



Responsible Business Report

2022

ifm
investors

As responsible long-term investors, we recognise that we have a role to play in supporting the broader environmental, social and economic systems that we depend upon for our portfolios to prosper. The quality of investment returns in ten and twenty years' time depends on the quality of the system in ten and twenty years' time.

David Neal, Chief Executive

About our annual Responsible Business Report

This report aims to provide our shareholders, investors, global team and other industry and community stakeholders with a clear picture of our activities and outcomes during the financial year 1 July 2021 to 30 June 2022 (FY22) as we pursued our purpose, which is to protect and grow the long-term retirement savings of working people.

Our focus on maximising returns over the long term for the benefit of our superannuation and pension fund investors' members and beneficiaries is underpinned by our responsible business approach.

Our approach champions respect for the environment, commitment to an inclusive society, and good governance. We believe this approach enhances the net performance of our investment portfolios, minimises investment risk, and contributes to the health of the broader environmental, social and economic system, which we depend upon to deliver on our purpose now and in the future.

Our 2021 Responsible Business Report outlined key pieces of work that were underway or planned for FY22 in relation to our:



→ **LEARN MORE**

[Pension funds can align to address major systemic issues.](#)

»

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About us

IFM Investors was established more than 25 years ago to protect and grow the long-term retirement savings of working people. Our purpose drives our strategic approach to our investment and corporate practices.

Today we invest on behalf of more than 625 like-minded institutions worldwide, including pension, superannuation and sovereign wealth funds, universities, insurers, endowment funds and foundations.¹ The A\$199bn entrusted to us by these investors incorporates the retirement savings of more than 120 million working people worldwide.²

Operating from ten offices globally, we seek to maximise long-term returns to these tens of

millions of working people worldwide through investments that generate social and economic benefits for the wider community.

We look to achieve this by focusing on sustainable investment in Infrastructure, Debt, Listed Equities and Private Equity assets, and through the ongoing management of our essential infrastructure assets, which include 39 portfolio companies with operations spanning more than 20 countries.

OUR PURPOSE



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



OUR STRATEGIC PILLARS



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



We are a global private markets specialist with a strong multi-asset capability in Australia.



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

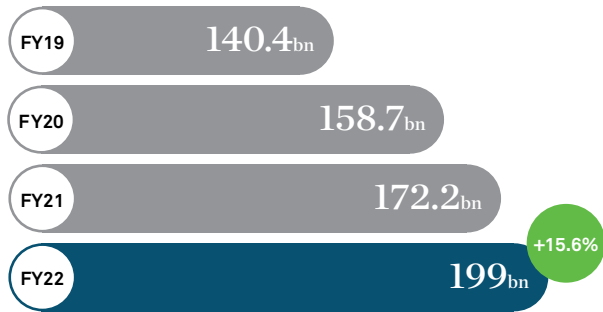
¹As at 30 June 2022

²Funds under management as at 30 June 2022

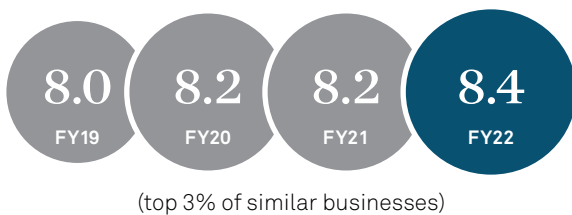
The year at a glance³

Delivering on our purpose – To protect and grow the long-term retirement savings of working people.

Funds Under Management (A\$)

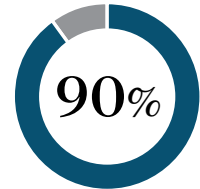


Investor Satisfaction Questionnaire (ISQ)



Product performance

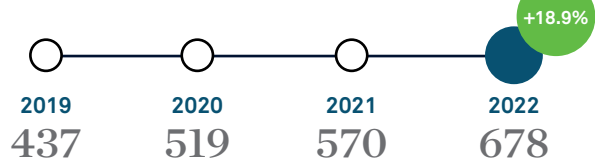
90% of strategies performed at or ahead of investor objectives⁴



Growth in global clients



Growth in staff numbers⁵



FY22 updates and transactions by asset class

Infrastructure

Debt Investments

Listed Equities

Private Equity

Highlights



60,000+ people employed across 39 infrastructure portfolio companies globally.



700+ megawatts of renewable energy in operation across infrastructure portfolio with a 10+ gigawatts project pipeline.



Our Infrastructure Community Grants Program supported eight projects globally, each with up to A\$40,000 of grant funding.



1980+ resolutions voted on by our Australian Listed Equities team in line with our ESG Policy.



