



IFM Investors Responsible Business Report

December 2019



One Purpose. Shared Prosperity.

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

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

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Note from the Board

IFM Investors has an important role to play in protecting and growing the retirement savings of more than 30 million working people around the world. Our purpose is clear - to deliver superior net investment returns to members of superannuation and pension funds and like-minded institutional investors.

This purpose is underpinned by our distinct ownership model, with a clear alignment between investor and organisational objectives, as well as a commitment to investing for the long term. The Board of IFM recognises that a “responsible investment” approach to long term investing, including respect for labour rights and environmental and social responsibility, can ensure both strong returns as well as positive economic, environmental and social impacts.

In 2018 the IFM Board Responsible Investment and Sustainability Committee was established to address “ESG” (Environmental, Social and Governance) based issues and risks and their relationship with investment performance, in a more focused way. To date the focus of the Committee’s work has been on developing policies and overseeing progress in areas including:

- managing the financial risk of climate change and our impact on the environment
- protecting the rights of working people
- promoting diversity and inclusion

We believe our commitment to align our investment and corporate actions to the interests of our stakeholders and meet their expectations will earn their trust and support to pursue our purpose. Doing so will ultimately help support the health of communities, economic progress and stability in the markets we operate in and depend upon for our investments and members’ retirement incomes to grow over the long term.



Greg Combet
Chair, IFM Group Board



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

Chief Executive's note

Over the past year, IFM Investors has continued to deliver competitive returns to our investors in a considered and responsible way that focuses on mitigating ESG-based investment risk and aligning to stakeholder and public interests.

This performance has been in the context of an increasingly competitive global landscape, characterised by pressure to reduce fees and increase net-returns, ongoing economic and political turbulence, increasingly intense regulatory controls and continued public mistrust of institutions, government and corporations.

Our competitive performance and considered and responsible approach continue to be underpinned by two key elements: investor alignment and a long term focus.

It is important to us that our values and principles are aligned with those of our investors – this is what drives and liberates us to focus solely on the best interests of our investors' members and beneficiaries. We ensure this alignment with investors via a rigorous client selection process, which incorporates an Investor Suitability Committee.

As long term investors we think in years and decades as we consider a broad range of factors that could put investor returns at risk in the short, medium and long term. Whether working with our infrastructure portfolio companies to implement carbon reduction and energy efficiency programs, or engaging with publicly listed companies to improve labour rights or board diversity, our focus and motivation continues to be mitigating risk and harnessing opportunities to protect and grow the retirement savings of over 30 million working people around the world over the long term.

Beyond our strategy and policy, it is our actions that matter – our deeds, not our words. I want to highlight the critically important human element in our actions, which is our people. I thank our employees around the globe for their individual contribution and the collective power they represent as we pursue our purpose in a considered and responsible way.

I am pleased to present to you the second IFM Investors Responsible Business Report. This report offers transparency into our responsible investment and stewardship activity across our four asset classes, including active asset management, proxy voting and engagement activities and outcomes. We have also included key elements of our responsible corporate operations framework.

We will continue to improve the transparency of our investment and corporate activities as we work to further enhance our capability to deliver on our purpose.



Brett Himbury
Chief Executive

IFM Investors AT A GLANCE

IFM Investors Purpose Statement

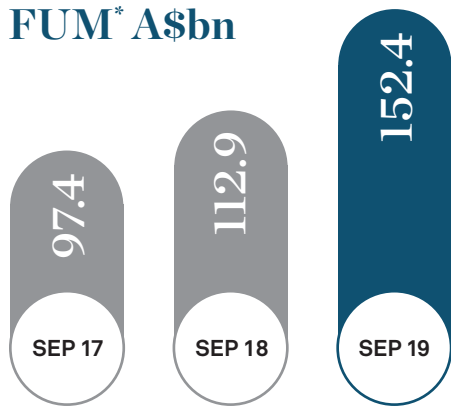
Established by all-profit-to-members Australian superannuation funds, IFM Investors focuses on delivering superior net investment returns to members of superannuation and pension funds and like-minded institutional investors around the world.

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

Cultural Foundations

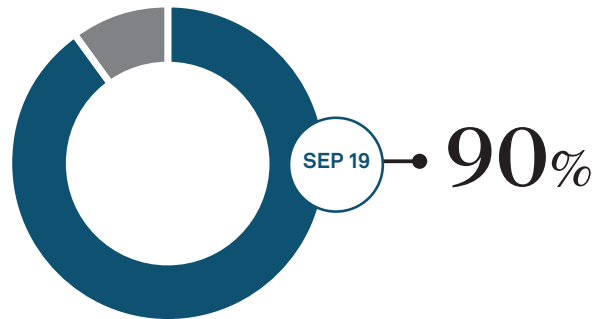
- Prioritise Investors
- Achieve Excellence
- Inspire Innovation
- Respect Each Other
- Lead By Example

FUM* A\$bn



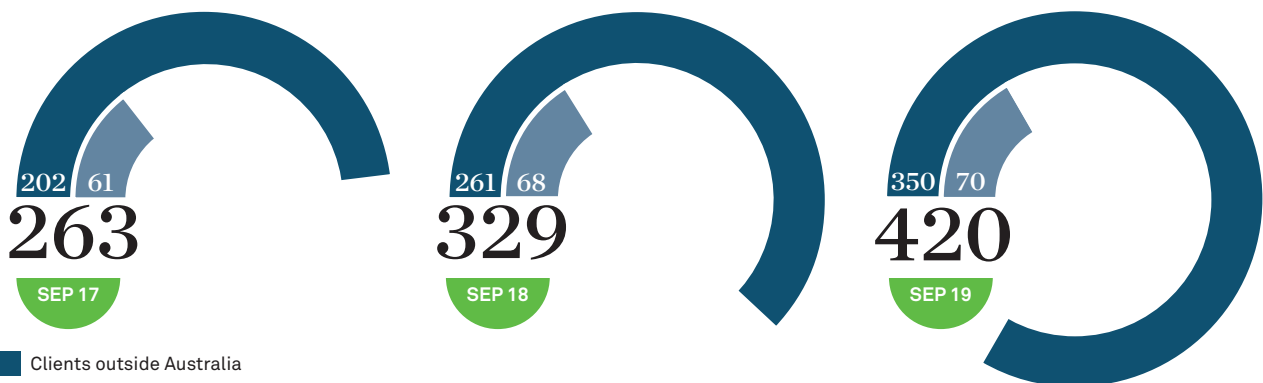
Product Performance**

90% of products performed at or ahead of stated objectives, after tax and management fees, on a five-year basis.



Global diversification

We further diversified our global reach in FY 2019, opening an office in Zurich, Switzerland, to service clients in the region. As at September 2019, we invest on behalf of 420 investors across 22 countries.



- Clients outside Australia
- Australian clients

* "FUM" or Funds Under Management refers to the market value of drawn and undrawn commitments from investors across all asset classes.
 ** Past performance does not guarantee future results.

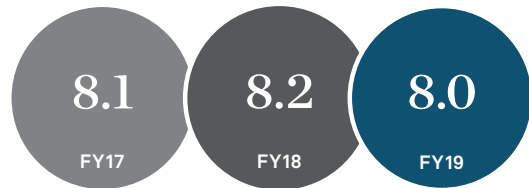
Strong growth in staff numbers

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



Investor Satisfaction Questionnaire (ISQ)

Client satisfaction reached 8.0, proving that IFM Investors continues to successfully focus on the needs of investors and their beneficiaries, while building a reputation as one of the world's most trusted institutional funds managers.



"FY" denotes Financial Year from July 1 to June 30.

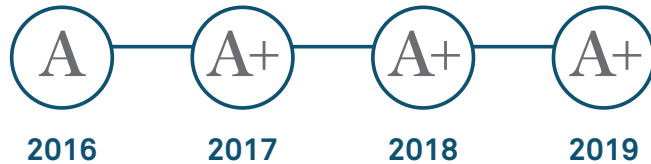


Nine offices globally

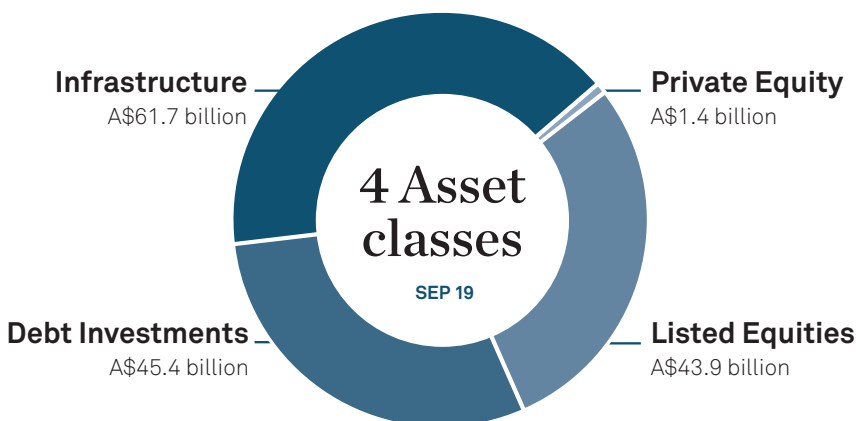
- Melbourne
- Sydney
- London
- New York
- Berlin
- Tokyo
- Hong Kong
- Seoul
- Zurich

Annual scores by the Principles for Responsible Investment

Enterprise-wide measure of Strategy and Governance.



