

Private Equity Sustainable Investment Report (distributed to our clients and investors): We review and disclose our progress regarding sustainability objectives and priorities and highlight focus areas for the year ahead.

INVESTMENT APPROACH

Principle 7: Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

Principle 7:
Integrating material ESG issues and climate change into investment decisions and stewardship

As a global asset manager, we recognise the multiple roles we play as a steward of working people's retirement savings, as a global employer and as a corporate citizen. We see these roles as mutually reinforcing as we aim to carry them out in ways that aim to create shared economic and social value for a broad range of stakeholders, consistent with our Purpose to maximise long-term returns for our clients.

Our focus on maximising risk-adjusted returns over the long-term for our clients is underpinned by our sustainable investment approach, which integrates sustainability factor considerations across the following areas of activity over the relevant time horizon for the asset or strategy:

- Investment due diligence;
- Stewardship;
- Advocacy and collaboration; and
- Annual reviews and reporting.

We have integrated sustainability factor considerations across these activities and practices, as described in more detail below. This supports us in pursuing our Purpose and seeking to identify and manage material risks and opportunities, build value and contribute to the long-term strength and resilience of the markets in which we operate.

Issue prioritisation

IFM considers a broad range of sustainability factors in our investment decision-making process, alongside a range of relevant financial and other investment considerations. The issues we choose to follow up and act on will differ depending on the asset, company and/or sector and sphere of influence. For example, hazardous waste is considered more material for some investments as compared to others, depending on the location of sites and business or sector activity.

However, we have three priority sustainability themes, which we believe are material to assess, engage and improve performance on, for all of our investments. These are:

- Managing the risks of climate change and transitioning to a low carbon economy;
- Workplace leadership with a focus on promoting fair, safe and inclusive standards for working people; and
- Championing inclusion and diversity.

Separate to our priority sustainability themes, we use several criteria to prioritise companies for our stewardship activities namely:

- The size of our investment or the size of the asset, portfolio company and/or property;
- The materiality of sustainability factors on financial and/or operational performance; and
- Significant issue exposures identified through our due diligence and monitoring process, particularly where there appears to be a lack of adequate controls.

Our approach

Stewardship

We seek to take into account sustainability factors in our investment stewardship and asset management activities across asset classes.

We work with our portfolio companies to collect data about their sustainability performance and practices. For IFM's infrastructure equity and private equity portfolios, this data helps inform our asset management approach and the creation of organisation-wide sustainability strategies as well as guides our approach to seeking improvements in the reporting capabilities of portfolio companies.

Each investment team tailors its stewardship approach to match the needs of its specific strategy, the tenure of holdings and the degree of influence we have as owners. Specifically:

- Our Asset Management Specialist team develops an annual asset management and sustainability plan that targets key risks and opportunity topics for our infrastructure equity portfolio. This annual plan enhances collaboration and targets improvements across the investment team and in our portfolios' assets. Examples of focal areas for FY23 have included cybersecurity, insurance programs, workplace safety, inclusion and diversity, workplace leadership, emissions measurement and clean energy procurement programs.

- For our debt investment portfolio, our engagement on sustainability factors is typically concentrated in the due diligence phase when we consider that we have the best ability to engage with our borrowers on relevant sustainability issues. Where appropriate, we seek to influence the sustainability credentials of our borrower companies pre-investment to better manage and/or mitigate risk over the life of the investment. This has been enhanced in FY24 by the addition of three sustainability specialists to our debt investment portfolio teamas noted in Principle 2. Additionally, our specialist Debt Risk Monitoring and Valuation team assists with the on-going monitoring and engagement with portfolio assets across a range of matters, including sustainability-related issues.

- Our stewardship activity with regards to our listed equities portfolio is primarily focused on Australian companies, due to the majority share of our listed equities portfolio being investments in Australian listed companies. We engage with Australian companies, directly and via our membership of ACSI as noted in Principle 4 and 10, and exercise our voting rights seeking to influence positive change. More information is outlined on how we engage in Principle 9 and on our approach to voting in Principle 12.

- For our private equity portfolio, our approach extends beyond risk management as during ownership we seek to support a range of sustainability-related initiatives to support the generation of returns and build value. Key sustainability focus areas include supporting emissions reduction plans, enhancement of modern slavery and cybersecurity risk assessments, and targeting of consistency in our sustainable investment approach to all new investments by our private equity portfolio.

Roles and responsibilities

In Principle 2, we have outlined our sustainability governance structures including our Board Responsible Investment and Sustainability Committee (BRISC), executive management and various investment committees that drive IFM's overall approach to sustainable investment and stewardship and help ensure integration across our business. The integration and implementation of our sustainable investment and stewardship approach is undertaken by management, who are supported in this process by their individual investment teams (which take IFM's top-down strategy and tailor it to their respective asset classes) and our Sustainable Investment team.

IFM's investment teams seek to integrate sustainability factors within their investment decision-making processes and engage with companies and/or partners to understand the relevance of sustainability issues to investments. The ultimate responsibility for the integration of sustainability factors in the investment strategy rests with the head of the investment team and the underlying portfolio managers and investment analysts. The investment teams are responsible for the implementation of data collection, risk management and roll out of sustainability initiatives. Each asset class team reports to the BRISC at least annually on changes to their sustainable investment processes. Material sustainability issues are considered during investment due diligence and as part of post-acquisition asset management plans and annual asset reviews, where appropriate. More information on the approach taken by the asset management teams post investment is provided in Principle 2.

Below we show the interaction between the Sustainable Investment team and the Investment teams during the investment process.

Our approach: Integrating sustainability factors throughout the investment process

Our investment teams across all asset classes seek to consider sustainability factors alongside financial and other investment data in their investment analyses and decision-making, and stewardship activities. This approach helps us to identify and manage a broad set of risks and opportunities, which can then lead to financial value and better investment outcomes.

To help ensure a comprehensive assessment of investment risks and opportunities, we consider a range of sustainability factors, alongside relevant financial and other investment factors, in our investment analyses and decision-making processes as applicable to each asset class.

Sustainable Investment team involvement

Investable universe	**How we connect to global investment opportunities**	We are connected to global investment opportunities via broad relationships with global investor institutions, investment banks and advisors. Investment teams identify investable assets, informed by intelligence provided by the SI team about emerging areas of sustainability risks, opportunities and impacts.
Initial analysis	**Identification of relevant sustainability factors**	Investment teams identify key sustainability factors for investment opportunities to inform portfolio construction. Positive/negative screening overlays are applied, as applicable, to help ensure alignment with our ESG Policy.[46]
Detailed due diligence	**Assessment of opportunities and risks, including mitigation measures, in relation to sustainability factors**	Using asset-class-specific due diligence toolkits co-developed with the SI team, investment teams engage in detailed assessment of sustainability factors. The SI team provides support and serves as a sounding board and peer reviewer. Investment teams may also draw on external party analytical tools and research, as required. Where appropriate, investment teams seek to identify and factor in mitigants for identified risks and define opportunities they will seek to manage post-acquisition.
Investment decision	**Investment decisions based on robust analysis**	A final analysis of relevant sustainability issues is prepared by the investment team, with the support of the SI team, and included in investment papers, as applicable.
Ongoing stewardship	**Sustainability risks and opportunities continuously monitored**	Where practicable, sustainability risks and opportunities across the portfolio are monitored by investment teams with the support of the SI team, in efforts to protect and enhance value. Where appropriate, IFM engages with portfolio company management teams to seek to influence activities and decisions that may impact investment value and returns.

Defined responsibilities

The SI team and asset class teams have defined responsibilities as they work together throughout the investment process as illustrated above.

The SI team is tasked with developing IFM's overarching SI strategy and related policies and organisational guidelines, which are then to be implemented and developed further by teams in each asset class.

The SI team's role also includes the provision of specialist advice to asset class teams about sustainability factor checklists and inputs they use in their investment screening, analysis and due diligence.

The primary responsibility within IFM for developing and implementing sustainability-related asset level activities sits with the asset class teams; however, the SI team helps to inform priorities based on investor, regulator and market expectations.

With respect to sustainable investment reporting, metrics and data, asset class teams manage asset and portfolio specific data, where available. The SI team in collaboration with SI specialists and asset teams, collates this data for external client and regulatory reporting purposes.

[46] IFM does not stipulate screening and exclusions at a firm-wide policy level. Investment teams apply them, as relevant, in response to individual investor mandates and in accordance with our ESG Policy.

Asset class integration

IFM's infrastructure equity portfolio

For investments by our infrastructure equity portfolio, IFM seeks to acquire meaningful direct stakes (typically with board representation), that put us in a position to adequately support the management of the risks and opportunities associated with those investments.

The effectiveness of our model relies on a number of organisational design features in our team that supports our infrastructure equity portfolio:

- Board Directors – We appoint directors to investee company boards (and board committees) that we consider are suitably qualified and in turn try to contribute positively to the diversity of the board which we believe supports building and maintaining a viable, profitable and efficient company over the long-term. We regularly undertake activities aimed at improving the knowledge and awareness of our directors so they can perform more effectively in their roles. Where necessary, we will look externally to find the right nominee director. IFM has policies and procedures regarding the appointment of investee company directors that are aimed at reinforcing good governance fundamentals.

- IFM Asset Teams – Each board director appointed to an investee company is supported by a small team of investment professionals who monitor and analyse asset information and performance, often contained in board reports, and ensure that investee company directors are supported with appropriate research and insights into the investment.

- Asset Management Specialist Team (AMST) – The AMST consists of 30 investment professionals (25 at 30 June 2023) that have the job of challenging and supporting the broader investment team's asset management and governance activities as well as sometimes lending their skills to investment teams or investee companies to address a specific action. For example, this team has worked closely with some portfolio assets to undertake deep dive health and safety reviews where hazards were known to be high. The AMST develops an annual asset management and environmental sustainability plan which contains portfolio-wide initiatives and asset specific asset management initiatives which are unique for each asset. The asset management plan's progress is monitored regularly throughout the year.

IFM's private equity portfolio

Our private equity portfolio team assess sustainability factor risks and opportunities in the deal screening and diligence stage. This assessment includes the application of the IDEA (IFM Deal Evaluation Assessment) framework, which is a proprietary scoring system that IFM uses to rank all deals that enter the assessment process for our private equity portfolio. The IDEA framework facilitates debate with a view to ensuring consistency with the investment strategy, identifies focus areas for due diligence and enables discussion around portfolio construction. We also meet with target company's management teams during due diligence to screen for sustainability risks and opportunities and explain IFM's strategy and intentions regarding supporting emissions reduction post-acquisition.

During ownership, portfolio companies are subscribed to Pathzero and emissions are baselined in the first year post-acquisition, and we measure sustainability metrics bi-annually with accountability for progress sitting with the relevant portfolio company boards. The following measures are typically included in each bi-annual review:

- Carbon reduction: progress of carbon reduction initiatives.
- Employee engagement: employee engagement surveys conducted to identify any areas for improvement and track impact of any employee initiatives.
- Measurement of diversity and inclusion statistics within portfolio companies and Workplace Gender Equality Agency compliance where applicable.
- Governance: Review of the implementation of policies (for example HR, leave, codes of conduct and corruption and whistle blower-related policies), business continuity and sustainability planning and board accountability.
- External checks on disaster recovery plans and data protection practices including design and implementation of recovery simulation exercises.

IFM's debt investment portfolio[47]

Our debt investment portfolio team assesses sustainability factors using asset-class-specific due diligence tools co-developed with the SI team. In due diligence, the team seeks to ensure that the risks deemed most material by IFM have been addressed and mitigated to the extent possible. The credit assessment process across the portfolio, which incorporates sustainability factor considerations as appropriate, utilises a proprietary Credit Assessment Memorandum for each investment.

For infrastructure debt products within IFM's infrastructure debt portfolio, the Credit Assessment Memorandum contains a dedicated sustainability factor matrix which is informed by SASB standards[48] and represents the documentary core of IFM's debt investment process. The matrix considers discrete sustainability factor topics (e.g. greenhouse gas emissions, resource scarcity and degradation, labour practices and community relations) that are individually assessed in an iterative review with the Sustainable Investment team.

For diversified credit products within IFM's debt investment portfolio, the Credit Assessment Memorandum contains a similar dedicated sustainability factor framework also informed by SASB standards, with the outcomes presented representing the diligence conclusion of the relevant sustainability risks inherent to the investment being considered. The framework considers discrete sustainability factor categories, with various considerations applied under each. A risk conclusion is then assessed against each category with an overall assessment of environmental, social and governance risk presented for consideration by the investment committee. These outcomes and their potential flow through impacts to credit risk are then considered as part of the broader investment approval process.

The relevant investment team may also draw upon third party data (e.g. RepRisk reports) or expert advice when making a credit assessment.

With respect to climate transition, we have integrated the Cambridge Institute for Sustainability Leadership ClimateWise Transition Risk framework[49] into our analysis across the infrastructure debt products within IFM's debt investment portfolio. The framework as implemented by IFM uses data from the International Energy Agency Net Zero Emissions scenario[50] to quantitatively assess assets in higher risk sectors for exposure to transition risks.

We have also undertaken research over recent years, much of which we have published in the form of thought leadership research on our website.

IFM's listed equities portfolio

Over 85% of IFM's listed equities portfolio is invested in passive index tracking equity strategies,[51] so engagement and voting are the primary tools used to integrate sustainability factors in the asset class. For Australian investments in our listed equities portfolio, we engage with Australian companies directly and through ACSI (as noted above and in Principle 4) and exercise our voting rights seeking to influence positive change. We believe exercising our voting rights is critical to encouraging action on the issues we think are material to long-term investor value. We see this is a key pillar of our stewardship activities for our listed equities portfolio.

We manage all our voting on all Australian listed companies in-house and actively consider and deliberate on all resolutions pertaining to the top 20 companies (by market capitalisation), all 'Say on climate' resolutions, resolutions that we designate as being contentious and on all shareholder proposed resolutions. Our voting decisions are informed by our company engagement activities, internal and external research, and we also consider proxy advice received from ACSI and Glass Lewis. Our voting decisions are governed by our Proxy Voting and Engagement Committee, as noted in Principle 2 and outlined in Principle 12.

Our engagement and voting approach for our listed equities portfolio is further outlined in Principles 9, 10, 11 and 12.