2 x 2019 PRI Awards finalist nominations



30 million+

estimated pension fund members represented

»

The responsible business framework at IFM Investors

IFM Investors' chief purpose is to protect and grow the long term retirement savings of millions of superannuation and pension fund members and like-minded investors globally.

Our historical track record demonstrates the value we have delivered to investors and their beneficiaries. This performance has been underpinned by a considered and responsible way of investing.



As long-term investors, we need to consider a range of factors that could put investor returns at risk. It would be against our investors' financial interests to pursue short-term financial returns that did not protect and grow the value of their investments. We also recognise that in order to maintain and build the value of our investments, our investment and corporate actions must align with community expectations and the broader public interest, supporting our social licence, reputation and ability to deliver on our chief purpose.

This approach has served our investors well for close to 30 years and is motivated by our distinct ownership and heritage. IFM Investors is an investor-owned institutional fund manager, established by Australian Industry Superannuation Funds in the early 1990s. Their intention was to

build a fund with the capability, values and scale to create wide-spread benefits to investors and their beneficiaries.

From these humble beginnings, our investor client base has grown beyond Australia to include over 400 pension funds and like-minded institutional investors from 22 countries around the world, representing over 30 million working people today.

This distinct ownership drives an alignment with our investors that liberates us to focus on our chief purpose of protecting and growing investment value and net returns for investors and their beneficiaries over the long term.

Understanding risk

The cornerstone of protecting and growing working peoples' retirement savings over the long term is understanding risk. We take a pragmatic approach to managing risks and opportunities that can impact the performance of our investments, as well as the stability of markets in which we operate and depend upon for our investments to grow over the long term.

We believe a healthy environment, inclusive society and strong governance are necessary for the sustainable growth and prosperity of economies and communities globally. Failing to consider environmental, social and governance (ESG) scenarios like these over the long term could have a material impact on working peoples' retirement savings. Something we have an obligation to avoid.

There are many ESG issues to consider, however, we have identified four key areas of public and investor interest. These areas represent risks and opportunities that we believe will impact long-term investment value and returns across our asset classes and the many sectors and geographies they span.

Climate change mitigation and adaptation

The long-term strength and sustainability of the global economy is only possible if we have a healthy environment. Climate change poses an economy-wide risk with the potential to adversely

impact the future environmental, social and economic stability of businesses across the world. Understanding and managing the physical and transition risks and opportunities climate change poses for our investments is essential to protecting and growing investment value and returns over the long term. We support the Paris Agreement goals and explicitly factor climate change risk into all of our investment decisions. We engage and work with investee companies to support their transition to a low-carbon economy in ways that create positive investment, commercial, environmental and social outcomes.

Protecting and promoting labour rights

We promote equitable labour standards and the payment of a living wage. Poor and unsustainable employment practices weaken the economy and put investments at risk. We believe managing these risks and acting in the best interests of working people will support long-term competitive returns and a sustainable future for workers.

IFM Investors has a principles-based approach to protecting and promoting labour rights. Our principles relate to workplace safety; fair remuneration; freedom of association and the right to collectively bargain; and the provision of remedy for human rights breaches. We incorporate these principles into our investment decisions and stewardship activities.

Promoting diversity and inclusion

IFM Investors believes a diverse and inclusive workplace helps drive employee engagement, productivity and strong business outcomes, supporting investment value and returns over the



The cornerstone of protecting and growing working peoples' retirement savings is understanding the risks and opportunities that impact investment performance over the long term.

long term. Diverse perspectives and backgrounds can lead to diversity of thought, increased creativity and innovation, and an ability to identify a broader set of risks and opportunities that impact investors and communities. We believe inclusive workplace cultures and practices harness the value of diversity, helping to attract and retain the best talent.

Fair taxation

Tax revenue forms an essential part of a well-functioning society and constitutes a fundamental building block for improving welfare, justice, education, emergency services, health and environmental protection. Responsible tax conduct supports a fairer allocation of economic resources and can help increase economic and social equality, creating market and societal conditions that support long term investment value and returns. Our approach to tax conduct is based on principles relating to everyone paying their fair share of taxes at the asset, investor and corporate level. We support tax transparency and endeavor to ensure that our portfolio companies' and assets' practices are consistent with our tax principles.

This Responsible Business Report

This report aims to provide greater transparency for our stakeholders and the wider community about our responsible business approach and outcomes. Report sections include responsible business governance and oversight, responsible investment and stewardship activity across our four asset classes and key elements of our corporate operations. Examples throughout the report demonstrate our approach and the outcomes achieved for our investors and their beneficiaries, and the wider community. We have also highlighted a number of commitments to advancing our responsible business approach and activities throughout the report.



Responsible business governance and oversight



As we pursue our purpose and continuously strive to meet the expectations of our investors, their beneficiaries and the wider public, responsible business governance and oversight remains essential. We believe it is the systems and governance throughout our investment and corporate decision-making process that give our approach rigour and accountability. From the boardroom to our investment teams, we have structures and policies in place that track and define our responsible business practices.

IFM Group Board Responsible Investment and Sustainability Committee

At the board level, our responsible investment and sustainability strategy and reporting frameworks are reviewed quarterly by the IFM Group Board Responsible Investment and Sustainability Committee (BRISC). The BRISC consists of a minimum of three directors, comprising the Chair and two other members of the IFM Group Board, and it is responsible for monitoring and overseeing progress against key responsible investment and sustainability objectives.

IFM Investors Investment Committee

The approval of new and follow-on private market investment transactions is the responsibility of the IFM Investors Investment Committee. The Investment Committee has oversight of our investment programs and portfolios, as well as the firm's ESG policy, and its approval process includes consideration of ESG-related investment risks.

Proxy Voting and Engagement Committee

Oversight of all proxy voting activity on listed securities is the responsibility of IFM Investors' Proxy and Engagement Committee (PEC). The PEC determines our approach to voting and is responsible for approving all proxy voting on listed securities. The Committee also approves and monitors ESG engagement activities with companies, ensuring investee companies are acting in a way that is consistent with the IFM Group Corporate Environmental, Social and Governance Policy.

IFM Group Corporate Environmental, Social and Governance Policy

Our ESG approach is outlined in our Corporate Environmental, Social and Governance Policy (ESG Policy). This policy is part of the IFM Group Policy Library and determines our approach to governance of investee entities (listed and unlisted) managed by IFM Investors and our subsidiaries.

The ESG Policy outlines the ESG principles (as per the IFM Investors Responsible Investment Charter outlined on the facing page) we require investment teams to adhere to and the ESG approach adopted by each of our portfolio managers, in addition to providing an overview of our engagement and voting approach.

Responsible Investment team

Development of IFM Investors' overarching responsible investment and sustainability strategy is the responsibility of the Responsible Investment (RI) team.

These professionals, with diverse skill sets and backgrounds, provide support and specialised advice to investment and asset management teams on their responsible investment and ESG integration approach. The RI team participates in the Investment Committee to provide specialist support and advice.

Responsible Investment Charter

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

Three Core Beliefs

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



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



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



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

Six Pillars

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



01

We take a long term view



02

We take an agile approach



03

We align our goals



04

We are an informed investor



05

We act as steward



06

We act transparently

Eight Principles

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

1

Engagement with ESG equals discipline

2

Integrity of market is paramount

3

Diversity drives performance

4

Climate change impacts assets

5

Aligned incentives improve results

6

Profit is possible without exploitation

7

Understanding assets drives value

8

Measuring outcomes drives value

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Responsible Investment Framework

We consider a broad range of factors in our approach to responsible investment, including the markets in which we operate. We take a pragmatic approach to understanding and appropriately managing investment risks and opportunities.