[47] The stewardship approach described in this section relating to our debt investment portfolio excludes the non-Australian Government bond assets within our treasury services' products. Given the nature of the assets in these products and the related investment decision-making process, stewardship activities in relation to these assets are limited in their scope. Therefore, whilst stewardship activities are undertaken where possible, the process described in this section is not applied for these assets.
[48] For further details see: https://sasb.ifrs.org/standards/
[49] For detail see: Climate risk | Cambridge Institute for Sustainability Leadership (CISL)
[50] For detail see: Net Zero Emissions by 2050 Scenario (NZE) – Global Energy and Climate Model – Analysis - IEA
[51] As at 30 June 2023.

INVESTMENT APPROACH

Principle 8: Signatories monitor and hold to account managers and/or service providers

Principle 8:
Monitoring external advisors and service providers

External advisors and consultants

IFM does not use the services of external portfolio managers – we manage all of our investment portfolios internally or provide relevant advisory services to portfolios on behalf of our institutional clients.

However, we have established and work with a global network of external advisor partners to supplement our internal resources when and where we believe this is necessary. These external providers assist with general operations and the delivery of projects, as well as providing specialist expertise and support to our investment teams during various phases of the investment and transaction process.

We have a number of 'Preferred Advisors' in certain areas of expertise and we ask teams to source from this list in the first instance. These firms have demonstrated satisfactory performance in the past and have agreed terms in advance with us. The Preferred Advisor list is reviewed periodically by the relevant business unit. The IFM Group Policy for the Engagement of External Advisors outlines the process which must be undertaken in appointing any external advisors.

Outsourcing and supplier oversight

Our procurement team, combined with business unit representatives, oversees our suppliers and the procurement of outsourced relationships. The IFM Group Outsourcing Policy outlines our process and assurance requirements for outsourcing arrangements. Our relationship with each service provider and the associated review and oversight processes are dependent on the degree of IFM's reliance on that provider, and the criticality of the service to IFM's ongoing operations and activities:

- Primary outsourcing relationships are where the service provided is integral to the operations of IFM or our investment portfolios.
- Secondary relationships describe providers where a change in provider is likely to have minimal or no impact on the services offered by IFM. These are typically support and ad hoc consulting services.

When appointing key external providers, depending on the type of relationship (as above) or nature of the contract, we typically carry out an initial assessment across a range of criteria outlined in the IFM Group Outsourcing Policy, including but not limited to financial, human and technical abilities, systems and capacities, as well as the ability to support the implementation of our sustainable investment approach and ESG Policy.

A new Supplier Code of Conduct is also being developed to provide further rigour around supplier appointments. This document intends to set out the high standards and behaviours we expect from our suppliers relating to human rights, ethical sourcing, bribery and corruption, labour standards, inclusion and diversity, health and safety and the environment.

Monitoring of service providers is undertaken on a regular basis depending on the relationship, to gauge whether performance and service levels are consistent with expectations. We recognise it is important that we retain sufficient capacity (skills and knowledge) to be able to supervise ongoing service delivery and performance. Monitoring may involve:

- Meeting with key personnel of the service provider or agent;
- Monitoring changes to key personnel of the service provider or agent; and
- Receiving performance reports and/or presentations from the service provider or agent, and periodic onsite and offsite reviews.

Supplier performance management framework

IFM has developed a supplier performance management framework which has been implemented with some of the key vendors supplying IFM in FY23 and which is anticipated to extend to further vendors in FY24. This framework was built in response to our growing supplier base and the increasing obligations that IFM has in relation to sustainability and regulation, including those of the supply base. We are in the process of segmenting suppliers into different categories to help distinguish strategic (more critical) suppliers from those that are more easily substitutable. For example, corporate advisory services would be described as operational or transactional in nature, as opposed to those advisors who assist with strategy or portfolio advice. This segmentation allows us to increase our focus on the assessment and oversight of more material or strategic suppliers. These include suppliers that are involved in the provision of custodial services, valuation, fund administration, core technology services and internal audit.

We believe a more structured approach to our management of suppliers will help drive improved performance, enable better risk control, create greater alignment with strategic suppliers and enable us to more effectively demonstrate to regulators, our investors and owners how we are managing those key relationships.

Listed equities portfolio engagement and proxy voting services

As discussed in Principles 2, 4, 5, 7, 9, 10 and 12, ACSI undertakes engagement with ASX 300 companies on behalf of members including IFM and provide us with proxy voting research and advice. Engagement activity by our listed equities portfolio team primarily focuses on Australian companies as the majority of the products within IFM's listed equities portfolio are invested in Australian listed companies.

Our representation on the ACSI Board and Member Council provides IFM with oversight and helps the alignment of ACSI's engagement priorities with our own. As outlined in Principle 4, IFM is also a member of ACSI's governance working group, established every two years, to review, update and redraft ACSI's Corporate Governance Guidelines. We engage with ACSI on a regular basis through attendance at meetings, one-on-one engagement with their team members, as well as attending ACSI-led conferences and information sessions.

ASCI provide us with pre and post company engagement meeting file notes and an ongoing engagement tracker which records company progress against material sustainability issues. We are also provided with and review six-monthly Engagement and Voting Reports which outline details of engagement and broader advocacy undertaken by ACSI on our behalf.

We receive research and proxy voting advice from ACSI for ASX 300 companies, and from Glass Lewis for both Australian and international holdings. Research and recommendations from two proxy advisors provide IFM with multiple alternate views with regard to voting recommendations. Our voting decisions are governed by our Proxy Voting and Engagement Committee, as noted in Principle 2 and outlined in Principle 12.

We subscribe to the Glass Lewis voting platform 'Viewpoint' to manage and track all our proxy voting activity. The Viewpoint platform manages our proxy voting workflow and teams are able to collaborate efficiently via this platform across the whole voting process. All comments and actions are time stamped, logged, displayed and able to be tracked and reported via the platform.

As outlined in Principle 12, we provide pre-voting reports which include our voting decision and rationale to our listed equities portfolio clients. We disclose our voting decisions publicly on our website via a searchable voting database provided by Viewpoint.[52] We provide reports to clients every six months on the Australian listed equities stewardship activities of our listed equities portfolio, covering our proxy voting and engagement activities and outcomes for the period, and these are also published on our website.

The Sustainable Investment team and our listed equities portfolio team, meets with and monitors ACSI and Glass Lewis respectively to seek to ensure their services remain fit for purpose for IFM. This happens during the ongoing course of business and more formally through contract renewal processes. As noted in Principle 12, we also engage an external auditor, who assists with our monitoring requirements by undertaking annual reviews. Proxy voting records are assessed with a view to ensuring applicable internal IFM control procedures are followed and authorised voting accounts are being implemented in line with their associated policies.

Sustainability data providers

As outlined in Principle 2, we use a range of sustainability data inputs, analytics and research providers in the management of IFM's listed equities and debt investment portfolios which include MSCI, Arabesque, S&P, RepRisk and Ownership Matters, as well as obtain engagement and proxy voting advice from ACSI and Glass Lewis (where applicable), as outlined above. We also use credit ratings agencies where coverage is available.

For our infrastructure equity and private equity portfolios it is still challenging to access an appropriate level of relevant data and research provider coverage. We use the RepRisk database for ongoing portfolio screening of our infrastructure equity portfolio assets and diligence screening for our infrastructure debt products within our debt investment portfolio. Generally, IFM's infrastructure equity and private equity portfolio assets independently engage their own data and service providers and provide relevant information to our portfolio managers.

We regularly monitor the quality and depth of sustainability data and research from external providers by undertaking a comparison across different data providers for investments where possible, frequently reviewing new data offerings and trialling new data solutions. We also formally review service contracts annually to ensure they continue to meet our needs.

[52] https://www.ifminvestors.com/en-au/capabilities/listed-equities/stewardship/

IFM Investors

ENGAGEMENT

Principle 9: Signatories engage with issuers to maintain or enhance the value of assets.

Principle 9:
How we engage

Our approach

Engagement with issuers and investments in our portfolios is a core element of our stewardship activities. Where possible, we actively use our shareholder position with the aim of positively influencing corporate behaviour and driving a greater strategic understanding of sustainability factors, risks and opportunities.

We work with portfolio companies to collect data about their sustainability-related performance and practices and to encourage continuous improvement in reporting capabilities. This data informs our asset management approach and the creation of organisation-wide sustainability strategies.

Principles underpinning our stewardship activities relate to a respect for the environment, working people and local communities, as reflected in our priority sustainability themes of climate change, workplace leadership and inclusion and diversity, as addressed in Principle 1. These themes represent key areas of risk and value building opportunities at the individual company and wider system levels that we believe can impact investment performance in the short, medium and long-term. We believe engaging with and managing these themes is essential from a risk perspective and is in line with the financial interests of our investors.

As outlined in Principle 1, we aim to manage these themes in ways that we believe create economic and social value for our investors and other key stakeholders. The way we engage with our investments as we seek to do this varies across each of our four asset classes. This helps ensure that our approach matches the needs of each specific strategy, the tenure and geography of holdings, and the degree of influence we have as investors. These tailored asset class approaches are explained in more detail below.

IFM's infrastructure equity portfolio

In our infrastructure equity portfolio, we engage directly with investee companies throughout the entire investment life cycle. During due diligence for potential acquisitions, we assess sustainability-related management and performance, aiming to identify areas for improvement upon acquisition.

Once acquired, we seek board representation and appointee director membership of board subcommittees (for sustainability-related matters, these may include dedicated sustainability sub-committees as well as occupational health and safety risk, and/or remuneration committees etc.) at the level of our portfolio companies. We seek to establish governance structures with appropriate sustainability-related investment controls in place, which support us to maintain active engagement with portfolio companies to identify the status and progress of asset management initiatives from both financial and sustainable investment perspectives. In certain circumstances, IFM investment professionals will be seconded to portfolio assets when specialist skills are required.

We aim to identify and define material sustainability factors that inform our asset management activities through the following processes:

- Transition planning – an asset specific transition plan is developed and implemented, usually focused on the first 100 days post-acquisition, reviewing sustainability factors as well as risk, regulatory, return and capital expenditure plans. Note this transition planning process focuses on improvement planning post-acquisition across a range of activity areas.

- Post-acquisition asset reviews – typically between six to 12 months after an asset is acquired, a formal report is prepared for IFM's Investment Committee and Board Investment Committee (if applicable) outlining changes and progress, and identifying new issues or changes to planned initiatives.

- Regular valuation and reporting process – IFM reviews each investment's performance on a quarterly basis, through our quarterly valuation and reporting processes. While not the primary objective, assessing sustainability risks and opportunities is an important component of this process.

- Formal asset reviews – Reviews are performed by IFM investment professionals on an annual basis, as part of our ongoing asset management program. The identification and analysis of key sustainability factors, as well as risks and opportunities, are documented as part of this process. The asset reviews are also shared back to the IFM Investment Committee so that the committee is able to apply the learnings gained through operations to future acquisitions that they might evaluate.

Engagement relating to sustainability issues is implemented through IFM's asset management framework, which is focused on developing and executing tailored asset management strategies for each portfolio company. The framework has three key objectives and principles:

- To Protect – manage risks and deliver expected returns by promoting minimum standards for key management practices;
- To Enhance – seek to achieve superior returns from individual portfolio assets by challenging asset-level management teams to achieve "best-in-class" performance; and
- To Exceed – seek to deliver competitive performance from individual portfolio assets by leveraging our global strengths in synergies, scale and relationships.

IFM's debt investment portfolio

Debt investors tend to have less scope to influence and drive impact than equity investors. As a result, the majority of our engagement effort is focused during due diligence. However, where possible we do seek to establish review rights that allow us to step in during certain circumstances with the aim of influencing a more positive outcome.

With respect to the issuance of credit more broadly, we may work with syndicate participants on sustainability-related issues and lending controls to the extent that is practical and applicable. This can include assessing sustainability factors in credit research, engaging with management at the issuer to seek sustainability specific information, inclusion of sustainability criteria and/ or reporting requirements in deal documentation, and continuing to monitor progress of sustainability factors post investment. In some instances, we have also raised awareness of sustainability-related issues and considerations with both our sources of supply (banks, brokers, advisors and consultants) and the entities in which we invest.

The exchange and dissemination of effective sustainable investment practices may take place within credit syndication groups as well as broader forums, such as the credit council. However, in our view the collaborative forums focused on sustainability in debt markets are still fairly nascent. IFM teams continue to engage with industry wide players to progress sustainability factor considerations in the debt asset class via participating in discussion forums and seminars. An example of this is our involvement in the ESG Covenant Package Working Group alongside other asset managers. The objectives of this initiative are to unify sustainability factor data collection by providing a consistent set of requirements as 'best practice' for borrowers when reporting to lenders in respect of sustainable investment matters, in pursuit of developing standards on sustainability factor integration to loan documentation. We view this as an illustration of our continued commitment to enhancing industry-wide integration of sustainability factors into the private debt space.

IFM's listed equities portfolio

Our engagement efforts are focused on Australian listed companies. This is because the majority of our funds under management in IFM's listed equities portfolio are invested in Australian companies, on behalf of Australian superannuation funds investors.

Our listed equities engagements aim to reinforce our expectation for companies to strategically recognise and manage all material risks and opportunities to help protect and enhance long-term shareholder value.

Our engagement activities are fourfold:

- Direct company engagement by our team managing the active products within IFM's listed equities portfolio via attendance at company briefings and meetings with management. The objective of these engagements is to understand business strategy and future direction, as well as financial performance, valuations and resilience. Identification and discussion of sustainability issues the investment team consider to be material is a feature of many company meetings.
- Direct one-on-one company engagement by our Sustainable Investment team which is generally focused on IFM's priority sustainability themes or as a follow up from prior engagement asks or issues arising from the previous proxy voting season. The team aims to drive positive systemic change for both the company and wider market. Our key engagement themes include: executive remuneration, board composition, climate change and 'Say on climate' proposals, inclusion and diversity, modern slavery, indigenous affairs (cultural heritage), and shareholder resolutions. These meetings will typically include representatives from our Sustainable Investment team as well as our listed equities portfolio team.
- Collaborative engagements are sought where we believe there is benefit to engaging collectively with other investors, rather than (or in addition to) individually with a company, on an issue that a broad range of investors are concerned about. An example is IFM's participation in the Climate Action 100+ initiative. We believe that the power of collective engagement elevates issues and signifies to the company that the issues that are raised are important to a broad cohort of investors. Therefore we believe collective engagement is an important stewardship tool to communicate with companies

on an ongoing basis about their strategic recognition of, and approach to, climate change. We also draw on insights and benchmarking provided by the broader network of investors. We engage with these priority companies periodically as part of an engagement plan that is developed by the lead investor and agreed by the other participating investors. Please refer to Principle 10 for a list of the collaborative initiatives of which we are a member or signatory to.