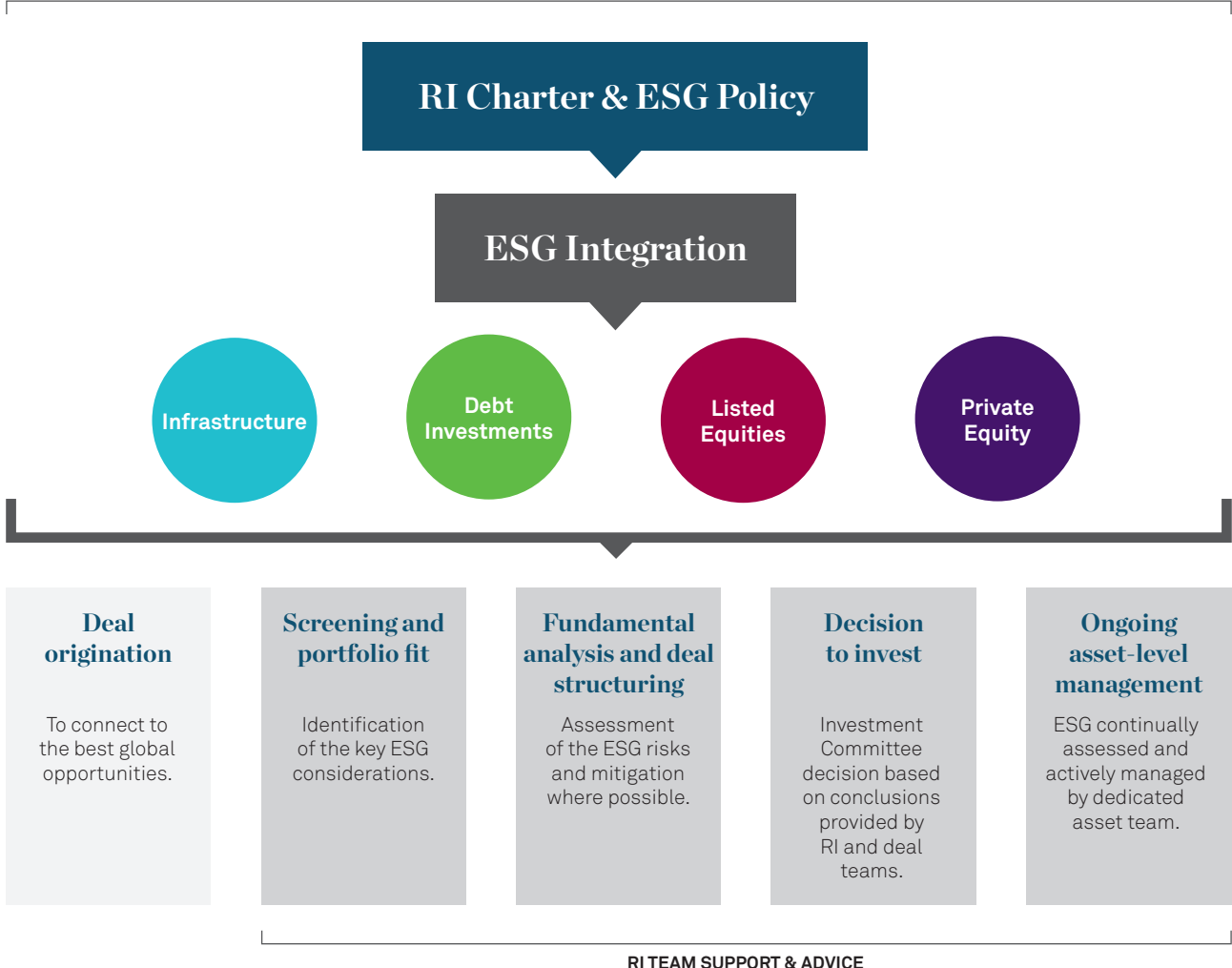
Our responsible investment beliefs and principles, as encapsulated in our RI Charter and ESG Policy, underpin our approach as we integrate ESG considerations at all stages of the investment process. ESG data is considered alongside

financial data to shape our investment decisions from deal origination through to ongoing asset management.

We manage investments across four asset classes – Debt Investments, Listed Equities, Private Equity and Infrastructure. With the support and advice of the RI team, each asset class applies proprietary ESG assessment approaches tailored to their specific strategy, as outlined in the following pages.

Responsible investment due diligence and stewardship framework

GOVERNANCE & OVERSIGHT



An aerial photograph of a winding river in a canyon. The river is a mix of blue and white, flowing through a landscape of orange and red earth. A large white circle is overlaid on the center of the image, containing the text.

Asset classes

Responsible investment
across our asset classes.



Continued development in Melbourne's Essendon Fields through IFM Investors' debt financing has revitalised an ageing commercial area.

Responsible Investment: Debt Investments

The IFM Investors Debt Investments team invests in specialised credit, infrastructure debt, core bond and cash with current investment interests across Australia, North America and Europe.

We believe well-governed and sustainable businesses are less likely to face unanticipated

risks and therefore pose a lower default risk.

With limited scope to influence company management post-investment, our ESG approach is concentrated in the screening and due diligence phase prior to entering an investment.

Our approach to integrating ESG considerations entails two steps. First, we remove investments from our investable universe if they do not align with our investment philosophy and beliefs, as articulated in our ESG Policy and RI Charter. Second, we integrate ESG factors into our due diligence process to better assess and price risk appropriately. In some cases, where we identify material ESG risks, we ask for modifications or seek mitigations to reduce the ESG risk. The table on the facing page outlines examples of investment opportunities from across the globe with material ESG considerations that influenced our credit assessment.



We believe well-governed, responsible companies are less likely to face unanticipated risks.

DEBT ISSUER:	ESG CONSIDERATION & INVESTMENT DECISION:
Food and beverage franchisor (Australia)	<p>We considered the franchise business model with a particular focus on franchisee economics and store support. Our key concerns related to the risk of franchisee exploitation given the relative bargaining power between the parties. In this instance we determined there was an elevated and unacceptable risk of oppressive conduct on the part of the franchisor, which could not be adequately addressed to our satisfaction. IFM Investors declined to proceed with this opportunity.</p>
Higher education provider¹ (Australia)	<p>IFM Investors considered student welfare, course quality and outcomes including pass/fail rates, student attrition and teaching staff to student ratios. We also reviewed the use of education agents, including remuneration structures, clawbacks and controls over marketing materials, to ensure the provider's tertiary course offering was transparent to students, particularly international students. Ultimately, we were satisfied with the outcomes of our reviews and were able to support credit approval.</p>
Childcare centre (Australia)	<p>Key considerations for this opportunity were carer and care-recipient welfare. Pertinent issues in the childcare industry relate to minimum quality standards for facilities, carer education, and carer to care-recipient ratios and costs. IFM Investors drew comfort from the introduction of the Australian National Childcare Quality Framework (NQF), which provides granular regulatory oversight of the sector, including stricter quality and licensing standards and higher minimum carer ratios and education requirements. Regarding affordability, we enquired about and gained comfort from the introduction of the Childcare Subsidy Scheme, which has removed caps on child care rebates and reduced out of pocket expenses by about 15 per cent. Affordability for parents remains a sector-wide issue and was a key discussion point at the IFM Investors Investment Committee. We ultimately approved this investment opportunity.</p>
Energy facility (North America)	<p>The transaction related to an energy facility with strong credit and environmental credentials indicating a favourable investment opportunity. However IFM Investors ultimately declined credit approval for this opportunity due to governance and reputational risks associated with a key party purchasing the energy.</p>
District heating utility (Europe)	<p>Our assessment of environmental risk illuminated water loss as a key issue, and we were particularly interested in understanding whether water loss, as a percentage of total water, was increasing over time. Loss of water is a normal and unavoidable aspect of any district heating network's operations, with regular water refills required in the system. Our analysis revealed this particular network was well-maintained and performed efficiently, with a small amount of leakage compared to similar systems. The rate of leakage was shown to remain stable for the duration of public service concession contracts, reflecting appropriate maintenance plans implemented by the operator that are accounted for in forecasts. We were satisfied that water loss risk was satisfactorily mitigated and ultimately approved credit for this opportunity.</p>

¹ Non-VET (Vocational Education and Training) sector.



Responsible Investment: Listed Equities

I FM Investors Listed Equities capability comprises three specialist teams who manage active small and large cap equities strategies, and passive indexed and quantitative strategies, with global capacity. Given the diverse nature of these three sectors, each team has its own approach to integrating ESG considerations.

Indexed & Quantitative

Our enhanced indexed strategies seek to outperform client investment objectives. We actively engage and vote on the companies in which we are invested to improve their ESG performance and disclosure. For investors who wish to implement specific screening strategies we develop and implement segregated mandates.

Active Large Caps

The Active Large Caps team undertakes quantitative modelling combined with a qualitative,

fundamental overlay to determine an 'investable' universe of stocks. Our approach draws on external ratings, internal analysis and direct company meetings, ultimately 'knocking out' companies with a particularly high ESG risk exposure. The portfolio maintains a breadth of stocks while limiting exposure to companies with poor ESG practices.

Small Caps

The Small Caps team takes a bottom-up, fundamental modelling approach to investment management, drawing on external ESG research and direct company engagement, broker reports and proxy advisers. We integrate quantitative and qualitative ESG data into our analysis of industry sectors and individual stocks to establish an ESG score. This score, together with our broader competitive analysis, informs our investment decisions.



PRINCIPLES IN PRACTICE

Promoting Gender Diversity on Boards

As a member of the 30% Club Investor Working Group, we are actively seeking an increase in female company board appointments. At 30 June 2019, there were still four ASX200 companies and 27 ASX300 companies with no female board directors. In line with ACSI's Diversity Policy and our own diversity principles, we intend to vote against directors seeking re-election to these boards unless we find sufficient grounds not to do so.

During FY 2019 we wrote to over 80 companies with boards comprising zero or one female, outlining our expectation that they continue to work toward the goal of 30% female representation on their boards.

To date, 18 companies have responded and expressed a willingness to make further improvements to board gender diversity while maintaining overall board skills. At meetings with company chairs, the following improvements have been pledged:

- Four companies flagged imminent female board appointments;
- Two companies are expanding their boards to make room for new female appointments; and
- Three companies indicated they were seeking to appoint females with non-ASX board experience to expand their pool of candidates.

We will continue to engage with companies on this issue during FY 2020.

Listed equities research

During FY 2019, we reviewed our ESG research and ratings service providers to ensure the information we use for underlying ESG analysis continues to meet each team's needs.

Investors are increasingly seeking information and guidance on investment strategies that meet specific ESG objectives or to invest in line with specific themes such as climate transition. Accessing the underlying ESG data and research to develop these strategies and testing data assumptions and performance outcomes are ongoing activities across the teams.

In late 2018, IFM Investors launched the Research Lab, which provides clients with access to research resources that provide analysis for use in specific projects or for collaborative product development. The Research Lab has, for example, performed analysis on the efficacy of ESG signals in equity markets, while also developing smart beta strategies and completing non product-related research for a client.



We believe diversity drives performance and recognise the value of a diversity of views, cultures and opinions at the board level and throughout businesses we invest in.

Melinda White

Investment Director, Active Equities & 30% Club Board Diversity Working Group member



Listed Equities Stewardship

Our stewardship activity serves all of our listed equities strategies. We take active steps to guide and influence the behaviour of the companies we invest in through direct and collaborative engagement and proxy voting. Our RI Charter and Group ESG Policy outline our overarching ESG principles and the issues we expect companies to strategically recognise and manage in order to protect and enhance their value over the long term. Our activity is aligned to the requirements of the Australian Asset Owner Stewardship Code, and we support our investors in their adoption of the Code.

Proxy Voting

We exercise our right to vote on company resolutions for the companies in which we invest. We have a responsibility to use our ownership rights to improve corporate governance practices across ASX listed companies. In particular we are directing our votes to increase diversity on company boards (skills and gender) and encourage remuneration policies and practices that are more closely aligned to shareholder outcomes. Each

equities team is responsible for the management and voting of proxies relating to companies held in their respective portfolios, and the PEC coordinates the voting process and oversees final voting decisions.

We plan to launch automated voting disclosure on the IFM Investors website prior to the end of calendar year 2019. This will provide investors and the public with greater transparency and ease in searching and viewing our voting decisions.

Engagement

We believe company engagement is critical to the advancement and promotion of responsible investment considerations. We have intimate knowledge of our investments and regularly engage with businesses directly or through the Australian Council of Superannuation Investors (ACSI). During FY 2019 we have engaged ASX-listed companies on a range of priority issues. We frequently engage with regulators, industry associations and via investor collaborations to promote best practice responsible investment standards.

Understanding labour rights risks in fresh food supply chains

IFM Investors has led an engagement with Australian fresh food supermarkets Woolworths and Coles since October 2016, with the aim of protecting investment value and returns through a better understanding of current labour conditions and labour rights risks for agricultural workers in Victoria's (Australia) fresh food supermarket supply chain.

We continue to call for:

- Greater oversight and transparency in reporting by the supermarkets on supply-chain labour rights risks; and
- Ongoing action by the supermarkets to improve oversight and management of the labour force employed in their supply chains, particularly controls regarding the use of third party labour hire firms.

Engagement activity in FY 2019 included face-to-face briefings with both supermarkets and attendance at a National Union of Workers-organised forum of agricultural workers. The workers forum highlighted ongoing worker grievances relating to pay and incentive structures, working conditions, shift structures and the need for clearer avenues to raise concerns with management.

Our engagement activity is helping to focus these companies' board and management teams on key supply chain labour rights issues that can impact investment value and returns via reputational damage, fines and penalties.

To date, both supermarkets have acknowledged the extent of the issues and assumed greater responsibility to act. Actions taken include reviews and updates to policies and procedures, improved supply chain audit processes and mechanisms for reporting grievances, and improved processes for working with farms where labour rights breaches have occurred.

We believe significant risks relating to fresh food supply chains remain for workers and investors. We will continue to work directly with and via ACSI to pursue conversations with these fresh food supermarkets regarding supply chain human rights and labour risks.



FY 2019 Proxy voting summary*

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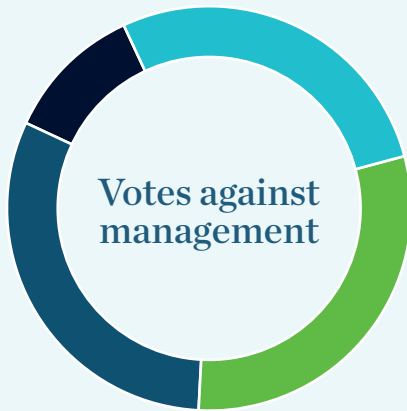
Number of meetings

1439

Number of resolutions

9%

Votes against management



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

Priority Engagement Themes



Gender diversity



Climate change



Supply chain labour rights



Conduct & culture



Labour conditions / wage underpayment

PRINCIPLES IN PRACTICE

Climate Action 100+

IFM Investors is part of the Australasian Climate Action 100+ (CA100+) working group, which has engaged extensively with 11 Australian companies on the “plus” list during FY 2019. The group has initiated 20 company meetings over the past year, the majority of which were held at CEO and/or board level.

Building on the first phase of engagement, IFM Investors will continue to work with other signatory investors focusing on:

- 1** Lobbying reform;
- 2** Setting clear emissions reduction targets and goals (toward net zero by 2050); and
- 3** Implementation of the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.



The working group has made good progress with a number of large global companies publicly announcing climate change pledges. Aligning all target companies to the Paris Agreement goals will be a significant challenge, but we will persist.

Serena de Kretser

Senior Associate, Responsible Investment and CA100+ Working Group Representative

Climate Action 100+, comprising 70 investors collectively managing over US\$35 trillion in assets, focuses on companies critical to the decarbonisation of investment portfolios and the global economy, including 161 companies accounting for over 80 per cent of corporate GHG emissions, based on 2018 emissions data reported to CDP and Climate Action 100+ analysis.



* IFM Investors' Voting and Engagement Reports are available online at www.ifminvestors.com/about-us/responsible-investment/stewardship



Responsible Investment: Private Equity

IFM Investors is an active global private equity investor. Current investment activities focus on direct investment in middle-market growth companies. The team maintains a pragmatic and commercial approach to responsible investment and integrating ESG factors throughout the investment process.

High-level ESG-related risks and exposures are identified during an initial screening of opportunities. Initial screening papers are shared and discussed with IFM Investors' Responsible Investment team. This process identifies relevant sector and industry themes and includes evaluation of similar investments in our deal database. Opportunities that proceed past the

initial screening stage are subject to a detailed ESG analysis during due diligence. This step assesses alignment with our ESG Policy, and those of our investors, and will shape the post-acquisition improvement plan.

We will only pursue transactions that meet our risk-reward criteria and pose no issues that could negatively impact our long term valuation. Examples of opportunities we have declined include a chemicals business and two businesses servicing the fossil fuel mining sector, based on environmental considerations; two businesses with labour casualisation issues; a number of businesses with supply chain issues involving sourcing opportunities through misaligned commission structures; and businesses reliant on gambling revenue, due to social considerations.



Our Responsible Investment strategy isn't just about a due diligence checklist at the screening or initial investment stage, it is an ongoing program around managing both risks and opportunities.

Stuart Wardman-Brown
Global Head of Private Equity

Stewardship

The Private Equity team works in partnership with key stakeholders to drive value in the ongoing management of investee companies. Through our active representation on company boards, we work with management teams to improve performance on ESG issues. Our action plans outline improvement initiatives across the full spectrum of operations. Focus themes of our stewardship activities reflect broader responsible investment themes, including transparent reporting, diversity and inclusion, labour rights and climate change.

Case Study: Genie Solutions, building a workplace culture to drive transformative growth

With a guiding purpose to enable medical professionals to deliver better outcomes, Genie Solutions develops and sells desktop and cloud-based practice management software to Australian medical specialists.

Genie Solutions was a family-owned and operated business prior to IFM Investors acquiring a significant majority equity stake in 2017. Since acquisition, we have worked closely with the company to drive a multi-faceted growth strategy. Our active management approach identifies material ESG risks and opportunities as we seek to build value through improving business practices.

Our active management focus has been transitioning the existing workplace culture to a high performance culture - one that will provide a strong foundation for the business's growth plans by cultivating a motivated, resilient and engaged workforce.

We believe a People and Culture Strategy is a fundamental pillar of a high performance culture. As such, Genie Solutions launched its first formal People and Culture Strategy in 2018. The strategy's policies, programs and initiatives aim to align people and culture practices with industry best practice and 'employer of choice' standards. Core elements of the strategy are depicted below.

Specific policy and program examples include:

- Paid parental leave policy for primary and secondary carers; including paid superannuation during primary carers unpaid leave period;

- Annual health and skin checks and flu vaccinations;
- Frequent employee engagement surveys;
- Access for all staff to a learning and development program offering 75+ courses run in partnership with the Australian Institute of Management;
- Leadership and Emerging Leaders programs; and
- Digital health partnership with Movember to develop their TrueNTH initiative, a global collaboration of clinicians, researchers and patients aiming to improve the quality of life and outcomes for men with prostate cancer.