- As members of ACSI, IFM representatives attend a number of the engagement meetings that ACSI conduct with ASX 300 companies. ACSI engage on IFM's – and other members - behalf and communicate identified sustainable investment issues to these companies. IFM collaborates with other members in setting ACSI's engagement priorities at the start of each year as well as in the period when ACSI's governance guidelines, which set out members' expectations about the governance practices of the companies in which they invest, are being updated. Should IFM be unable to attend these engagements, ACSI make their representation on our behalf. We believe engagements via ACSI are an important element of IFM's company engagement approach. ACSI members represent a significant proportion of the pension fund industry in Australia and the expectations ACSI communicate to companies are largely aligned with IFM's, given IFM's involvement in setting and updating the ACSI governance guidelines. Importantly, when ACSI engage on our behalf, they represent all of IFM's listed equities portfolio holdings in Australia and there is no differentiation between active or passive strategies. We see this as a key benefit to our membership in ACSI.

Information about the stewardship activities of IFM's listed equities portfolio in Australia is also publicly available on the Stewardship page of our website.[53]

The outcome of engagement in listed equities is challenging to measure due to the long-term nature of engagements. We do not necessarily think in terms of success or failure, but rather we view our engagement as a continuum of ongoing interactions with the companies we invest in to understand how they can evolve responsibly and be as successful as possible. We recognise that positive outcomes are not necessarily due only to IFM's specific efforts and, usually, are the result of a number of driving forces contributing to the outcome. This highlights the importance that IFM places on engagement as a key pillar in our ownership approach.

IFM's private equity portfolio

During our ownership period of companies within our private equity portfolio, we work closely via our board director appointments and direct engagement with management teams to advance a range of sustainability-related initiatives that aim to support the generation of returns and build value.

Post-acquisition, IFM tracks sustainability risks and opportunities, including those identified pre-acquisition. In addition, sustainable investment objectives are woven into the value-creation plan for individual investments. These are reviewed every six months through the portfolio review process.

During the ownership phase, our private equity portfolio team works in partnership with company boards and management teams to support and track outcomes and value. We focus on a set of key themes relevant to IFM's private equity portfolio, which include:

- progress on emissions reduction;
- enhanced inclusion and diversity, in particular female participation;
- improved employee and customer engagement measured through net promoter scores and employee engagement surveys; and
- best practice governance, focused on effective and transparent reporting and controls.

Through our ownership period we regularly review and refresh these sustainable investment objectives. We maintain a dashboard of sustainability metrics, which help to inform these objectives each year. We report on these metrics and performance against these objectives via our annual Private Equity Sustainable Investment Report distributed to our clients. Refer to Principle 6 for details.

Engagement outcomes

Case studies included in this report aim to illustrate IFM's active involvement in direct and collaborative efforts across our asset classes and the outcomes achieved in the reporting period.

[53] https://www.ifminvestors.com/en-au/capabilities/listed-equities/stewardship/

ENGAGEMENT

Principle 10: Signatories, where necessary, participate in collaborative engagement to influence issuers.

Principle 10: Collaborative engagement

Collaborating with stakeholders

In line with our objective to create shared economic and social value for our clients and a broad range of stakeholders, as outlined in Principle 1, we aim to be part of collective efforts to advance sustainability practice, outcomes and transparency.

We are signatories to, or members of, a number of global organisations and initiatives promoting sustainable investment and sustainability-related progress more generally. We participate in working and consultation groups and signatory reporting. We also engage collaboratively alongside investors and peers through initiatives focusing on a range of sustainable investment themes, including climate change, gender diversity, modern slavery and sustainability factor data and disclosure (linked with our three priority sustainability themes). Please also refer to collaborations and initiatives outlined in Principle 4.

Principles of Responsible Investment (PRI)	IFM has been a signatory to the PRI since 2008 and representatives from IFM have participated in a number of collaborative engagements and investment practice committees over the years. In FY23, IFM participated in the joint program of the PRI and The Thinking Ahead Institute on appropriate resourcing for systemic stewardship activities by investors.[54]
Australian Council of Superannuation Investors (ACSI)	IFM is a full member of ACSI which focuses on engaging with ASX 300 companies on a broad range of sustainability issues and systemic financial risks. IFM sits on the ACSI Member Council, and IFM's Deputy CEO is on the board of ACSI. ACSI engages on IFM's behalf with companies in the ASX 300, and IFM receives proxy advice for ASX 300 companies from ACSI. ACSI also undertakes policy advocacy and engagement as outlined in Principle 4. We attend company engagements alongside ACSI and are a contributor to its governance working group, which publishes ACSI's Corporate Governance Guidelines. IFM participates in other working groups and provides input and feedback into certain policy positions and submissions to government. Details on how we work with ACSI are outlined below and in Principle 2, 4, 5, 7, 8 and 9.
Investor Group on Climate Change (IGCC)	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 several working groups which help shape its position on key issues through the collaborative effort of members. IFM has been an active participant on the IGCC's Adaptation Working Group, Disclosure Working Group and Policy Working Group, providing input and developing positions and practices to support the transition to a low carbon economy.
Institutional Investor Group on Climate Change (IIGCC)	IFM signed up to IIGCC to strengthen our engagement presence in the EU. We are active participants in the group's Policy Advocacy Group, providing analysis and information to support the IIGCC's engagement with policymakers on the transition to a low carbon economy and development of approaches for net zero alignment of investments.
Climate Action 100+	IFM is a supporting investor of the Climate Action 100+ initiative, the world's largest-ever investor engagement initiative on climate change. We are supporting engagement with seven out of the 14 Australian target companies, which have all set net-zero 2050 targets and adopted the TCFD recommendations for their climate related disclosures. Read more below on our engagement with AGL.
40:40 Vision	The 40:40 Vision[55] is an Australian investor and business led initiative working towards gender balance in executive leadership across all ASX 200 companies by 2030. Our Chief Executive David Neal sits on the 40:40 Vision Steering Committee.
Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC)	Through this initiative, we lead and support engagement with a number of ASX 200 companies, including large retailers, where we discuss how these companies are locating, fixing, and seeking to prevent human rights abuses in their supply chains as well as their own workforces. We continue to consider ways to expand our involvement in this initiative and other direct modern slavery focused engagements.
NZAMI	IFM is one of NZAMI's 30 founding signatories and was one of Australia's first asset managers to sign up. We are excited to be working with a growing number of co-signatories to share our infrastructure expertise and help galvanise the asset management industry to commit to net zero emissions by 2050 or sooner.

[54] For details see here: https://www.thinkingaheadinstitute.org/news/article/thinking-ahead-institute-and-pri-to-create-new-global-standard-for-stewardship-resourcing/
[55] For further details see here: https://www.hesta.com.au/4040vision

FCLT Global	Focusing Capital on the Long Term – FCLT Global's mission is to focus capital on the long-term to support a sustainable and prosperous economy. IFM is a member of FCLT Global and our Chief Executive, David Neal and IFM Board Director, Theresa Whitmarsh are represented on the organisation's board. A number of our senior executives contribute to and attend their work programs and events, contributing practice experience, including at their summit. IFM's contribution to long-term investment is outlined in FCLT's Blue Book, which is published from time to time.[56]
RIAA	Responsible Investor Association Australia (RIAA) champions responsible investing and a sustainable financial system in Australia and New Zealand. They promote, advocate for, and support approaches to responsible investment that align capital with achieving a healthy and sustainable society, environment and economy. IFM joined RIAA in 2022 in order to increase our understanding of the progress on the Australian sustainable finance taxonomy and participate in a number of working groups that contribute to particular topics of interest. Representatives from IFM are members of its Human Rights and First Nations Peoples' Right working groups. These working groups are an important source of information for IFM from subject matter experts and industry practitioners which help inform our stewardship approach by assisting in ensuring we stay up to date with emerging trends and practices in the industry. The insights gained help to inform our stewardship approach and may also feed into our due diligence process for new transactions as well as helping us build a better understanding of the existing approaches by companies we invest in.
UKSIF	UK Sustainable Investment and Finance Assocation (UKSIF) brings together the UK's sustainable finance and investment community with a mission to empower the financial services industry to move further and faster to ensure a sustainable and responsible financial system. Our Global Head of Sustainable Investment sits on UKSIF's Board, bringing in the perspective of a long-term capital investor. UKSIF's ability to influence policymaking is central to its mission and in FY23 the focus was on supporting the FCA in development of their Sustainability Disclosure Requirements and contributing to the development of the UK government's Green Finance strategy.

Industry and peer collaboration

We also participate in industry collaborations that more broadly seek to address systemic risk factors with potential to impact on the financial system. See Principle 4 for details of our participation with a number of other industry bodies.

Outcomes from our engagement with ACSI

IFM representatives contribute to and attend a significant number of the meetings with Australian listed company boards, alongside ACSI representatives. The following are examples of ACSI engagement outcomes which IFM has contributed to as a member of ACSI. The case studies have been adapted from ACSI's FY23 engagement report.[57]

'Say on climate'

IFM action: ACSI, on behalf of and with members including IFM, engaged over FY23 with several of Australia's highest emitters to encourage the adoption of a 'Say on Climate' resolution at the respective companies' AGMs, which would allow investors to assess and vote on the adequacy of a company's climate change strategy and transition plan. We believe that a say on climate is an effective way for companies to gauge investor support for their climate targets and activities by providing an avenue for shareholders to communicate their views. We are in favour of this vote being offered to shareholders on an annual basis however we do not expect the company to update its climate strategy each year.

Over FY23, the climate strategies of AGL Energy (AGL), South32, APA Group, Origin Energy and Incitec Pivot were put to shareholders and in all cases IFM supported these proposals.

Outcomes:

- AGL had committed to offer shareholders a say on climate prior to the vote on the proposed demerger of the company that was subsequently withdrawn due to insufficient support, and it was pleasing to see that despite all the events at the company leading into the AGM that it proceeded with the vote. While there were some elements missing, such as detail regarding achieving its 2050 net zero Scope 3 emissions ambition as well as its position on the use of carbon offsets, overall, given the acceleration in its exit from coal-fired power generation to 2035, the company's climate plan was supported by 69% of shareholders. This support was perhaps more pronounced given its major shareholder, Grok Ventures, voted against the plan.

[56] https://www.fcltglobal.org/wp-content/uploads/FCLTGlobal-2022-Blue-Book.pdf; and https://www.fcltglobal.org/wp-content/uploads/Blue_Book_2024_web.pdf
[57] For further details see here: https://acsi.org.au/publications/engagement-reports/

- South32 announced a climate change action plan and offered shareholders a say on climate vote. The company did not refer to its strategy as a climate transition action plan, but instead referred to it as a climate change action plan. We understand that this was done to recognise the importance of physical risk in its plan relating to climate change. There were two main additions to previous communications from the company, including achieving a net zero scope 3 emissions target by 2050, and commitment that it will not develop or invest in greenfield metallurgical coal projects. The company has also recognised the importance of a just transition with this being a key current and planned component of activity. We thought the developments were positive and voted for the plan, as did approximately 89% of shareholders.

- Origin Energy announced its updated climate plan and provided shareholders with a say on climate vote. Given the announced earlier closure of the Eraring power station and the exit from gas exploration activities, the company received strong support for its plan, with 94% of shareholders voting for it.

Board gender diversity

Rationale: ACSI research identified[58] 43 high priority companies across the ASX 300 which have fewer than 25% women on their board. Sixteen of ACSI's priority engagement companies appointed skilled female directors during FY23. The sole continuing laggard was Capricorn Metals.

IFM action: ACSI had its first ever engagement with Capricorn Metals, meeting its CEO (who is not a director) in January 2023. This followed ACSI recommending against the re-election of two directors at its November 2022 AGM, including the Executive Chair Mark Clark. The vote against the Executive Chair was 15.7%, while fellow director Myles Ertzen received a 20.4% 'no' vote. IFM voted against both of these directors and subsequently wrote directly to the company to explain our voting rationale and expectations. We set out that the vote against these directors' elections was not a reflection of their individual performance or skill set, but these votes were a consequence of the company having no female directors on their board, which falls well below our expectations of 30% female representation which in turn we believe supports building and maintaining a viable, profitable and efficient company over the long-term. Furthermore, we highlighted that Capricorn Metals was not meeting what we consider to be best market practise standards with an executive director filling the Chair position.

Outcome: The CEO described Capricorn's board as "a very high-performing, tight-knit team", which also worked together at other resources firms. The company said that it is keenly aware that it is an outlier as a zero-women board and that this (amongst other sustainability factors) may be deterring some institutional investors from becoming shareholders.

ACSI suggested a periodic report reviewing board independence would give stakeholders assurance that affiliations are not undermining performance. Capricorn was the only 'zero women' priority company that remained in the ASX 300 and yet did not appoint a female director during the year.

Safety

Rationale: IFM believes that companies have a duty to provide safe working conditions for their employees. Accidents and fatalities can have a significant impact on the workforce and can negatively impact the performance of the organisation ranging from employee productivity, possible litigation, impact on culture, and reputational risks. We believe ACSI and its members have a strong interest in supporting better worker conditions, and improved health and safety performance by companies.

IFM action and outcome: During the year, with IFM support where applicable, ACSI continued to engage with ASX 300 companies identified as having either poor performance and/or opaque reporting practices in the area of workplace safety. For example:

- Reece: ACSI research identified the bathroom and plumbing supplies group as a priority company that did not provide any form of safety disclosure. After engaging with the company on behalf of members and flagging concerns on the lack of safety disclosures, ACSI noted positively that the company has now published its inaugural sustainability report and provided safety data including lost time injury frequency rates, fatalities and 'safety walks completed' – a significant improvement in contrast to its absence of disclosure previously.