Genie Solutions' key performance metrics include employee engagement, which is measured by bi-annual surveys. With an ongoing target of 80 per cent, employee engagement has strengthened from 63 per cent in 2017 to 75 per cent in early 2019. There has also been an increase in social connections between staff, further supporting employee engagement, motivation, and wellbeing.

IFM Investors and management have been working through challenges relating to change management and ensuring clear internal communication about strategic and operational changes.

IFM Investors believes Genie Solutions is well-placed to participate in the ongoing digitisation of the healthcare work space, and we will continue to work closely with management to strengthen workplace culture and employee engagement as a fundamental base for future growth.



Genie Solutions won the 2019 Women in Digital National Awards 'Diversity Employer of the Year' award, also achieving finalist status in the 'Power Developer of the Year' category.



Responsible Investment: Infrastructure

Responsible Investment

IFM Investors is a market-leader and pioneer in infrastructure investing, targeting core opportunities in developed markets on behalf of institutional investors globally.

The long term nature of investing in this asset class lends itself well to our infrastructure team's responsible investment approach. Our due diligence framework enables our investment teams to focus on ESG factors that drive value or represent a material risk to long-term performance at a company or portfolio level.

Decisions on whether to pursue investments in our infrastructure portfolio are determined on a risk-adjusted basis. On many occasions, we have elected not to pursue investments based on the exposure to a collection of risks, including consideration of ESG factors.

Stewardship

Every day we are trusted to own and operate critical infrastructure networks that impact the lives of millions of people worldwide. We have a responsibility to our investors and their beneficiaries to actively manage our investments in ways that benefit workers, consumers, communities and the environment. This approach motivates our active asset management framework and activities, which aim to create sustainable and commercially successful businesses that deliver strong returns over the long term.

Whether we have a controlling stake or are part of a broader group of owners, in all cases, we seek to provide leadership that delivers on IFM Investors' chief purpose. Through board representation and membership of management



In December 2018 Brisbane Airport completed a solar panel installation project which is the largest rooftop solar panel installation at an Australian airport and the largest commercial rooftop solar system in the Southern Hemisphere.

committees, we actively engage with our portfolio companies regarding responsible business practices and the progress of our asset management initiatives.

Our FY 2019 ESG asset management activities focused on several strategic themes representing areas of risk and opportunity for our infrastructure assets, regardless of sector or geography, including sustainability strategy and reporting; climate change and energy; diversity and inclusion; and workplace safety.

Elevating sustainability strategy & reporting

In October 2018, we held the inaugural IFM Investors Australian Infrastructure Sustainability Forum, bringing together representatives from our major Australian portfolio companies. The objective was to drive progress on climate change management and improve sustainability strategy, performance and reporting.

In our view, a sustainability strategy that aligns with business planning processes and considers major stakeholders, including employees, customers and communities, leads to greater

value creation. Greater public transparency through sustainability reporting also helps build trust and social licence, which is crucial to the success of these businesses over the long term.

Participating companies agreed to progress their sustainability strategies and committed to:

- Annual Global Reporting Initiative (GRI)-aligned sustainability reporting from FY 2019, if not already doing so; and
- Developing an emissions reduction strategy, including targets and pathway projects (refer to Carbon Reduction and Energy Efficiency Initiative outcomes on page 24).

We recognise the uniqueness of each company's stakeholder mix and operating environments. The two-day forum supported company representatives to develop a roadmap to advance their respective company's sustainability strategy and reporting activity.

The Sustainability Forum received global recognition as a shortlisted candidate for the 2019 Principles for Responsible Investment (PRI) Excellence Awards 'Active Ownership Project of the Year'.



FY20 Commitment

Host Sustainability Forums in New York and London offices for IFM Investors' global infrastructure portfolio assets.



As long term investors we may potentially hold some assets for up to 50 or 100 years. With this comes a responsibility to manage the financial risks of climate change in the short, medium and long term through actions that create positive commercial, environmental and community outcomes.

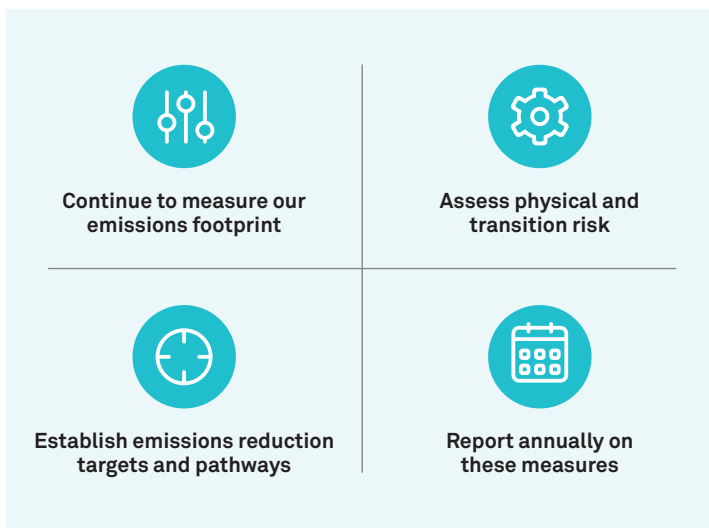
Michael Hanna
Head of Australian Infrastructure

Climate Change and Energy

Climate change is a priority focus area, posing significant short, medium and long term risks and opportunities for our portfolio companies. We seek to understand and manage the material impacts of climate change as we continue to focus on protecting and growing long-term investment value and returns.

We are undertaking a range of activities to assess and mitigate climate change risk. We focus our initiatives where we see the greatest opportunity to influence and drive outcomes that benefit our portfolio companies' commercial performance.

Our portfolio-wide commitments to climate change management include:



Carbon Footprint Reporting

We measure and publicly disclose carbon emissions for our infrastructure portfolios annually. Financed emissions, as illustrated on facing page, are the greenhouse gas emissions associated with our ownership stake. Measuring

financed emissions helps us understand our portfolio's impact on climate change, manage key risks and determine opportunities for improvement. While we recognise the limitations of using this data to inform investment decisions, we believe transparency is a prerequisite for improvement. Visit ifminvestors.com/insights to read our full carbon footprint reports.

Australian Infrastructure Carbon Emissions Reduction & Energy Efficiency Initiative

During FY 2019, IFM Investors worked with seven of its largest Australian portfolio companies and co-owners to establish individual emissions reduction targets and encourage investment in renewables and energy efficiency projects. The overarching goal was to protect investment value and returns by creating positive commercial and environmental outcomes and mitigating future business risks associated with the transition to a low-carbon economy.

Portfolio companies set individual emissions reduction targets ranging from 8-25 per cent by 2024 and 17-100 per cent by 2030. This is expected to see annual emissions reduced by more than 200,000 tonnes CO₂ equivalent by 2030 – the same as removing almost 70,000 cars from the road. The initiative is also expected to prevent millions of tonnes of carbon entering the environment over the life of these businesses while helping to protect long term value for our investors and their beneficiaries.

Portfolio companies in the program have initiated programs to reduce carbon emissions through alternate power sources, the uptake of electric and low emissions vehicles, LED lighting, rooftop and large scale solar, smart management systems and energy efficient office spaces. In addition to the steps taken by our Australian portfolio companies, many of our non-Australian

portfolio companies have also implemented multi-year programs to increase energy efficiency and the use of renewable energy to drive commercial and environmental outcomes. Examples across both portfolios include:

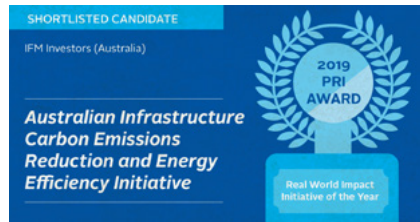
- **Brisbane Airport** (Australia) completed a 6 MW Solar PV project in December 2018. In the six months of operations in FY 2019, a total of 5.8 GWh was generated and consumed by the airport, which equates to 12 per cent of the airport's annual energy consumption.
- A core element of **Vienna Airport's** (Austria) sustainability strategy is reducing carbon emissions and improving energy efficiency. At 2018 calendar year end, the airport had achieved

a 70 per cent reduction in carbon emissions and a 40 per cent reduction in energy consumption since 2011. This was achieved through LED lighting upgrades, increased use of solar and geothermal energy, intelligent software controls and an increased use of rail and electric transportation.

The Australian Infrastructure Carbon Emissions Reduction & Energy Efficiency Initiative won IFM Investors the 2019 Investor Group on Climate Change (IGCC) Climate Award for 'Outstanding Initiative by an Asset Manager'. The initiative also received global recognition as a shortlisted candidate for the 2019 PRI Awards 'Real World Impact Initiative of the Year'.

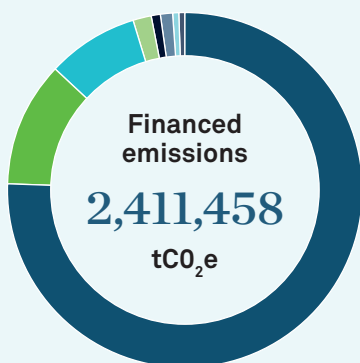
FY20 Commitment

Commence a similar carbon emissions reduction and energy efficiency initiative with major global portfolio companies.



Financed emissions Global Infrastructure portfolio*

Carbon emissions by sector (year ending December 2018)†

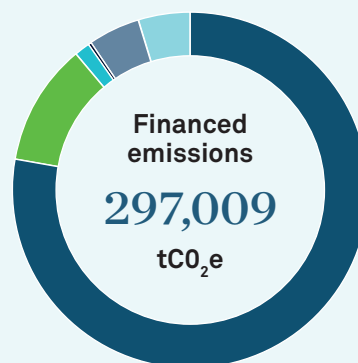


- | | |
|----------------------------------|-----------------------------------|
| ■ District heating, 75.8% | ■ Marine Terminals, 0.9% |
| ■ Water service, 11.5% | ■ Airports, 0.9% |
| ■ Midstream, 8.1% | ■ Toll Roads, 0.6% |
| ■ Ports, 1.8% | ■ Telecommunications, 0.5% |

* Includes all assets apart from Freeport LNG, which was not operational during the reporting period and comprised approximately 7.9% of the portfolio by value, at the reporting period.

Financed emissions Australian Infrastructure portfolio**

Carbon emissions by sector (year ending June 2018)†



- | | |
|---------------------------------|------------------------------|
| ■ Electricity T&D, 77.9% | ■ Toll roads, 0.4% |
| ■ Airports, 10.9% | ■ Train station, 4.8% |
| ■ Ports, 1.4% | ■ Social PPPs, 4.5% |

** Perth Airport Property Trust, Wyuna Water, IFM Aged Care Financing Trust and NSW Rent Buy are not included. These assets comprise less than approximately 2% of the portfolio by value for the reporting period.

† Different reporting periods are applicable to our Global and Australian infrastructure portfolios.



FY20 Commitment

Continue to work closely with individual portfolio companies to develop, implement and track progress of improvement plans addressing identified material physical and transition climate risks and improvement opportunities.

Physical and transition risk assessment

During FY 2019 we completed a high level risk assessment of our infrastructure portfolio utilising climate scenarios, including a two-degree scenario, to understand the risk exposures and opportunities of individual companies. This analysis is designed to help us understand which investments are materially exposed to climate change and the impact of different scenarios, augmenting due diligence undertaken at acquisition, which also considers these risks. The analysis covered:

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

Promoting diversity and inclusion

Our asset management focus on promoting diverse and inclusive workplace cultures is based on our view that a diversity of perspectives, backgrounds and opinions drives improved employee engagement, productivity and commercial outcomes.

The infrastructure diversity and inclusion (D&I) initiative commenced in FY 2019 with an initial focus on collecting data to assess the current diversity profile of individual assets, including D&I strategy and reporting maturity. This work will inform our approach to supporting portfolio companies to implement D&I improvement plans.

While our immediate D&I focus is gender, we recognise diversity encompasses a number of dimensions including age, ethnicity, religion, ability and sexual orientation.

Many portfolio companies across the globe have implemented D&I strategies that incorporate policy, programs and initiatives that promote and support diverse and inclusive workplace cultures, including the following examples:

- Cultivating a diverse and inclusive workplace culture is a priority at **Anglian Water** (UK), which was named the UK's best place to work by review site Glassdoor in 2018. This commitment to D&I is reflected in the company's transparent reporting and leadership accountability. The company publicly reports gender diversity data annually, including its D&I policies and initiatives. The chief executive has been assigned a key performance indicator relating to the company's D&I goals, reflecting the position's accountability for championing D&I strategy-related actions that lead to positive and measurable changes.
- The **Port of Brisbane's** (Australia) women's cadetship program aims to encourage and support talented women to embark on a



We are committed to working with portfolio companies to build 'safety first' cultures and equip our executives and company management with tools and resources to positively influence safety outcomes. Driving actions and sharing information that helps ensure workers go home safely every day is a top priority and aligns with IFM Investors' heritage and the fact that we are investing on behalf of millions of working people around the globe.

Kittredge Zuk
Asset Management

maritime career, while supporting a pipeline of eligible candidates for the port's operational roles. The program is a full-time, paid work and training program within its Marine Operations business, offering some flexibility in working hours to accommodate other life commitments. With qualified supervision, cadets learn on the job about all aspects of Marine Operations, from safe work planning and vessel operations and maintenance to navigation and hydrography technology.

Protecting and promoting best practice safety management

IFM Investors emphasises a need for best practices in workplace health and safety at our infrastructure portfolio companies. Influencing actions that ensure workers return home safely each day reflects our commitment to protecting and promoting labour rights and investment value over the long term.

While management is responsible for business operations and direct safety management, it is IFM Investors' responsibility to monitor safety performance and influence safety outcomes across our portfolio. We do this by actively working with management and establishing a "tone at the top" that emphasises safety. IFM Investors uses its governance position in portfolio companies and boardroom dialogue to drive these outcomes at the asset level.

Since 2015, our asset management team has driven a number of portfolio-wide initiatives focused on OH&S.

All of our portfolio companies prioritise workplace health and safety and have implemented safety management systems and strategies to promote safety cultures and outcomes, including the following example:

- Since the 2015 acquisition, IFM Investors has worked closely with the **Indiana Toll Road (ITR)** (US) to improve safety performance and cultivate a strong safety culture. Our focus on worker and road user safety at ITR is ongoing and unwavering. The company's annual Safety First Plans have delivered material improvements to workplace safety practices as well as customer safety initiatives across the corridor. Recent workplace safety initiatives include the 'Near Miss' and 'Job Hazard Analysis' programs, which have made it easier for workers to report actual and potential safety hazards. Program outcomes include a 90 per cent increase in 'near misses' reported, which reflects increased employee awareness of safety hazards, as well as a 64 per cent decrease in Occupational Safety and Health Administration (OSHA) recordable injuries.

Infrastructure portfolio safety management timeline



2016

ISO 45001-aligned Safety Assessment File created, enabling asset teams to assess safety performance, culture and safety management systems at portfolio companies and recommend potential improvements.



2016/2017

Engaged Environmental Resources Management (ERM) to conduct safety reviews of portfolio assets on a go-forward basis; issued a leading indicators document on safety.



2018

ISO 45001-aligned Safety Standard and Guideline developed to outline best practices in safety management systems for IFM Investors executives and portfolio company managers; issued a best practice safety board reporting document to IFM Investors executives to assist in enhancing board-level safety reporting.



2019

Launched quarterly safety roundtable series focusing on sharing best practices and knowledge across the portfolio. IFM Investors and ERM facilitate the forums, which are attended by portfolio company management and IFM Investors' executives and senior advisers. The first forum focused on contractor safety management.



Supporting global responsible business organisations

Our approach to protecting and maximising investment value and returns to our investors and their beneficiaries closely aligns to the United Nations Global Compact, which enjoys worldwide consensus and supports a set of core principles in the areas of human rights, labour standards, environment and governance. Additionally, since 2008, IFM Investors has been a signatory to the United Nations supported Principles for Responsible Investment (PRI). (See facing

page for details of annual PRI assessment.) The principles promoted by these global organisations are reflected in our RI Charter. IFM Investors representatives are active contributors to the PRI's Infrastructure Working Committee and the Macroeconomic Risk Working Committee.



Collaboration

We believe there is power in collaborating with like-minded investors to support responsible investment and business principles and, as such, we are also members or signatories to the following organisations and initiatives:



Global conversations

IFM Investors representatives regularly participate in events designed to facilitate conversations about global responsible and sustainable investment issues. FY 2019 Highlights include speaking in key forums around the globe, including:

- United Nations Framework Convention on Climate Change (UNFCCC) finance roundtable at COP24 in Katowice; Poland
- RI Asia, Tokyo; Japan
- Infrastructure Summit, Berlin, Germany
- PRI Climate Forum, Melbourne, Australia
- Fiduciary Investors Symposium, Cambridge, England

Inspiration

We consider global frameworks such as the United Nations Sustainable Development Goals (SDGs) and the call to action they represent in the areas of social, environmental and economic sustainability and development issues. We do not explicitly allocate capital to align with the SDGs; however, we align post-acquisition asset management activities and initiatives to drive better outcomes for the SDGs where it makes commercial sense.



Benchmarking against global standards

PRI Assessment

IFM Investors benchmarks its responsible investment approach against the PRI's global principles and our signatory peers. This process helps ensure we remain accountable to our responsible investment approach, while also highlighting areas for improvement.

The table below outlines our annual PRI Assessment results for the past three years. Our 2019 assessment shows strong improvement across all our portfolios. Enhanced public disclosure of ESG integration practices and outcomes was a key driver of improvement during 2019, reflecting our commitment to increasing transparency.

Following a comprehensive review of the assessment report, we identify improvement opportunities and embed them into work plans

for each investment team. As the PRI continues to strengthen signatory accountability, we will continue to build our capability in the systematic application of ESG principles across all asset classes and at multiple stages in the investment process.