- Perenti: Alongside ACSI, IFM engaged with the contract mining specialist in light of their safety track record. Following multiple fatalities over consecutive years, we discussed the company's immediate response to these incidents, the possible culture contribution to unsafe working conditions as well as the steps the company would take to improve safety within the firm. IFM felt there was an inadequate response from

[58] https://acsi.org.au/media-releases/gender-diversity-lagging-in-board-and-executive-leadership-roles/

the company as executives continued to receive significant bonuses despite these incidents, so we decided to vote against the 2022 remuneration report in their October 2022 AGM. Unfortunately, this issue of poor safety continues for the company after the tragic deaths of two employees in a Queensland mine in February 2023. We will continue to engage with the company on this important issue.

Circular economy

IFM action: In November 2022 IFM, alongside ACSI, engaged with major Australian supermarket Coles in the wake of the collapse of Australia's largest soft plastics recycling program, REDcycle. Following the news that instead of being recycled, the soft plastics were being secretly stockpiled by REDcycle, IFM met with Coles who noted they were taken off-guard by the incident. The engagements focused on the actions Coles would take to remedy the issue around the stored soft plastics as well as contingency plans for similar partnerships the supermarket would have in the future. Alongside Woolworths, the supermarket announced they would take 12,000 tonnes of soft plastics stored by REDcycle and were working to deliver a solution on the management of this material. Coles noted there was a legal review underway on contract appropriateness for other partners. The engagements stressed the need for a broader industry conversation and highlighted the fragility and flaws in Australia's plastic packaging and recycling system.

Outcome: Both Coles and Woolworths are now members of the Soft Plastics Taskforce, a government-backed industry collaboration to develop interim and long-term solutions for soft plastic recycling in Australia in the wake of the collapse of REDcycle. We continue to communicate to Coles our expectations on waste management and the circular economy.

Outcomes of engagement with the highest global emitters through Climate Action

As outlined above, IFM is an active participant in the Climate Action 100+ (CA100+) initiative, supporting engagement with Australian target companies. The following example demonstrates the progress that has been achieved as a result of the coordinated engagement efforts of Australian investors, including IFM.

CA100+ Engagement with AGL – Climate Change

Rationale: During FY22 we engaged extensively with AGL Energy (AGL) alongside the lead and other participating investors in the CA100+. The focus of the engagement was on AGL's announced plan to demerge the business into two separate businesses, and the vocal position taken by a large shareholder who was against the demerger. The shareholder vote for the demerger was subsequently withdrawn by the company when it became apparent that the company was not going to receive the required number of votes supporting its recommendation. This resulted in the departure of the CEO and also selected board members.

IFM action: During FY23 we engaged with the company to communicate how we were against the announced strategic review occurring immediately on the basis that it would be prudent to undertake this review once a permanent Chair and CEO had been found.

We also engaged ahead of AGL's AGM where the company was offering a 'Say on Climate' vote on its announced Climate Transition Action Plan (CTAP). IFM and CA100+ investors were pleased that, in our view, the company appeared to be taking its just transition responsibilities seriously and that the COO was on-site to speak to workers at the announcement of the closure of one of its coal-fired power station assets. We expressed concern, however, that the CTAP did not contain sufficient detail on the company's approach to just transition and we received a commitment from the company that it would be in the subsequent publication of a CTAP.

Our engagements with the company in the period also focused on the board renewal and composition following the director departures following the withdrawn demerger vote. The company was proposing its own set of directors and the large shareholder who was against the demerger nominated 4 directors, one of which was supported by the AGL Board. We communicated to the company our belief that skillsets and independence were high priorities and discussed the optimum board size with the Chair.

Outcome: We believe the company was open and transparent in repeated engagements with IFM and other CA100+ investors as to the status of its Chair and CEO searches.

ENGAGEMENT

Principle 11: Signatories, where necessary, escalate stewardship activities to influence issuers.

Principle 11: Engagement escalation

Our approach

Through our due diligence processes, we seek to identify material sustainability issues at the individual company and/ or sector levels that we may prioritise in our stewardship activities.

This process also incorporates consideration of our three priority sustainability themes, which are climate change, workplace leadership and inclusion and diversity. As outlined in Principle 1, we have identified these themes as they have the potential to impact the wider system in which we invest, as well as the potential to materially impact on the performance, reputation and longer-term value of our portfolios in all asset classes and geographies.

Our approach to prioritising sustainability issues for engagement and escalation also includes consideration of the size of our holding, the degree of materiality or severity of a particular issue for the company and/or sector, and the history of our engagement and progress made to date.

Engagement escalation process

Our engagement escalation process reflects our different asset classes and strategies, as well as the geographic locations and jurisdictions in which we invest, the relevant issues materiality, the initial period of engagement and whether initial engagement efforts were direct, collaborative or via a service provider.

IFM's listed equities portfolio

When we engage with companies (as outlined in Principle 9), we aim to raise and address issues through a cycle of regular meetings attended by members of our listed equities portfolio team and the Sustainable Investment team. We do this directly, via or alongside ACSI who engage on behalf of members including IFM, or in collaboration with other investors. Please see Principles 4, 9 and 10 for details on how we work with ACSI.

However, in instances where issues persist or we do not see what we consider to be enough progress, we have identified actions that aim to escalate specific areas of concern in order to affect the change we are seeking, including:

- formal, direct correspondence with the relevant portfolio company Chair and Chief Executive to raise and or reiterate concerns, and potentially seek additional meetings;
- engaging collectively with other investors or non-governmental organisations to strengthen the effort and momentum behind the issue we are focused on escalating;
- supporting shareholder resolutions calling for further progress;
- voting against management on a specific resolution or the Remuneration Report;
- voting against the re-election of Director(s) if the company fails to make progress on a material, priority issue (i.e. diversity or climate change); and
- advocating for more systemic change via regulators and/or industry bodies.

Following the AGM season, we often communicate the rationale for voting decisions to the portfolio company if we feel this will be beneficial to do so as part of our engagement strategy, as well as outstanding concerns and actions we would like a company to take in order to address issues we have focused on escalating. We also seek and welcome further opportunities for engagement and dialogue.

IFM's infrastructure equity and private equity portfolios

Engagement escalation with our infrastructure equity and private equity portfolio assets is determined on a case-by-case basis. Our teams engage directly with portfolio company management teams and in many instances IFM have appointed representatives on investee company boards. This helps the team to maintain an understanding of sustainability factor risks and mitigation programs and initiatives.

IFM prefers to support and work with the companies in our infrastructure equity and private equity portfolios in partnership, as opposed to undertaking formal escalation, and our level of involvement will depend on the particular circumstance and issue.

IFM's debt investment portfolio

Given the nature of the asset class, our debt investment portfolio team seeks to emphasise up-front due diligence to screen for, and highlight, risk issues and, in particular for private market investments, structure terms that will mitigate these risks and help promote robust sustainability credentials and performance over the life of a given investment. Further, across our debt investment portfolio, the Debt Risk Monitoring and Valuation team reviews regular asset-level reporting, which includes core financial data and any material adverse events connected to sustainability factors.

For investments structured as sustainability-linked loans, there is additional opportunity to engage borrowers on sustainability matters. For example, the team invested in a sustainability-linked loan agreement with a ferry company, which incorporated KPIs focused on improving emissions intensity (gCO2e/ tonne-nautical mile) by 2030 with a view to meeting a science-based decarbonisation target.[59] As part of our ongoing engagement with the borrower, we challenged them to provide more information on how they expect to meet their 2030 target. The borrower responded with a suite of asset-level decarbonisation levers, together with quantified projected emissions reductions. These levers included electrification, biofuels and flywheel technology. We note that these levers are due to be implemented in the future, and we will continue to monitor the asset's progress in terms of implementation and emissions reductions over time.

[59] The KPI referenced assesses the performance of the company with respect to reductions in Scope 1 and 2 greenhouse gas emission intensity, calculated as CO2 equivalent expressed in grams and calculated using the Science Based Target Setting for the Marine Transport Sector guidance document (SBTi-Maritime-Guidance.pdf (sciencebasedtargets.org)) and aligned with the Science Based Targets Initiative trajectory of 1.5°C divided by the related activity expressed in tonnes per nautical mile (tnm).

EXERCISING RIGHTS
AND RESPONSIBILITIES

Principle 12: Signatories actively exercise their rights and responsibilities.

IFM Investors

Principle 12:
Exercising our ownership rights and responsibilities

Our approach

Our stewardship activities and the exercising of our rights differs across regions and asset classes. As outlined in Principle 6 – we have investments and teams supporting IFM's infrastructure equity and debt investment portfolios across all regions, with our diversified credit products within IFM's debt investment portfolio, listed equities and private equity portfolios managed out of Australia, with the majority of their funds under management are invested in Australian companies.

IFM's infrastructure equity and private equity portfolios

For our infrastructure equity and private equity portfolios, our ownership position provides us with opportunities to add value to these companies by actively engaging with them and supporting change initiatives. For both these asset classes we seek board representation, which provides us with a direct channel through which we exercise our ownership rights.

Our stewardship approach in these asset classes is further set out in the case studies in this report.

IFM's listed equities portfolio

For our listed equities portfolio, our ownership rights are executed via an active proxy voting program – as described below. Our Proxy Voting Guidelines are outlined in Appendix 1.

As discussed throughout this report, we believe exercising our voting rights is important to encouraging action on the issues we think are material to long-term investor value. We see this is a key pillar of our stewardship activities. We manage all our voting on all Australian listed companies in-house and actively consider and deliberate on all resolutions pertaining to the top 20 companies (by market capitalisation), all 'Say on climate' resolutions, resolutions that we designate as being contentious and on all shareholder proposed resolutions. Our voting decisions are informed by our company engagement activities and internal and external research. We also consider proxy advice received from ACSI and Glass Lewis. Our voting decisions are governed by our internal Proxy Voting and Engagement Committee, as noted below and in Principle 2.

IFM reviews and votes on behalf of many of our clients for Australian listed companies. All Australian clients receive IFM advice, however they generally execute their own voting based upon their individual policies and procedures.

For IFM's listed equities portfolio assets outside Australia, we use the advice from international proxy advisor Glass Lewis. At all times, our clients are able to advise us of their individual voting position given the listed equities portfolio products we manage are under an individual client mandate.

As outlined in Principle 8, IFM receives voting research and guidance from both ACSI and Glass Lewis.

Proxy voting and Engagement Committee (PEC)

IFM's PEC is responsible for the oversight and implementation of engagement and proxy voting and engagement activity for our Australian listed equities portfolio assets. The role of the PEC is outlined in Principle 2.

IFM Listed Equities Voting Guidelines

IFM's voting guidelines are closely aligned to the standards outlined in the ACSI Governance Guidelines.[60] IFM has endorsed these guidelines and contributed to their development by participating in the Governance Guidelines Working Group. This working group reviews and updates the ACSI Governance Guidelines every two years.

IFM's voting guidelines are outlined in Appendix 1.

Voting process

The PEC executes votes in the following order of priority:

- In accordance with client directives and/or instructions.
- In accordance with the voting recommendation put forward by ACSI based on the principles outlined in ACSI's Governance Guidelines.
- Where there is no recommendation from ACSI, we will review guidance from other proxy advisors and make a final voting decision based on the principles contained within the ACSI Governance Guidelines and IFM's own Voting Guidelines (see Appendix 1).

[60] ACSI Governance Guidelines | ACSI: https://acsi.org.au/publications/governance-guidelines/

IFM retains the right to vote against ACSI's recommendations where the PEC has considered any relevant issues and does so from time to time. ACSI and Glass Lewis proxy advice is an input into the decision-making process.

Prior to casting votes on behalf of investors, a pre-voting report is prepared and issued to all clients of IFM's listed equities portfolio and to relevant internal stakeholders. The pre-voting report contains the vote decision and rationale for the decision when we recommend a vote contrary to the recommendation provided by the relevant issuer. The pre-voting report provides clients with an opportunity to review IFM's decision and inform us of an alternative voting preference for an individual mandate, if they so choose. Pre-voting reports are issued only to clients of our listed equities portfolio and are not publicly available because our listed equities portfolio products are not public facing.

Following the issue of the pre-voting report, proxy votes are lodged on-line via the Glass Lewis 'Viewpoint' online platform.

The Viewpoint platform provides relevant teams and users with visibility of shareholdings in individual client mandates where we have voting authority, as well as the wider portfolio. Glass Lewis receive regular holdings files from our client's custodians which are automatically uploaded into Viewpoint. During the daily upload process, a reconciliation is performed within the system to match ballots and verify holdings to ensure details are accurate. Glass Lewis will flag any issues such as unrecognised holdings, missing shares or incorrect data with the relevant custodian for investigation in the first instance. IFM is contacted if any escalation is needed. For monitoring purposes, Glass Lewis distribute weekly reports to selected IFM users which detail all votes officially cast over the prior week. This provides assurance that votes have been executed correctly and within the set deadlines. Viewpoint also allows us to download a report at any time which displays the number of shares held and the number of votes cast for any company historically.

Further assurance is conducted via our internal auditing process (conducted by external auditors) each year. Proxy voting records are assessed with a view to ensuring applicable internal IFM control procedures are followed and authorised voting accounts are being implemented in line with their associated policies.

IFM does not undertake any stock lending directly. Some of our clients do engage in stock lending, and in this situation they instruct their custodians to manage the stock lending program for them.

Voting terms

Voting terms and authorities for individual mandates are agreed with the client and outlined in the relevant Investment Management Agreement. Clients can give IFM delegated authority to vote on their behalf via a mandated arrangement. IFM is also able to cast an individual vote for any client (where delegated authority is in place) who requests an alternative position to what IFM has proposed.

Voting authorities are managed within the Viewpoint platform. Only shares where IFM has been granted the right to vote on behalf of a client, will appear in the Viewpoint system.

In terms of any listed equity pooled funds, IFM, as trustee, would have full power to exercise its voting rights and do so in-line with our Voting Guidelines as set out in Appendix 1. As at 30 June 2023, IFM does not have any listed equity pooled funds.

VOTING SUMMARY STATISTICS FOR FY23

Key voting statistics for the year are shown below.

FY23 Australian listed equities engagement and voting summary

330
AGMs

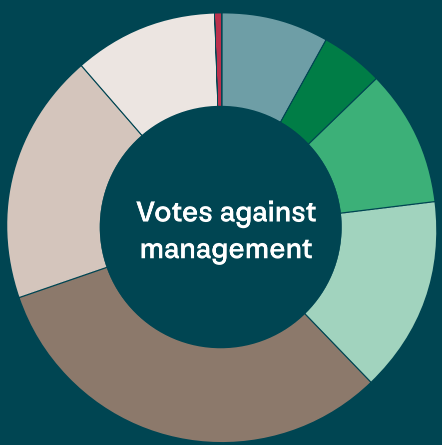
2,082
Resolutions

9% / 195
Votes were against management

Sustainability engagement themes include:

- Climate change
- Just transition
- First Nations
- Modern slavery
- Inclusion and diversity
- Remuneration
- Shareholder resolutions
- Corporate governance
- Board structures

Proposal Type	With Management	Against Management	Abstain	Sum
Audit / financials	64	0	1	65
Board related (other)	47	16	0	63
Capital management	104	9	6	119
Company statute changes	37	20	0	57
Corporate activity	54	0	0	54
Director elections	790	29	1	820
Director fees / grants	444	62	0	506
Meeting administration	240	37	0	277
Remuneration	70	21	0	91
Say on climate	11	0	0	11
Shareholder proposals - Climate change	10	0	0	10
Shareholder proposals - Constitutional Amendment	7	1	0	8
Shareholder proposals - Other	1	0	0	1
Total	**1879**	**195**	**8**	**2082**



- Board related (other) **8.2%**
- Capital management **4.6%**
- Company statute changes **10.3%**
- Director elections **14.9%**
- Director fees / grants **31.8%**
- Meeting administration **19.0%**
- Remuneration **10.8%**
- Shareholder proposals - Constitutional Amendment **0.5%**

VOTING SUMMARY STATISTICS FOR FY23

FY23 International listed equities engagement and voting summary

2,917
AGMs

35,156
Resolutions

11% / 3,819
Votes were against management

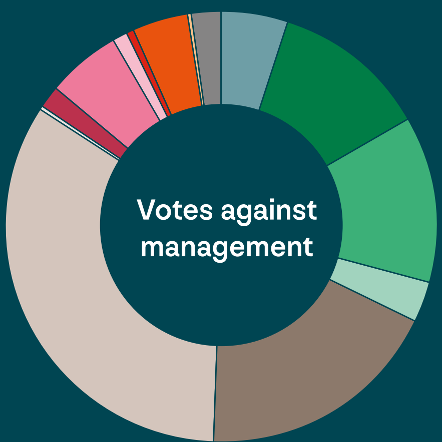
Key themes for votes Against:

- Director Elections
- Capital Management
- Compensation / Executive Remuneration
- Shareholder Proposals

100% of eligible votes were cast in FY23 and the number of votes on which we abstained is shown in the table below. All IFM voting decisions can be searched and viewed from our website.

Proposal Type	With Management	Against Management	Abstain	Sum
Audit/Financials	4743	196	178	5116
Board Related*	2893	448	134	3475
Capital Management	2087	478	70	2635
Changes to Company Statutes	1210	116	140	1466
Compensation	3402	704	206	4312
Director Elections	13451	1274	531	15256
M&A	355	21	5	381
Meeting Administration	743	62	85	890
Other	548	214	48	810
SHP**: Compensation	56	18	1	75
SHP: Environment	132	41	1	173
SHP: Governance	123	156	11	289
SHP: Miscellaneous	9	10	0	19
SHP: Social	176	81	2	259
Total	**29926**	**3819**	**1412**	**35156**

*excludes Director Elections
**SHP: shareholder proposal



- Audit / financials **5.1%**
- Board related* **11.7%**
- Capital Management **12.5%**
- Changes to Company Statutes **3.1%**
- Compensation **18.4%**
- Director Elections **33.4%**
- M&A **0.5%**
- Meeting administration **1.6%**
- Other **5.6%**
- SHP: Compensation **1.1%**
- SHP: Environment **0.5%**
- SHP: Governance **4.1%**
- SHP: Misc **0.3%**
- SHP: Social **2.1%**

IFM's debt investment portfolio

As noted in Principle 9, as private debt investors we have less ability to influence change with individual companies outside due diligence, in comparison to equity investors. However, we see a significant opportunity to collaborate and partner on sustainability themes with investors and borrowers, where appropriate.

We have participated in collaborative debt work streams organised by responsible investment representative groups (e.g. PRI) and we also work with lender groups and syndicate participants on sustainability issues and lending controls to the extent that is practical and applicable. This can include assessing sustainability factors in credit research, engaging with management at the issuer to seek sustainability factor specific information, inclusion of sustainability criteria in deal documentation, and continuing to monitor progress of sustainability issues post investment.

In addition, our Sustainable Investment team and our debt investment portfolio team have sought to engage with industry-wide players. This has included participation in discussion forums and seminars, as well as in our annual submission to the UN PRI. We are also dedicating more resources to disseminating responsible debt investment practices through published papers and discussion topics with investors.

Risk monitoring

Our debt investment portfolio team's Risk Monitoring and Valuation professionals regularly review comprehensive covenant information packs and conduct periodic site visits and borrower meetings to allow for direct Q&A.

We continue to engage with issuers post-investment as part of our ongoing risk monitoring of issuers. If a particular issue occurs whilst we hold the investment or if a previous issue becomes more material, our team would seek to engage with the issuer to seek more information. Depending on the obligations listed within their lending agreement, the issuer may be required to report certain information to IFM on a regular basis (e.g. reporting of environmental incidents or workforce safety issues and performance may be required to be reported on a regular basis). Failure to comply with these additional measures may result in the triggering of review events and, in an extreme scenario, an event of default.

Case Studies

Below we highlight case studies which aim to illustrate our approach and our direct and collaborative efforts across asset classes.

IFM's infrastructure equity portfolio

PRINCIPLE 9

CASE STUDY

Advocating for best practice safety management in infrastructure

Rationale: Supporting the improvement of the occupational health and safety performance of our infrastructure equity portfolio companies continues to be a primary focus for IFM.

Infrastructure asset operating environments typically involve interaction between a combination of large civil structures, transportation and operating equipment and plant, and a range of people – workers, third parties, customers, suppliers, tenants, visitors, and community members.

We take an enterprise approach to occupational health and safety management that governs how we:

- identify potential hazards, risks and mitigation measures;
- manage occupational health and safety risks and improve related performance through our asset management framework; and
- assess occupational health and safety culture and maturity of portfolio companies.

IFM action: During FY23, the IFM infrastructure equity portfolio team continued to progress a range of multi-year occupational health and safety initiatives and programs. These included:

- Safety roundtables – We have been running the safety roundtable program since 2019 in conjunction with global safety consultants. The roundtables aim to share and leverage knowledge among IFM's infrastructure equity portfolio assets about best practice safety management and solutions to mitigate occupational health and safety hazards. Two virtual sessions are held annually for each topic to allow portfolio assets across respective time zones to attend, with assets encouraged to connect with each other to build a portfolio-wide safety community. In FY23, we continued our roundtable series, hosting two sessions on the topics of contractor and subcontractor safety and risk management, and trench work hazards. The first session sought to establish the responsibilities and interventions of different stakeholder groups across the contractor/subcontractor engagement lifecycle and demonstrate how to maintain effective collaboration and oversight across parties. The second sought to communicate best practice risk management related to trenching/below grade works, including frameworks and controls to minimise incidents, including where an operator may not have full control and ownership of a worksite (e.g. buried utilities).
- Infrastructure safety benchmarking – We undertake an annual safety risk management performance benchmarking study, which commenced in FY20 and was developed in partnership with global safety consultants to measure assets within IFM's infrastructure equity portfolio against a composite benchmark on overall employee and contractor safety performance. The most recent analysis[61] reaffirms that assets in IFM's infrastructure equity portfolio continue to outperform representative benchmarks.[62] The lost time injury frequency rate (an indicator used in the study) for employees and direct contractors was 55% better than comparable representative industry benchmarks for 2021 and 52% better for 2022.[63]

[61] Our most recent analysis aggregates data across IFM's three infrastructure equity portfolio products. Data from one product has been aggregated for calendar year 2021 and 2022, another for FY22 and the other for calendar year 2022.

[62] Benchmarking study includes annual data from assets across IFM's infrastructure equity portfolio, averaged over five years (or since acquisition) and compared with appropriate benchmark averages. Benchmarks used include OSHA (Occupational Safety and Health Administration), EUROSTAT (European Commissions Safety Database) and Safe Work Australia.

[63] Includes annual data from assets across IFM's infrastructure equity portfolio, averaged over five years (or since acquisition) and compared with appropriate benchmark averages. Frequency rate is normalised as the number of lost time injuries occurring per 100 full time workers/200,000 hours worked.

PRINCIPLE 9

Advocating for best practice safety management in infrastructure continued

Outcomes: As active members of portfolio company boards and management committees, we advocated for ongoing improvement in safety practice management, including in recent years:

- Through the IFM-appointed board nominee, IFM advocated for Mersin International Port located in Türkiye to develop and execute a safety transformation program with the aim of enhancing its safety approach and culture and, ultimately, improving safety outcomes. We supported an independent review of the port's existing safety approach, culture and practices, which was completed in late 2022. IFM has also advocated for a detailed multi-year roadmap for implementing the recommendations of the review. Some multi-year initiatives have included setting up additional physical barriers leading to a clearer separation of pedestrians and moving vehicles on site; rolling out a regular shuttle bus service to minimise third party vehicles on site; and increasing the number and accessibility of facilities for third party truck drivers.
- IFM's nominee to the Veolia Energia Polska board advocated for improvement of health and safety (H&S) strategies, particularly the implementation of safety reviews and actions recommended by the external safety consultant that IFM engaged. These were incorporated in the company's Safety Strategy for the period 2021-2023, with 'striving for leadership in H&S' now an integral part of the company's strategy.
- IFM also conducts safety maturity assessments post-asset acquisition, looking for improvements.

PRINCIPLE 9

CASE STUDY

Inclusion and diversity in infrastructure

Rationale: IFM's infrastructure equity portfolio team's approach to inclusion and diversity continues to focus on developing an understanding of where IFM's infrastructure equity portfolio assets are situated across a range of inclusion and diversity measures. This helps us to identify opportunities to advance these assets' sustainability-related practices over the long-term.

IFM action: One of the methods to inform our understanding is through an in-house developed inclusion and diversity maturity assessment tool. We believe inclusion and diversity improvement plans need to be regionally and culturally relevant and reflective of an individual asset's location, sector, number of sites and employee demographics, as well as the community in which it operates.

Through IFM's infrastructure equity portfolio company board appointments, we have opportunities to play a governance role in promoting and supporting infrastructure portfolio company initiatives that aim to improve workforce gender diversity and promote economic inclusion in local communities.

For example, through representation on the board of Ausgrid, Australia's largest electricity distribution company, IFM has been proactive in supporting the company's gender diversity goals and initiatives, such as the company's apprenticeship program:

- Ausgrid is facing an ageing workforce and a tight labour market as demand increases for talent to drive the energy transition.
- The company's four-year apprenticeship program is one of the ways it is tackling these interrelated challenges. With an active focus on attracting women to the program, it is also one of the ways Ausgrid aims to foster a more gender-balanced workforce than has traditionally been the case in this sector.
- To support applications from women, the company seeks to create awareness of opportunities through high school open days and tours of Ausgrid operations.
- In the 2023 program, women represented 42% of the 40 participants. The company aims to attract more women each year. The conversion rate for apprentices who complete the program and continue working with Ausgrid is 98%.

Our Australian Infrastructure First Nations Engagement Strategy initiated in FY22 was further developed in FY23, forming part of IFM'S Corporate First Nations Strategy (referenced in Principle 1). We engaged a First Nations' consultancy firm in FY22 to conduct a desktop review of the approaches of IFM's infrastructure equity portfolio assets in Australia to First Nations engagement. The review findings, delivered in early FY23, noted a common challenge across assets was fostering deeper engagement with First Nations, namely attracting First Nations employees and procurement and sector partnerships beyond events and community giving. This finding helped to shape the development of our strategy to focus on creating economic opportunity through employment and supply chains.

In February and October 2023, the IFM infrastructure equity portfolio team in Australia hosted in-person First Nations workshops attended by representatives from eight airport, seaport and energy portfolio assets. The October 2023 workshop included representatives from First Nations' businesses who shared the challenges and opportunities in engaging with their companies as suppliers. These workshops focused on gaining a deeper understanding of:

- portfolio asset priorities, challenges and opportunities;
- identifying where portfolio assets could work together; and
- the role that we could play to support asset initiatives and facilitate collaboration and knowledge sharing.

Outcome / next steps: While the assets represented at the workshop were at different stages of maturity in relation to their approach to First Nations engagement, participants agreed that concentrating our collective efforts on activities that aim to have a real-world impact should be the priority.

In the coming year, areas of focus include:

- Further building cultural competency within our infrastructure equity portfolio team in Australia and at the asset-level for Australian assets in our infrastructure equity portfolio; and
- Developing strategies that aim to enable economic opportunity through employment, procurement and supply chains.

PRINCIPLE 4

CASE STUDY

Social sustainability and sector engagement in infrastructure

Rationale: IFM's infrastructure equity portfolio companies operate across 20 countries and support more than 65,000 jobs. The people who hold these jobs are a central focus of our social sustainability approach.

IFM action: During FY23, we continued to engage with IFM's infrastructure equity portfolio assets to deepen our understanding of key stakeholders, social risks and opportunities, and activities to measure and seek to mitigate social risks. This understanding informs the activities we seek to drive at the sector, portfolio and individual asset levels, including those relating to:

- promoting fair, safe and inclusive workplaces; and
- protecting workers' rights during key transitions, such as those relating to industry-focused automation and global energy.

Outcome / next steps: In all of these activities, we aim to leverage individual asset experiences, convene knowledge sharing opportunities across the portfolio and foster dialogue with asset stakeholders.

Formalising engagement with industrial stakeholders – a sectoral approach

IFM action: During FY23, we continued to progress formal and informal social dialogue with industrial stakeholders at a global, national and sector-level.

Important to this work is the development of sectoral charters for Australian assets in IFM's infrastructure equity portfolio. These charters aim to facilitate mutually beneficial engagement between IFM, the Australian Council of Trade Unions (ACTU) and applicable unions, as well as identify priority areas for focus, including workers' rights, protecting human rights, safety and industry transitions such as automation.