Responsible Investment Association of Australasia (RIAA)

The RIAA produces an annual benchmarking report of investment managers that apply a leading approach to ESG integration. In the competitive context of a growing number of managers assessed each year, IFM Investors has maintained our place in the group scoring above 80% for the past three years.



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

*IFM Investors scored the same across all three fixed income categories. The 2019 peer median varied between 'B' and 'C' across the categories.

Responsible Corporate Operations

IFM Investors is committed to being an ethical and sustainable business. Our corporate operations and behaviours reflect the same beliefs and principles that guide our responsible investment activities and play a crucial role in strengthening employee engagement and building trust with investors and other stakeholders. As we strive to achieve these objectives, our focus remains on strengthening our culture, maintaining a robust governance framework, creating a brilliant place for our people to work, and generating positive benefits for communities and the environment.

Enhancing how we operate as a responsible corporate citizen is an ongoing pursuit. We continue to evolve in anticipation of, and in response to, the changing needs and expectations of our people, our investors, the broader investment and regulatory environment, and society at large.

Strengthening our culture

IFM Investors' culture is the foundation from which we pursue our purpose. Our cultural foundations define our values and articulate the behaviours that help embed these values across our organisation.

There is a deep appreciation among the IFM Group Board and global leadership team that our culture is our most critical asset. In 2019, we



We believe the culture review, our response and our ongoing action will demonstrate great satisfaction in what has been achieved, honesty about the improvements needed, a commitment to a workplace distinguished by mutual respect, and a global business characterised as much by its focus on culture as it is for its investment performance.

Brett Himbury
Chief Executive

commenced a firm-wide strategic review of our culture. Our aim was to gather information from internal and external stakeholders that would inform a plan to strengthen our culture and ensure it is fit for our growing global business and long term strategic aspirations.

An internal Culture Review Steering Committee, which included IFM Group Board directors and executives, worked with independent management consultants Korn Ferry to conduct the review.

The review was designed to identify and better understand our culture's key attributes and strengths, while also creating an opportunity to identify and examine areas for improvement. Data collection methodologies comprised focus groups, individual interviews and an online survey.

Review outcomes

The review highlighted current cultural attributes and strengths that we will work to maintain and leverage, including:

- Skilled and passionate people;
- Strong performance and success;
- Collaborative nature;
- Size and flat structure;
- Strong heritage and purpose;
- Work life balance; and
- Strong sense of optimism among respondents who are motivated to be part of enhancing our culture.

The review also identified aspirational cultural attributes that highlighted themes for improvement, including our organisation's ability to make a difference, teamwork, continuous improvement, diversity and inclusion, and impact on others.

We are pleased that many of Korn Ferry's recommendations align to what we have been thinking about and working on over the past few years.

Based on Korn Ferry's recommendations, IFM Investors has developed an action plan organised around five themes:

- Values, purpose and performance
- Leadership, conduct and accountability
- Enterprise-wide capabilities
- Diversity and inclusion
- Communication and engagement.

Our plan to address the culture review findings focuses on each of these themes, incorporating what we are already doing, immediate actions we need to take and multi-year programs.

As we continue to work on aligning our culture and values to our success, our ongoing process will incorporate milestones, progress updates and clear avenues for stakeholders to provide feedback and ideas.

Cultivating a values-driven culture

Our cultural foundations define our values and articulate the behaviours that help embed our values across the organisation.

Prioritise
Investors

Achieve
Excellence

Inspire
Innovation

Respect
Each Other

Lead By
Example

Remuneration structures

As we continue to focus on aligning our internal practices to the expectations of our internal and external stakeholders, we recognise a desire for greater transparency around issues of importance to these stakeholders, including disclosure of our remuneration structures.

Our remuneration structures are designed to attract, retain, motivate and align our people to high performance in support of our purpose to deliver superior returns to our investors. This includes designing to:

- Reflect the market/s in which IFM Investors operates;
- Ensure that individual key performance objectives are linked to IFM Investors' strategic goals and objectives;
- Incorporate and uphold IFM Investors' risk management framework;
- Not compromise the independence of risk and financial control employees have in carrying out their roles and functions.

Recently the IFM Group Board determined to provide disclosure on our remuneration structures to our employees and shareholders that mitigates commercial risk, and respects privacy considerations for our team.

As part of consultations undertaken with these stakeholders, in early November, 2019, key disclosures were made including the remuneration of The Chief Executive and Deputy Chief Executive.

IFM Investors fully complies with all laws and regulations for remuneration disclosure for a privately held company. This most recent disclosure exceeds our legal obligations.

Strengthening project governance and risk management capabilities

To strengthen and embed awareness of good governance and consistent global processes, we have provided all staff with various training programs in FY 2019 to reinforce a consistent understanding of accountability, decision making and risk awareness. Staff training on the Responsible/Accountable/Consulted/Informed (RACI) model and tool has increased clarity around roles and responsibilities assigned at an organisational, functional, operational and activity level. The RACI model has also helped to establish a common language on how responsibility and accountability will be defined and applied across the business globally.

Modern Slavery

IFM Investors is committed to ensuring our operational activities do not cause or contribute to contemporary forms of slavery in the workplace and within our supply and value chains. With global operations that extend to the United Kingdom (UK), we have been disclosing annual statements in line with the UK's Modern Slavery Act 2015 since FY 2017. From FY 2020, we will align with the requirements of the more recently enacted Modern Slavery Act in Australia, while we continue to strengthen our approach to anti-slavery risk management through a focus on risk assessment and awareness activities.

Diversity and inclusion

A key element of creating a brilliant place to work is promoting a diverse and inclusive workplace culture. This means all employees are valued and recognised for their unique qualities, backgrounds and perspectives, regardless of their race, gender, religion, sexual orientation, age, ability and family status.

We are committed to providing a working environment that supports employees to bring their authentic selves to work each day. This commitment is demonstrated through our Diversity and Inclusion Strategy. While we recognise diversity extends well beyond gender, our strategy's medium term focus is to attract, develop and retain gender diverse talent. Our achievements since strategy launch on 1 July 2017 to 30 June 2019 are outlined below.

Attract

- 100% of interview panels included female representation.
- 74% of recruitment shortlists met our target 50% gender split in FY 2019, compared to 53% in 2017.
- 50.4% of new hires in FY 2019 were females, compared to 44% in FY2017.
- Employees can access paid parental leave from commencement of employment.

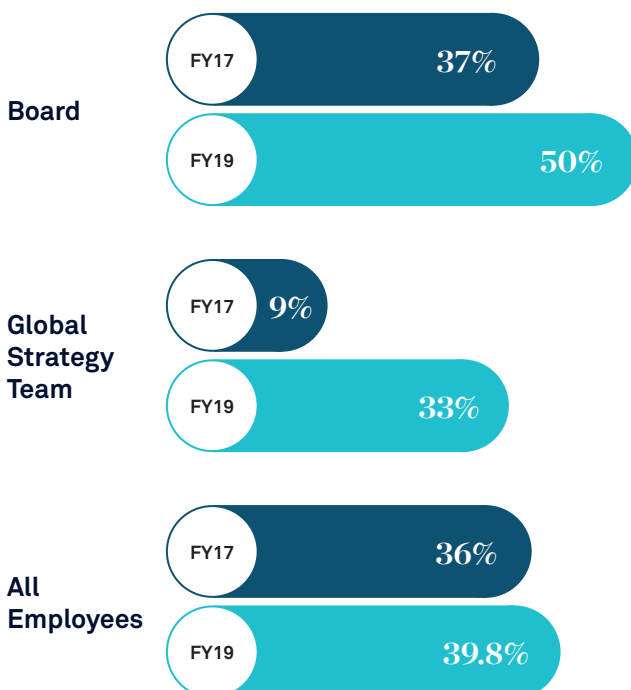
Develop

- Annual analysis of talent, succession planning, remuneration and promotion processes at board and management levels to ensure appropriate consideration of gender equity.
- Respect, Equality & Inclusion workshops for employees globally achieved an attendance rate of 92%.
- Our partnership with Women in Banking & Finance is in its seventh year with employees actively engaged in its mentoring, coach and thought leadership programs.
- We re-launched the IFM Investors Diversity and Inclusion Forum in a regional format in 2019. The forum was founded in 2017 comprising employees from different teams and levels of seniority across the organisation who are passionate about driving the diversity and inclusion focus at IFM Investors.

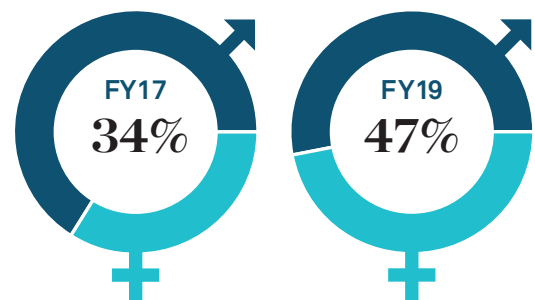
Retain

- We updated our parental leave policy to make paid primary carers leave available from commencement at IFM Investors and within the first two years from the birth of a child.
- Our employer superannuation contributions continue for the entire first year of parental leave.
- Male employees taking paid parental leave has increased.