Outcome / next steps: We signed the inaugural Seaports Charter of Principles with the ACTU in mid-2022 and we have committed to working with investee port companies and the other shareholders at portfolio assets to encourage the adoption of the Charter of Principles by those assets.

In May 2023 we signed the Airports Charter with the ACTU to facilitate dialogue at our infrastructure equity portfolio airport assets. Operationalising the Seaport and Airport Charters is a focus for our infrastructure equity portfolio team in FY24.

PRINCIPLE 4

CASE STUDY

Low carbon and climate solutions

Rationale: We believe infrastructure assets are critical to meeting the needs of economies and communities now and in a low carbon future. We work closely with assets across IFM's infrastructure equity portfolio to seek to help decarbonise their operations, and also manage a number of investments in assets with low climate transition risk that we believe will help accelerate the transition to a net zero economy.

For the most recently established product in IFM's infrastructure equity portfolio which specifically targets infrastructure assets that seek to accelerate transition to a net zero emissions economy, we are primarily considering investment opportunities across four key areas: renewable power, electrification, low carbon fuels and carbon capture. These categories capture projects such as solar and wind-powered electricity generation and related storage, transmission and distribution infrastructure, as well as infrastructure to support the uptake of alternative fuels like hydrogen and biofuels.

IFM action: We are currently seeing a number of investment opportunities in the renewables space. Two assets in this space within IFM's infrastructure equity portfolio are Nala Renewables, a global business building and operating solar, wind and power storage projects, and SQ Renewables, which holds a controlling interest in ERG, a European wind and solar power company. ERG has been operating in the energy sector for over 80 years and represents a successful transition story from an oil refinery to a renewable energy platform operating in Italy, France, Germany and the UK.

With global electricity demand set to increase by 25% to 2030,[64] we anticipate the entire energy ecosystem will need to transition, from generation, storage and transport, to end usage. We therefore expect to see more investment opportunities relating to new or renewed energy grids, battery storage, energy efficiencies and electric vehicle charging. We also expect carbon capture opportunities to expand in the coming decade as related technologies evolve.

According to the International Energy Agency, alternative fuels that displace the use of fossil fuels in transport and heating are essential to achieving the global transition to net zero by 2050.[65] Opportunities in this area include assets that are engaged in the production, storage and transportation of low carbon fuels, such as biogas, hydrogen and sustainable aviation fuels.

IFM infrastructure equity portfolio asset GreenGas is a fully integrated renewable natural gas (RNG) platform operating in the US. It utilises established technologies to capture, purify and transport biogas produced from existing organic waste streams for its end use as pipeline-quality RNG. Demand for RNG reflects both the growing number of voluntary and regulatory mandates that require increased use of renewable fuels, as well as the ability of RNG to support the decarbonisation of hard-to-abate sectors – such as commercial and industrial transportation and machinery – while also being compatible with existing gas pipeline infrastructure.

Outcome: GreenGas projects help farmers, food processors and industrial manufacturers capture greenhouse gas emissions (primarily methane) from their operations' waste streams. Through wastewater optimisation and anaerobic digestion, GreenGas converts waste streams into RNG. This RNG displaces GreenGas customers' use of fossil fuels, creating further emissions reduction benefits along the value chain.

[64] International Energy Agency https://www.iea.org/reports/net-zero-by-2050
[65] ibid

PRINCIPLE 7

CASE STUDY

Enhancing due diligence processes in infrastructure

Rationale: We aim to regularly enhance due diligence processes within our four asset classes to reflect best practice and respond to regulatory developments.

IFM action: During FY23, we sought to further enhance existing processes for integrating the consideration of sustainability factors into the due diligence process and reporting capabilities for our IFM infrastructure equity portfolio team.

Our infrastructure sustainability factor toolkit and checklist aims to enhance and streamline our approach to incorporating sustainability factors into the due diligence process for IFM's infrastructure equity portfolio.

Whilst this toolkit and checklist have been regularly updated since their initial creation, their purpose remains the same: to help identify and document sustainability risks and opportunities associated with potential investments; provide input into IFM Investment Committee decision making; and help inform the development of business transition plans following acquisitions.

The IFM infrastructure equity portfolio team works with the central Sustainable Investment team on a collaborative basis to regularly update the infrastructure sustainability factor toolkit and checklist, so that they remain an effective portfolio-wide due diligence tool.

Outcome: The updates made in FY23 aim to support teams to better assess and understand key sustainability risks and opportunities for potential new investments through quantitative and qualitative analyses. Key new features include:

- SFDR requirements summary and pre-investment process flow
- SFDR module for performing mandatory pre-investment checks
- Climate and ESG risk assessment modules
- Templates for reporting to Investment Committee(s) and compiling asset transition plans

PRINCIPLE 7

CASE STUDY

Behind-the-meter renewable installations

Rationale: In 2022, more than 150 megawatts (MW) of financed behind-the-meter renewable capacity was installed across our infrastructure equity portfolio for certain assets' self-consumption. Airports often may have access to land that is well-suited for solar development and can leverage this to help decarbonise their operations. Below are some examples of behind-the-meter projects from across our infrastructure equity portfolio.

Vienna Airport – 24 MW Solar

IFM action: A 24 MW peak capacity solar farm at Vienna Airport has been online since May 2022 and is Austria's largest solar farm. It was constructed on 24 hectares of unused airport land adjacent to runways and is expected to generate up to 30 GWh of renewable energy annually.

Outcome: We believe this action will drive operational cost savings and reduce emissions of the airport by helping to meet approximately one-third of the airport's electricity demand.

Stansted Airport – Plans for 14.3 MW Solar

IFM action: Planning permission has been received for a 14.3 MW solar farm immediately adjacent to Stansted Airport.

Outcome: The site is expected to be operational by the end of 2024 and is estimated to be able to meet up to 25% of the airport's energy needs. We believe this is a key enabler for Manchester Airports Group (MAG) to reach its commitment to achieve 'net zero carbon' by 2038. Similar schemes are under evaluation at MAG's other airports.

Melbourne Airport – 12 MW Solar

IFM action: The largest behind-the-meter solar farm at any Australian airport has been constructed at Melbourne Airport, one of the airports owned by our portfolio company Australia Pacific Airports Corporation. The 12 MW solar farm extends across 16 hectares and is capable of generating up to 17 GWh of renewable energy each year, which is equivalent to the amount of energy required to power approximately 3,600 homes.

Outcome: The facility began operating at 100% output in late January 2021 and it is delivering over 15 GWh of electricity each year, almost 15% of the airport's energy needs and enough energy to power all four of the airport's terminals.

PRINCIPLE 9

CASE STUDY

Power-purchase agreement (PPA) program

Rationale: Enabling and supporting assets in our infrastructure equity portfolio to transition to renewable energy sources and improve energy efficiency is a strategy that IFM is implementing globally, in light of the systemic risks outlined in Principle 4. We have identified climate change as one of our priority sustainability themes for engagement.

IFM action: An example of our work in this area is the large-scale PPA program called the Australian Infrastructure Renewable Energy Program which IFM established to further support our Australian portfolio assets to procure renewable energy.

The aim of the program was to create the first multi-state, multi-asset solution, where benefits would flow on to portfolio assets via a structure that provided:

- access to renewable energy at commercially attractive prices;
- the ability to de-risk businesses against future electricity market volatility; and
- the opportunity to significantly reduce their greenhouse gas emissions, supporting, and in some cases fast-tracking, assets' existing reduction targets.

Over three stages, the program was expected to facilitate the supply of more than 500 GWh of renewable energy per annum by 2025, saving around 235,000 tonnes of greenhouse gas emissions each year.

During 2021, we engaged with and brought other industry stakeholders into the project, including co-investors, large tenants of portfolio assets and other large infrastructure owners. QIC, a co-shareholder in some of the assets in IFM's infrastructure equity portfolio, and Transurban were two key stakeholders with assets in the program. Our collaborative approach elevated the project to a wider industry initiative, which helped to create scale and price benefits for all parties, while also helping to support the infrastructure industry's transition to a low carbon economy.

Outcome: The program represents the largest Australian multi-asset, multi-state, multi-industry stakeholder program of its kind which will see over 500 GWh per annum of renewable electricity supplied to the participating assets across 90 plus sites. The program, consisting of large-scale power-purchase agreements is valued at over A$700 million and is expected to help infrastructure businesses in IFM and QIC's local portfolios save costs, reduce exposure to energy market volatility and reduce their emissions.

In early 2022, Stage 1 of the program was completed with contracts signed for the delivery of 132 GWh of renewable energy per annum for six critical infrastructure assets across New South Wales and Victoria, including Melbourne Airport, NSW Ports, Southern Cross Station and Ausgrid, which are assets in IFM's infrastructure equity portfolio.

Stage 2 concluded in July 2022 with a contract signed in relation to a Queensland-based portfolio asset for the delivery of an additional 185 GWh of renewable energy per annum.

IFM has now finalised Stage 3 of the program with seven assets signing on during this stage (including Sydney Airport and Adelaide Airport (being assets within IFM's infrastructure equity portfolio) and PRP Diagnostic Imaging (being an asset within IFM's private equity portfolio)), bringing the total size of the program to over 500 GWh per annum at its peak.

The program has enabled assets to secure electricity costs at rates below the open market, where in the first two years of operation, the average savings for the participating assets has been 40%.

IFM's debt investment portfolio

PRINCIPLE 7

CASE STUDY

Infrastructure debt: assessing long-term revenue profile of biomass project

Rationale: In FY23, we completed financing of a project relating to the construction and operation of a US greenfield bagasse pellet production plant located near Jeanerette, Louisiana. Bagasse pellets are derived from waste sugarcane or sorghum fibre. They serve as a drop-in replacement for power generators that currently use woody biomass – biomass derived from trees, including construction scrap and sawmill and forest residues – as their primary fuel source.

The use of bagasse pellets helps to reduce the risk of deforestation and emissions by leveraging alternative types of pellets. The production of bagasse pellets also promotes the reduction of methane emissions from waste piles of excess bagasse, which would otherwise be burnt or left to decompose in large mounds.

The project's revenues are underpinned by long-term contracts with strategic European biomass generators that are seeking to diversify feedstock supply types to meet government sustainability requirements.[66] Increased focus on sustainability requirements in Europe relating to biomass feedstocks, as well as the continued conversion of coal-fired plants to biomass in certain Asian markets, creates market tailwinds supporting further re-contracting and the long-term economic viability of the plant.

IFM action: During the due diligence process, certain sustainability factors were evaluated against our Infrastructure Debt ESG frameworks. The frameworks helped guide our due diligence and assessment of risks and opportunities for the project. This included a detailed review of the regulatory support relating to green subsidies across the UK and Europe, which we view as an important consideration for the longer-term revenue profile of the asset.

Outcome: Through our assessment, we determined that biomass is an important alternative fuel source as governments work towards climate goals in the jurisdictions in which project customers operate. We therefore assessed the risk of revenues declining over the term of the financing to be well mitigated.

PRINCIPLE 9

CASE STUDY

Infrastructure debt: sustainability-linked financing

In FY23, we completed an investment in a UK-based company that owns and operates safety and support vessels for critical offshore services to the oil and gas and renewable energy industries.

The terms of the financing included a sustainability-linked feature whereby the credit spread on the loan would increase or decrease based on the borrower's ability to achieve certain sustainability-related key performance indicators (KPIs). In addition to discussions with the borrower on the selection of the KPIs, the borrower sought our feedback on a range of matters to help inform their ongoing sustainability initiatives and business strategy. During these discussions, we had the opportunity to not only provide insight on what we consider to be material sustainability factors, but also to learn from the borrower about considerations from their perspective.

[66] As per requirements that include, (i) guidance laid out in the European Commission's Implementing Regulation in relation to demonstrating compliance with sustainability criteria for forest biomass laid down in its Renewable Energy Directive II; and (ii) the UK's Department of Energy and Climate Change's Timber Procurement Policy, which defines legal and sustainable timber procurement for governmental offices.

PRINCIPLE 7

CASE STUDY

Integrating sustainability factors in diversified credit

The following examples aim to demonstrate consideration of sustainability factors in IFM's due diligence process for diversified credit opportunities.

- Assessment of an opportunity in the resources sector in Australia included consideration of sustainability factors associated with mining and mineral processing. These included the borrower's relationship with the local Indigenous community, labour rights considerations and Native Title and Aboriginal Heritage.

  With specialist support from the central Sustainable Investment team, our team working on the opportunity engaged with stakeholders, where relevant, as it sought to ensure that Free Prior and Informed Consent was established with Indigenous stakeholders.

  The team also conveyed its expectation that employee safety, particularly for female employees, be given priority, given the remoteness of the mining region. Discussions with the company also included diversity goals for the board and management team.

- Prior to making an investment into an Australian retirement living provider, our debt investment portfolio team working on the investment conducted due diligence into the quality of resident care, the oversight and governance framework, the contractual fairness, transparency, and disclosure framework of the product offerings and how these were marketed to prospective residents.

  Given the inherent risks of the sector, particularly around resident care outcomes and the fairness of commercial contractual terms, an extensive reporting regime was built into transaction documentation to drive company accountability for these ongoing risks and to seek to ensure appropriate oversight from us as lenders.

  The reporting package included disclosure of: turnover rates at each village, the ratio of care staff to residents, copies of monthly complaint registers, care governance reports and ongoing confirmation requirements of any changes to fee structures, any changes to incident, feedback and complaints policies, any change to sales contract terms, provision of Aged Care Quality & Safety Commission Audit reports and a management representation of adherence to the principles of the Retirement Industry Code of Conduct.

PRINCIPLE 7

CASE STUDY

Enhancing our debt investments due diligence processes

Rationale: We aim to regularly enhance due diligence processes within our four asset classes to reflect what we consider to be industry best practice and respond to regulatory developments. For example, during FY23, we sought to further enhance existing integration of sustainability factors into due diligence and reporting capabilities for our debt investment portfolio team.

Our sustainable investment approach in our debt investment portfolio team is concentrated on the screening and due diligence phase of the investment process when we consider there is typically a higher potential degree of influence,[67] as compared with post-investment, when terms have been agreed.

We seek to raise awareness of sustainability factors that are considered in our assessment processes within our networks of sponsors, advisors, banks and brokers in an effort to achieve improved outcomes over the long-term. In FY23, our work to uplift due diligence processes and practices included the following:

Infrastructure Debt

IFM action: We worked with a climate change investment and advisory firm to enhance our analytical capabilities on transition risk. We integrated the Cambridge Institute for Sustainability Leadership (CISL) ClimateWise Transition risk framework[68] into the infrastructure debt investment process to systematically assess a potential investment's exposure to climate transition risks and opportunities. The framework provides for a sector-based assessment that takes into account jurisdictional considerations and investment timetables to inform due diligence focus areas, as well as scenario analysis.

Outcome: We have also had the opportunity to engage with certain borrowers on their sustainability strategies. This engagement included negotiation of loan terms that seek to drive sustainability-related enhancements to improve the sustainability profile of an investment, while improving reporting and disclosure of relevant sustainability factors.

Diversified Credit

IFM action: We enhanced our diversified credit sustainability factor due diligence assessment framework in FY23. This work included:

- An expansion of the existing sustainability factor risk categories to enable better coverage of the SASB Standards[69] and diagnosis of issues inherent to our investable universe.
- Incorporation of a standardised due diligence agenda that can be expanded to incorporate select borrower and sector related issues.
- Incorporation of a sector-based process for assessing climate risks, with high-risk sectors and high emitting companies requiring an enhanced level of due diligence. This process includes a qualitative assessment of the level of transition risk and a quantitative assessment of the financial impacts of climate risk on the investee company. The process is supplemented by an inbuilt calculation of the prospective investment's emissions intensity.

Outcome / next steps:

- The increased focus on sustainability factor integration includes an enhanced focus on climate change, ecological impacts, data security, modern slavery, employee wellbeing, diversity and inclusion and business model resiliency.
- The standardised due diligence agenda enables more in-depth and consistent data capture to aid risk diagnosis, as well as further develops future reporting capabilities.
- Our sector-based assessment of climate risks, including transition risk, emissions intensity and financial impacts on our investments are intended to not only aid in a better understanding of climate risks upfront, but also to assist future decision-making as transition targets are considered a part of IFM's commitment to reducing greenhouse gas emissions across all asset classes targeting net zero (across scope 1 and scope 2 emissions) by 2050.

In FY23, we piloted these enhancements across our existing diversified credit assets within IFM's debt investment portfolio and aim to continue to implement them across all new investment processes for such assets during FY24.

[67] Not applicable to certain cash and FX products forming part of IFM's debt investment portfolio.
[68] For further details see: Climate risk | Cambridge Institute for Sustainability Leadership (CISL)
[69] The Sustainability Accounting Standards Board (SASB) Standards aim to enable organisations to provide industry-based disclosures about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance or cost of capital over the short, medium or long-term. See: https://sasb.org/standards/

IFM's private equity portfolio

PRINCIPLE 7 PRINCIPLE 9

CASE STUDY

Working with My Plan Manager to link sustainability objectives and business strategy

Rationale: IFM's private equity portfolio investment team supports the portfolio's company boards who have ultimate responsibility for their company's sustainability objectives. Without providing this top-down focus and support, good intentions within portfolio companies may be sidelined by other priorities. We articulate sustainability-linked objectives and deliverables in our investment strategies where appropriate. Portfolio company management teams then take forward these objectives as part of their company strategy and planning processes with associated tracking and reporting (again with the investment team's support).

IFM action: During FY23, we continued working with the management team at My Plan Manager[70] (MPM) to deliver on the company's purpose and sustainability agenda. Focus areas included:

- Greenhouse gas emissions reduction strategy: In July 2022 the company switched to sourcing the equivalent of 100% of its Australian electricity demand from renewable energy and moved offices to a higher sustainability rated building.[71]
- Information risks mitigation: the company obtained ISO27001 certification for information security.[72]
- Advancing inclusion and diversity: a number of the company's diversity metrics improved through a range of new and ongoing programs and initiatives to attract and retain a diverse workforce. This included progress on its employee disability action plan, including the installation of accessibility improvements such as automatic doors and braille signage, as well as specialised voice-to-text and text-reader software for employees who need this support.

Outcome/next steps: IFM's role at MPM was aimed at establishing priority objectives linked to sustainability matters at the MPM Board level and with a shareholding of ~80% we were able to encourage management to drive a sustainability agenda.

Management reported their progress and status of applicable action plans to the MPM Board once a year who in turn sought to ensure that governance and reporting was in place across technology transformation, risk management and sustainability improvements. The MPM team then worked on implementing these improvements, with IFM team members guiding and/or connecting management to appropriate external resources when needed.

[70] My Plan Manager is Australia's largest National Disability Insurance Scheme plan manager and formed part of IFM's private equity portfolio. In December 2023, the sale of IFM's private equity portfolio company My Plan Manager was completed.
[71] As measured by NABERS is a national building sustainability rating initiative managed by the NSW Government on behalf of the Federal, State and Territory governments of Australia.
[72] ISO27001 is the international best practice standard for information security, cybersecurity and privacy protection (see www.iso.org/standard/27001)

PRINCIPLE 7 PRINCIPLE 9

CASE STUDY

Helping ensure robust cybersecurity management

Rationale: Technology is now integral to the operations of most businesses and offers the potential to scale more efficiently, reduce costs and deliver better customer experiences. In all of our private equity portfolio investments, we look for the opportunity to derive benefits from technology, including the transparency that the use of data can provide in support of good governance. However, the ever-increasing prevalence and sophistication of cybersecurity threats means that technology management from a risk management perspective is also crucial. In FY23 we determined that a more systematic approach was required to manage and synthesise the cybersecurity risk across our private equity portfolio companies.

IFM action: IFM engaged one of its Executive Value Creation Network partners to review the market for a suitable approach and partner. We ultimately engaged a management consultant that specialises in digital and IT strategy and cybersecurity services to deploy a common cybersecurity assessment across the portfolio on at least an annual basis, as well as for all prospective investments at the due diligence stage.

Outcome/next steps: A common framework was put in place to assess the maturity of cybersecurity management during due diligence for investment opportunities for IFM's private equity portfolio. Post-acquisition, the framework aims to enable a consistent view of cyber risk and performance that is benchmarked to industry best practice and can be used by management teams and boards to focus improvement efforts and determine risk tolerance. The framework covers eight key dimensions and more than 30 capabilities. We aim to work with IFM's private equity portfolio companies to conduct independent audits and update improvement plans annually.

IFM's listed equities portfolio

PRINCIPLE 9 PRINCIPLE 12

CASE STUDY

Board diversity informs voting decisions

Rationale: As members of ACSI, we are involved in various initiatives ranging from assisting in the production of government and other regulatory submissions and participating in various working groups focused on specific sustainable investment issues, to updating governance guidelines and voting policies as required.

IFM action: In May 2023, we endorsed an update to ACSI's gender diversity voting policy. For companies that are in the ASX 300 index we expect a minimum of 30% of board positions to be occupied by females. While each company will be treated on a case-by-case basis under ACSI's updated gender diversity policy and by IFM, if this 30% expectation is not met it could result in a vote against individual directors who are most accountable for board succession and composition.

We also encourage companies to develop and communicate a timeframe within which they will aim to achieve board composition of at least 40% males and 40% females. ACSI's updated gender diversity policy can be found on its website[73].

Outcome: During FY23 there were two occasions on which IFM voted against director re-elections due to what we perceived to be insufficient board gender diversity:

- The first involved a vote against an independent chair who presides over a company with only one female director. It is also a board that is not majority independent. We voted against a director election at this company in May 2023 based on a lack of gender diversity, and we are disappointed that the issue has not been sufficiently addressed. Our vote against an independent chair in the context of a board that is not majority independent itself is a signal that we consider that the company is a laggard and needs to improve its board gender diversity as a priority. We also formally wrote to the company explaining the rationale for our voting decisions.

- The second related to a company with only one female director on the board, and our vote was against the election of the managing director of the company, again, primarily based on a lack of sufficient gender diversity. We formally communicated to the company that our against vote did not reflect their performance or skill but was mainly due to gender diversity considerations, which we believe supports building and maintaining a viable, profitable and efficient company over the long-term. In engagements with the company we learned that it is yet to articulate a timeline for improving the gender composition of its board. We were, however, pleased to hear that around 30% of senior management is female.

[73] https://acsi.org.au/our-issues/gender-diversity/

PRINCIPLE 9 PRINCIPLE 12

CASE STUDY

Aligning remuneration outcomes to drive company performance

Rationale: We believe remuneration outcomes should be consistent with overall company performance and shareholder experience.

IFM action: In FY23, almost 30% of our votes against management in IFM's listed equities portfolio related to remuneration. While we were pleased to see some of the larger Australian companies show leadership regarding remuneration during this period, we voted against several remuneration resolutions such as those we considered would impose insufficient hurdles for bonus payments, bonus payments not linking to performance objectives, altering the metrics used for performance assessment to benefit management and rewarding management for poor company performance.

For example, within the period, we voted against NRW Holding's remuneration report at its November 2022 AGM as we were concerned with the use of the earnings per share metric in the incentive structure that did not reflect any return on capital considerations. We were also concerned that a gearing metric is not suitable as part of the incentive structure, as it should be part of the ongoing managerial responsibilities of the executive team. We wrote to NRW Holdings following the AGM to explain our decision to vote against its remuneration report. We met with NRW Holdings following this to discuss management performance metrics in more detail, including metrics for measuring management performance against our expectations.

Outcome: We were pleased that the company was receptive to our feedback, both committing to removing the gearing hurdle and noting that they were considering a return on capital measure for performance hurdles. We will continue to engage with the company on outstanding issues in future engagements.

PRINCIPLE 4 PRINCIPLE 9 PRINCIPLE 11 PRINCIPLE 12

CASE STUDY

Woodside Energy's Say on Climate

Rationale: IFM's listed equities portfolio company Woodside Energy is one of the world's largest oil and gas companies. At its May 2022 AGM, 49% of the company's shareholders voted against its climate transition plan – the largest against vote for any 'Say on Climate' in Australia at the time.

Despite engagement with Woodside over several years regarding its decarbonisation strategy and the clear call from shareholders at its 2022 AGM to act, we were disappointed that the company's updated climate plans in February 2023 in our view did not include any material adjustment. With the company's current capital allocation program heavily skewed towards new fossil fuel projects and low emission reduction targets, we believe Woodside needs a more all-encompassing climate transition plan. Furthermore, Woodside did not offer shareholders a 'Say on Climate' vote at its 2023 AGM despite the lack of progress.

IFM formed a view that following numerous engagements with Woodside management, formal letters to the company and voting against its climate plan at its 2022 AGM, we needed an escalation to express our dissatisfaction with its climate strategy.

IFM action: At the April 2023 AGM, we took what we considered an appropriate escalation measure and voted against two of the three directors up for re-election. These directors are on the sustainability committee, and we felt that our vote would make the company take notice. Due to the third director having a shorter tenure and for board stability reasons, we decided to support their re-election. We formally communicated the rationale for our voting decision to the company by writing to the company and encouraged the third director who we did not vote against to be a stronger voice and advocate for an improved climate strategy aligned with shareholder expectations. All three directors were re-elected by shareholders.

Outcome: This was the first time IFM has taken such a voting position for any ASX listed firm and we hope that it will lead to change within the organisation. We were pleased that the company committed to a 'Say on Climate' vote at its following year's AGM. We will continue to engage with the company and further communicate our expectations on this important topic.

PRINCIPLE 4 PRINCIPLE 9

CASE STUDY

Just transition – Origin Energy

Rationale: We believe the notion of a just transition is an important one. According to the International Labour Organization, a "just transition means greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind".[74]

IFM action: In early 2022 Origin Energy announced that it had applied to the Australian Energy Market Operator to close its Eraring Power Station in the Hunter Valley in August 2025, giving all stakeholders three and-a-half years notice of the closure. This announcement brought forward the targeted closure of the power station from 2032. At the time of the announcement, the company stated, "Origin will consult with its Eraring workforce about the timing of any potential retirement, as well as providing a generous support package during any transition period. This will include re-skilling, career support and redeployment into new roles, where possible. Origin intends to engage with governments and the local community to determine the most appropriate transition planning for any eventual closure. This includes tailored transitional support for employees, continuing with current community commitments, sponsorship and donations out to 2032, and the establishment of a community fund.[75]

In our view, the responsibility to ensure a just transition is not borne by a single entity, and it requires support from companies, governments, and investors, among others.

In August 2022 we met with Origin to understand what progress had been made, and in October 2022 also met with local union officials who represent affected workers in the region.

Outcome: We were pleased to hear that the company announced it plans to install a 700 MW capacity battery on site and will remain a member of the local community. We were also pleased to hear that the company has offered individual meetings for employees to discuss the impact and opportunities and that these have had high take-up rates.

We recognise this is an important topic without many best practice examples for companies to follow. This was reinforced when Origin told us that it doesn't have all the answers and is learning itself. We appreciated this transparent acknowledgement. The company also committed to at least annual reporting of progress.

[74] https://www.ilo.org/global/topics/green-jobs/WCMS_824102/lang--en/index.htm
[75] https://www.originenergy.com.au/about/investors-media/origin-proposes-to-accelerate-exit-from-coal-fired-generation/

PRINCIPLE 9

CASE STUDY

Modern Slavery

IFM action and outcomes:
Examples of our engagement in FY23 with our Australian listed equities portfolio companies on modern slavery-related matters include:

- In FY22, Australian retailer Woolworths identified a modern slavery incident in their supply chain in Asia and we engaged with the company during FY23 to understand the details. We were pleased with the level of disclosure and the course of action it took. We also learned more about the company's approach to modern slavery in its supply chain. Woolworths communicated how this event provided a learning experience for them and that it views the identification of issues as indicative that its audit programs are working.