Female representation at IFM Investors



Female promotions as a % of overall promotions



In 2018 we launched our flexible work policy. We now have 8.17% of the workforce on structured flexible working arrangements, with employees also making use of the ad hoc arrangements.

- In 2018 we successfully piloted a parental leave support program providing coaching, online tools and workshops – this program is now rolling out more broadly.
- In 2018 we established a partnership with Worklife Links in Australia, which provides support to employees in making practical arrangements to improve their work-life balance.
- We have an established partnership with Citiparents in London, giving IFM Investors staff complimentary access to a range of career, family, technology and wellbeing focused events.
- Introduced Lifestyle and Wellness Leave which provides employees with access to leave for religious and cultural celebrations, and other personal lifestyle reasons.
- In 2018 we launched our Domestic Violence and Family Support policy, providing support options and leave entitlements.

Developing our people

As our head count and number of global offices continue to grow, we are committed to supporting our people to develop their skills, knowledge and experience. We believe our investment in learning and development will strengthen our culture, enhance our individual and collective resilience, and drive engagement with IFM Investors’ purpose and responsible business philosophy over the long term. FY 2019 activities include:

- eLearning module for employees globally to build engagement with our RI Charter achieved a 90% completion rate².
- A review of our Global Mobility Framework and Policy to better support international experience opportunities for our people.
- Performance Review training was offered to all people managers.
- Enterprise leadership and professional development programs equating to 4,270 hours or an average of 10 hours per employee³.

FY20 Commitment

Launch three eLearning modules for both the employee and leader level on the prevention of harassment, discrimination and bullying in the workplace. The modules will reflect local country policies and procedures.



IFM Investors is committed to being a responsible corporate citizen. Our corporate operations and behaviours reflect the same beliefs and principles that guide our responsible investment activities.

Deborah Kiers

IFM Group Board Responsible Investment and Sustainability Committee Chair

PRINCIPLES IN PRACTICE

Reducing our impact on the environment

In 2018, IFM Investors committed to offsetting global corporate travel emissions through the Aboriginal Carbon Foundation’s Merepah Fire Project. The Merepah Fire Project is an Aboriginal savanna burning project located on Merapah Station, Queensland, Australia, engaging Traditional Land Owners, the Moomba Awu Aboriginal Corporation (MAAC). The MAAC consider savanna burning important for maintaining cultural practices of their elders and to rejuvenate and protect the woodlands. Savanna burning projects have the added benefit of reducing the frequency and extent of late dry season fires, resulting in fewer greenhouse gas emissions and more carbon sequestered in dead organic matter.

FY2018/19 we have secured credits to offset

6,429 tonnes

of CO₂ emissions – a volume equivalent to emissions from 1,365 passenger vehicles driven in a year⁴



² Module made available to staff in May 2019; completion rate at 30 September 2019 was 90%.

³ Excludes technical training, based on a 430 employee head count at 30 June 2019.

⁴ As per calculator at <https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

Supporting our people to positively impact communities

IFM Investors aims to support our people to build strong communities and engage with causes important to them, in ways that work for them. We do this through our Workplace (Payroll) Giving and Matched Fundraising programs, as well as the provision of volunteer leave.



Matched Fundraising:
A\$23,358 raised for causes important to our people



Workplace Giving:
A\$134,600 donated to charities



Volunteer hours: 240+

Our Matched Fundraising program, launched in FY 2019, encourages and supports employee-driven fundraising efforts. Funds raised for team fundraising events are matched dollar-for-dollar by IFM Investors, subject to applicable caps. In FY 2019, our employees raised A\$16,508 through the Mother's Day Classic (Australia), Cycle for Survival (US) and Volunteer Building Cambodia fundraising campaigns. Together with IFM Investors matched contribution, a total of A\$23,358 was raised for these important causes.

Our employees generously donated A\$67,331 to charities through our Workplace Giving program. With IFM Investors matching this amount dollar-for-dollar, over A\$134,600 was donated to charities during FY 2019.

IFM Investors provides each employee with two days of volunteer leave per year. During FY 2019, employees accessed over 240 hours of volunteer leave to support organisations and causes important to them.

Supporting positive community + commercial outcomes

Many of our infrastructure investee companies place a high priority on community engagement and identifying opportunities to collaborate with, and make a positive contribution to, the communities in which they operate. We recognise the goodwill, social and environmental benefits these activities generate can also create commercial value for businesses. In FY 2019, IFM Investors launched a trial Community Grant Program for our Australian infrastructure companies. Our goal was to support community-collaborations with positive environmental and/or social impacts and commercial outcomes for the company.



11 SUSTAINABLE CITIES AND COMMUNITIES

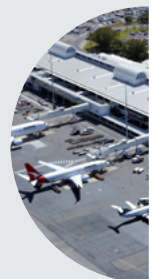
We aligned the initiative to SDG 11: Sustainable Cities and Communities. Applicants were required to demonstrate the intended contributions of their project to support SDG 11's target outcomes, as well as the project's expected measurable social and/or environmental and commercial outcomes.

IFM Investors awarded community grants totaling AU\$40,000 to Darwin International Airport and Ausgrid. We look forward to reporting on the outcomes of these projects in the coming year.

Darwin International Airport

Darwin International Airport is supporting the ongoing protection and management of the freshwater Rapid Creek Reserve situated on the airport's site. The reserve is home to unique flora and fauna, and it has significant value to the local community and the Larrakia traditional owners.

Project aims include promoting cultural knowledge transfer, training and long-term employment opportunities for the Larrakia Rangers. Building the capacity of the Larrakia Rangers will support the airport's succession plan for ongoing management of the reserve.



Ausgrid

Ausgrid is collaborating with Bush Habitat Restoration Cooperative to rehabilitate and protect a critically endangered area of native scrubland. The project also explores how native stingless bees can help the local ecosystem to flourish.

This collaboration creates an opportunity for engagement with local schools and the wider community on an important local environmental issue. Maintaining this important greenspace in a highly urban environment also aims to support the business's reputation and social licence.



February 2019

IFM Investors' **New York** Infrastructure 'Spin Squad' participated in the Memorial Sloan Kettering 'Cycle for Survival' event to raise money for rare cancer research.



May 2019

IFM Investors' **Melbourne** Mother's Day Classic team fundraising for the National Breast Cancer Foundation.



June 2019

Team members from IFM Investors fundraised and worked with Volunteer Building **Cambodia** to build a new home for a rural Cambodian family living in poverty.



March 2019

Team members from IFM Investors' **Melbourne** office volunteering at the Children First Foundation retreat.



May 2019

Team members from IFM Investors' **London** office volunteering at Queen's Wood community garden.



November 2019

CBUS and IFM Investors Family Social Day in **Melbourne** fundraising for Mates in Construction (Melbourne).

FY20 Commitment

Launch Community Grant Program to infrastructure portfolio assets globally.

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Looking ahead

This report represents our ongoing commitment to improving transparency and disclosure of our responsible business practices and outcomes. We are pleased with the responsible investment and corporate activity outcomes outlined in this report, and we know there is always more work to be done to progress our responsible business practices.

Our 2018 report listed specific FY 2019 objectives to advance our responsible business practices; of those, we achieved the following:

- Refreshed our ESG Policy and asset class-specific processes.
- Secured commitment from major Australian infrastructure portfolio companies to improve sustainability reporting.
- Developed a framework for ongoing improvement of gender diversity, predominantly within our infrastructure and listed equities portfolios.
- Undertook detailed climate change risk assessments for our infrastructure portfolio.
- Released a framework for developing labour outcomes for working people at our assets - this has taken the form of a policy statement and work is ongoing in this area.
- Continued to implement our internal diversity and inclusion strategy.
- Launched an organisation-wide corporate travel-offset program.

The following FY 2019 objectives were not met and are incorporated into FY 2020 commitments:

- Devise a socially sustainable procurement strategy.
- Increase employee uptake of community volunteering leave and enrolment in our matched workplace giving program.

New FY 2020 commitments, some of which have been highlighted throughout this report, include:

- Continue to incorporate sustainability into product design.
- Develop and communicate to stakeholders a suite of policy statements relating to the four key areas of public and investor interest outlined on pages 8 and 9 that our investment teams continue to focus on. We will continue to build out these focus areas outlined at the beginning of this report, particularly in relation to community and customer stewardship.
- Refresh our investment analysis process utilising third-party expertise.
- Host Sustainability Forums in New York and London offices for IFM Investors' global infrastructure portfolio assets.
- Commence a similar carbon emissions reduction and energy efficiency initiative with major global portfolio companies.
- Launch three eLearning modules for both the employee and leader level on the prevention of harassment, discrimination and bullying in the workplace.
- Launch Community Grant Program to infrastructure portfolio assets globally.

We recognise that we must continue to improve and evolve in response to the changing expectations of our internal and external stakeholders and the broader public, while focusing on managing investment risk and adding value as we continue to focus on protecting and growing returns for our investors and their beneficiaries over the long term.

Chris Newton

Executive Director,
Responsible Investment

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We recognise that we must continue to improve and evolve in response to the changing expectations of our internal and external stakeholders and the broader public”

Chris Newton

Executive Director, Responsible Investments

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