- During FY23 Ansell, a manufacturer of personal protection products for the health and industrial sectors, was named in a litigation matter in the USA by former workers at Malaysian rubber glove manufacturer Brightway Holdings, accusing them (and Kimberly-Clark Corporation) of knowingly profiting from alleged use of forced labour at the supplier. According to the company, it was alleged that Brightway engaged in forced labour practices and that Ansell and Kimberly-Clark should be held legally responsible for Brightway's own actions and workplace conditions. The former Brightway employees have alleged that, through their purchases of products from Brightway, Ansell and Kimberly-Clark benefitted from Brightway's labour practices, in violation of a United States statute called the Trafficking Victims Protection Reauthorization Act (TVPRA). Ansell has stated that it condemns all human rights violations, including the use of forced and child labour and is committed to actively identifying and addressing violations of labour rights within its supply chain. We met with the company twice during FY23 to understand what it is doing to identify, remediate, and prevent modern slavery in its supply chain. We learned that, when the company has concerns about a supplier's practices, Ansell believes that it can have influence as a customer and that instantly terminating a business relationship may not be the best course of action. Its view is that this may not adequately incentivise a company to stop the behaviour and in some cases that it would place affected workers in a worse position. While, based on our interactions with the Ansell management team, we understand the issue of excessive working hours, recruitment fees, passport holding and debt bondage appear to be declining in Ansell's supply chain, these activities continue to occur. Ansell hopes that joining the Responsible Glove Alliance,[76] as a founding member at launch in March 2022, will bring a further reduction in these activities as this initiative has the scale and authority to implement change. There is no doubt that there remains more work to be done and we will continue to engage with the company on modern slavery issues.

- We met with Australian retailer Coles to hear about the initiatives it is undertaking in its supply chain. We met with company representatives pre- and post the release of the company's financial year 2022 Modern Slavery report. Based on discussion with the company, we believe Coles has made a notable effort to improve accommodation conditions for horticulture workers in Australia. The company also cited organisational design and additional resources as key factors in improving its approach. From a governance perspective, Coles' approach to risk management is considered to be well-formed, and we discussed with them the challenges of conducting audits given access to supplier sites as well as availability of trained auditing staff following the lifting of covid-induced lockdowns. In order to address these challenges we discussed with the company their willingness to train their new auditors.

[76] See here for further details: Responsible Glove Alliance.

PRINCIPLE 9

CASE STUDY

Engagement with Rio Tinto

IFM has had extensive engagement with Rio Tinto following the destruction of sacred Indigenous sites at the Juukan Gorge in the Pilbara, Australia in 2020 and the Respect@Work report, the latter having highlighted elevated cases of bullying, racism and harassment in Rio's workforce. During FY23 we met with company representatives including Chair Dominic Barton and Australia CEO Kellie Parker to understand the company's approach to improving company culture and First Nations engagement.

In a previous meeting, the Chair shared his view that employee engagement surveys are a good way to measure culture and that he reads all the comments made by staff, which, by volume, are in the tens of thousands. In our most recent meeting, he commented that employee engagement improvements do not necessarily correlate with an improvement in culture. This was not to say the culture had not improved at Rio Tinto, but rather that effective ways for the company to measure the success of its actions had not been easy to identify. We do believe the company is committed to working towards ensuring a safe environment for workers and eliminating discrimination.

Regarding engagement with First Nations people and communities, the company acknowledges there are lasting effects from its actions at Juukan Gorge. We were pleased to hear about the ongoing work regarding a set of signals and signposts to indicate whether progress towards Free Prior and Informed Consent is being met. We noted with interest that the process of obtaining permits (including consent from First Nations groups) appears to be a much higher priority than it was previously, and that this directly impacts the company's capital allocation decisions.

IFM's policy advocacy and engagement

PRINCIPLE 4 PRINCIPLE 10

CASE STUDY

Supporting development of an Australian sustainable finance taxonomy

IFM has been a member of the Australian Sustainable Finance Institute (ASFI) since its inception in 2021. ASFI's purpose is to realign the Australian financial services system to support greater investment into activities that aim to create a sustainable, resilient and inclusive Australia. It seeks to achieve this purpose by coordinating, facilitating and driving implementation of the Australian Sustainable Finance Roadmap, which IFM was involved in the development of.

IFM is supporting ASFI's initiative to develop an Australian Sustainable Finance Taxonomy. Across three phases, the initiative aims to deliver a taxonomy framework that provides clear and consistent definitions of sustainable activities, as well as define how economic activities will transition over time to maintain their 'sustainable' classification. Key activities and milestones to date include:

- Phase 1 analysed taxonomy frameworks used in 13 other jurisdictions and developed recommendations on the design of an Australian taxonomy. IFM chaired the Steering Committee for this phase of the project.
- In April 2023, the Australian Government announced that it would make a significant funding contribution and take a program governance role to support continued development of the taxonomy.
- The Australian Taxonomy Development Project commenced in July 2023 as a joint industry-government initiative, led by ASFI in partnership with the Commonwealth Treasury, overseen by the Australian Council of Financial Regulators' Climate Working Group.[77]
- In August 2023, IFM's Executive Director, Policy and Strategy was appointed to the Australian Taxonomy Technical Expert Group by ASFI,[78] with the endorsement of the Australian Council of Financial Regulators' Climate Working Group. The Technical Expert Group provides input into and final approval of climate mitigation taxonomy screening criteria, and associated data requirements, minimum social safeguards and a Do No Significant Harm framework.[79]
- The methodological design of the Australian Sustainable Finance Taxonomy was published on 5 December 2023. Climate mitigation criteria are currently being developed for green and transition activities across priority economic sectors, together with "Do No Significant Harm" criteria for other environmental objectives, with "Minimum Social Safeguards" incorporated to help ensure climate mitigation activities do not undermine Australia's other sustainability and social goals.[80] These products are anticipated prior to December 2024.

Phase 2 of the taxonomy development will be overseen by The Australian Council of Financial Regulators Climate Working Group. This phase aims to build on phase 1 recommendations to develop a comprehensive taxonomy that is inter-operable with taxonomies being developed in other jurisdictions.

[77] For further details see here: https://www.asfi.org.au/taxonomy
[78] Zachary May. https://www.asfi.org.au/s/TTEG-Member-List.pdf
[79] For further details see: https://www.asfi.org.au/asfi-news/announcing-the-taxonomy-technical-expert-group
[80] For further details see: https://www.asfi.org.au/publications/introducing-the-methodological-design-features-of-the-australian-sustainable-finance-taxonomy

IFM's systems and processes

PRINCIPLE 2 PRINCIPLE 4 PRINCIPLE 5

CASE STUDY

Investing in our systems and processes

Risk management framework: Over FY23 we continued to invest in our enterprise risk management (ERM) framework to support our global growth strategy. Our ERM framework refers to the various practices, policies and processes that comprise the collective risk management efforts of the organisation. We have focused on continued enhancements to our ERM risk management practices and systems, with the aim of ensuring they remain flexible, scalable, data enabled and fit for purpose over the long-term. In FY23 this included the implementation of a new risk management system; the addition of specialist capability to our global Risk and Compliance team; further strengthening of our policy governance framework; the operationalising of our regulatory change management process; and the rollout of a consolidated global compliance monitoring program. Tools, methodologies and approaches have been developed within IFM, focusing on operational risks, while also accommodating sustainability-related risk and compliance dimensions, which continue to evolve.

Portfolio management and risk: In FY23 we completed a multi-year initiative to migrate all asset classes on to a single, global, multi asset class portfolio management and risk system. The system aims to help reduce investment and operational risks, as well as administrative workloads. It also aims to provide valuable insight and whole-of-portfolio views, supporting our people to make more informed and efficient investment and management decisions.

We have also developed a data warehouse platform with enhanced data models and data integrity processes. Our ongoing focus is to maintain an effective investment data management framework and processes, drive increased automation, and enhance our data insights and analytics capabilities. With this foundation in place, we can continue to further enhance our operating model with the aim of ensuring it remains an optimal, scalable and efficient multi asset class model.

IFM Investors

Appendix 1
IFM Investor Voting Guidelines

The principle behind IFM voting guidelines for publicly listed Australian companies is to achieve an alignment of interest between company performance and shareholder value over the long-term.

Director Elections

In assessing candidates for election or re-election to the board of directors, and resolutions to remove directors, IFM will have regard to:

- The performance of the incumbent board giving regard to financial performance, long-term shareholder value and conduct.
- The performance of the candidate at the company in question and at other companies, especially their record of creating shareholder value.
- The composition of the board and its key committees, and the capacity of the board and its key committees to oversee the company's conduct and performance on behalf of all shareholders taking into account ACSI Guidelines and having regard to the recommendations of the Financial Services Council and the ASX Corporate Governance Council.
- The capacity of the candidate, given other commitments and attendance at board and committee meetings, to adequately discharge his or her duties as a director.
- The length of the director's tenure on the company's board.
- The mix of skills, capabilities and diversity of the incumbent board.

The Corporations Act requires a board of directors to seek shareholder approval to declare there to be 'no vacancy' on the board in response to the nomination of an external candidate. IFM, in accordance with ACSI Guidelines, and absent a compelling commercial reason, will oppose any such resolution seeking to declare 'no vacancy'.

Director Independence

IFM Investors believes that company boards should be comprised of a majority of independent directors, and have a chairperson who is typically independent. Boards should have both an audit and a remuneration committee. The audit committee should be chaired by an independent director and be comprised of a majority of independent directors. The remuneration committee should be chaired by an independent director and have a majority of independent directors. In classifying non-executive directors or candidates for election as independent or affiliated, IFM will be guided by the whether the candidate is genuinely independent, specifically:

- Is the individual a substantial shareholder, or associated with a substantial shareholder?
- Has the individual been an executive of the company within the past three years?
- Has the individual, within the past three years, been associated with a material professional service provider to the company?
- Is the individual an employee of, or associated with, a material supplier or customer of the company?
- Does the individual, or the individual's family, have material contractual relationships with the company, or any other association with the company and its management, other than as a director?
- Has the individual served for a significant period on the board and therefore be deemed to be affiliated?

IFM will generally not support the election of affiliated, non-independent directors on company boards that are not majority independent and do not generally meet ACSI guidelines unless there are compelling reasons to do so.

Remuneration Report Resolutions

IFM believes that the remuneration of directors and executives should be designed so as to ensure long-term alignment with shareholder interests. Remuneration reports should facilitate understanding of a company's remuneration policies and practices. Boards should ensure there is full disclosure of total remuneration packages, including all components and any termination provisions. In deciding how to vote on remuneration reports, IFM will take into account issues including but not limited to:

- The extent to which remuneration structure, policies and procedures are disclosed in a clear and meaningful way;
- The quantum of director and executive pay and whether it is aligned with performance and shareholders;
- Whether fixed remuneration is at a level that is reasonable with regard to a company's sector, peer group and industrial obligations;
- The structure of incentives, whether delivered in cash or equity;
- Variable remuneration underpinned by demanding and relevant performance hurdles, that are genuinely 'at risk' aligned with investor interests/ the company's strategic needs, and capable of being a true incentive for performance above the executive's core duties; and
- The structure of non-executive director pay, ensuring it maintains and promotes non-executive director independence. Non-executive directors should generally be remunerated by way of reasonable fixed pay only.

Equity Grants & Plans

In deciding how to vote on resolutions seeking approval for specific grants of equity to executives, IFM Investors will consider:

- The performance criteria which must be satisfied in order for equity to vest and the extent to which these criteria are aligned with shareholder interests;
- The period over which the equity will vest;
- Whether the grant represents a deferred component of pay already accrued; and
- The dilutive impact of plans on existing shareholders;

IFM Investors will generally not support equity grants to non-executive directors that incorporate formal or informal performance hurdles on the grounds that such arrangements may impair non-executive director independence.

Termination Payments and Change of Corporate Control

IFM will generally not support equity grants and plans for senior executives that vest on the basis of continuity of employment, however, IFM will be less concerned with retention payments intended for non-executive employees. IFM will generally not support guaranteed termination payments that exceed 12 months' fixed pay. Termination payments should not be paid where an executive retires from office, has resigned, or has been terminated for poor performance.

IFM will generally not support the automatic vesting of options and performance rights in the event of a takeover or change of control of the company. Nor will IFM support the automatic vesting of equity awards in the event of termination of employment.

Auditor Resolutions

The board must appoint an independent auditor. In considering resolutions relating to auditors, IFM will consider the history of the audit firm and any relationships outside of the audit relationship between the company and the audit firm.

Shareholder Resolutions

IFM assesses shareholder resolutions on a case-by-case basis, in the context of how they support or maintain value creation over the long-term. Our decisions are informed by assessing company performance against established criteria.

We look for resolutions to deliver improved governance or transparency within the company. We will judge each resolution based on what is in the best interests of shareholders, as well as a thorough assessment of any potential impacts on the company.

'Say on climate' Resolutions

A 'say on climate' resolution is typically a non-binding advisory resolution for shareholders to vote on the climate policy of a company.

According to ACSI, a non-binding 'say on climate' vote for investors is becoming the benchmark method for those companies most exposed to the transition to a low carbon world to understand the level of investor support for its strategies, and IFM supports companies offering these votes to shareholders.

IFM will advocate for an annual vote given the rapidly evolving nature of industries most exposed, and we believe that a three-year cycle can create risk that action plans become out of date or the company becomes less responsive to investor demands. We do not expect that companies update their climate strategy on an annual basis. We do believe that votes in intervening years can focus on disclosure and progress, as opposed to strategy.

In this initial round of 'say on climate' votes, IFM's position on these resolutions is that we will generally support such a resolution where there is a clear plan on the decarbonisation strategy of the company, combined with a clear explanation of the strategy.

We will make an assessment on whether there is sufficient detail to form a view on the strategy, whether it is Paris aligned, and whether there is sufficient clarity on how this would be achieved.

In the future we will assess this resolution in relation to the execution of the strategy.

Virtual only AGMs/Constitutional changes

IFM does not support amendments to company constitutions which permit 'virtual only' general meetings. Shareholders should have the right to physically attend meetings as this promotes transparency and strengthens engagement between companies and their respective shareholders. We believe hybrid meetings are a better alternative as it allows shareholders the ability to participate in person or by virtual means.

Small and Micro caps

IFM recognises that companies sitting outside the ASX 200 and/or more recently listed may not be meeting all of our corporate governance expectations. IFM Investors continuously engages with these companies to encourage continuous improvement but depending on the circumstances we will take into consideration the maturity of the company and its willingness to improve, in our final voting decision.

IFM will take into account issues including but not limited to:

- The size, market capitalisation and rate of growth of the company;
- The company's willingness to engage with shareholders and undertake commitments for improvement; and
- A demonstrated capacity for change and evidence of improvement.

Important Disclosures

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