Safety performance across our Infrastructure portfolio significantly exceeds industry standards: Lost Time Injury Frequency Rate (LTIFR) 60% better than benchmarks for the calendar year ending 2020.⁶



We achieved Climate Active Certification for carbon neutrality in FY21 across our Private Equity portfolio for FY21 and set a portfolio interim 2030 emissions reduction target of 45%.

³ Figures as at 30 June 2022 unless otherwise stated.

⁴ On a rolling five-year basis. Past performance does not guarantee future results.

⁵ Full time equivalent

⁶ Global Infrastructure portfolio asset reported on a CY2020 basis; Australian Infrastructure portfolio assets reported on a FY21 basis. Comparable representative industry benchmark for FY2020/21.

Note from the Board

In the 12 months to 30 June 2022, financial markets, businesses and communities globally began to emerge from the COVID-19 pandemic. However, increasingly volatile market conditions, exacerbated by the Russian invasion of Ukraine, created headwinds for fund managers focused on boosting economic resilience and addressing global sustainability issues such as climate change.

In this environment, IFM demonstrated a disciplined approach to portfolio management and continued to perform for our investors, many of which represent the retirement savings of millions of workers, including nurses, teachers, construction and hospitality workers.

Funds under management grew 15.6% to A\$199bn and we now serve more than 626 investors globally, up from 555 last year – an increase of 12.8%. Pleasingly, 90% of our investment strategies performed at or ahead of investor objectives.⁷

The IFM team performed strongly in achieving these results, and in delivering on our purpose, which is to protect and grow the long-term retirement savings of working people.

As global retirement savings - the largest pool of capital in the world - continue to grow at pace, IFM remains focused on expanding our influence and reach to fulfil our responsibility to our investors and the 120 million-plus working people they represent.

As an institutional fund manager, IFM has a fiduciary duty to maximise returns over the long term for the benefit of our investors. It is becoming increasingly clear to us that fulfilling this duty – now and in the future - depends on the health of the broader system in which we invest and operate. We play a role in driving economic growth, creating jobs and supporting businesses through economic downturns. We also have a responsibility in relation to systemic risks, such as climate change. Playing our part will help drive the transition to a low carbon world and promote fair, safe and inclusive workplaces and communities, which ultimately contributes to long-term investment returns.

We believe that the progress IFM made during FY22 across our priority responsible business themes of climate change, workplace leadership and inclusion and diversity contribute to our financial performance and the health of the broader system now and into the future. A number of programs and initiatives linked to these themes are detailed in this report.

However, IFM alone cannot influence and manage systemic risks. In the coming year, and beyond, we look forward to even more collaboration with our shareholders, investors and other like-minded stakeholders to support the fulfilment of our purpose, while contributing to the health of our environmental, social and economic systems.

Thank you for your ongoing support.



Greg Combet
Chair, IFM Group Board



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

⁷ On a rolling five-year basis. Past performance does not guarantee future results.

Note from the Chief Executive

As responsible long-term investors pursuing competitive risk-adjusted returns over the long-term for our investors, we must also focus in a deliberate and collaborative way on the health of the broader system. This means continuing to integrate ESG into our investment processes and active ownership activities, as well as investing in solutions, engaging with policy makers, and working jointly with other institutions to bring about change.

This report provides updates on these activities and the progress we have made in developing and implementing our strategies in relation to our priority responsible business themes of climate change, workplace leadership and inclusion and diversity.

In the 12 months to 30 June 2022, we continued to focus on driving and supporting portfolio companies across all asset classes to transition to the new clean economy. We also launched new products that aim to harness investment opportunities presented by the global energy transition, while supporting our investors to meet their net zero aspirations. An example of this is our new Net Zero Infrastructure portfolio's investment in ERG S.p.A., a renewables business offering exposure to core European markets across the onshore wind and solar sectors.

As part of our workplace leadership strategy, in recognition of the impact of the transition on a net zero economy, we started developing our approach to a just transition for workers and communities of our infrastructure portfolio companies. We are committed to engaging with all stakeholders on this issue.

Our firm-wide inclusion and diversity (I&D) strategy continued to take shape and we progressed both investment and corporate-focused initiatives. We implemented a number of I&D

programs focusing on fostering greater diversity in leadership and across the whole team. I am particularly excited about two new leadership programs we launched: Breakthrough Leadership, a nine-month program to build capabilities and create learning pathways for a diverse group of emerging leaders; and Women in Leadership, a scholarship program to support senior female talent to achieve their career aspirations through an executive leadership course aligned to individual development needs. I was also pleased to see the Private Equity team achieve balanced gender representation, and the Small Caps team achieve the same at the director-and-above level; and I recognise that we still have work to do in this area.

Across Australia, the US and UK, we actively engaged with political, government and industry stakeholders to advocate for policy outcomes that we believe will strengthen the investment, pension and financial systems in which we operate. These engagements included highlighting opportunities to mobilise pension capital for clean energy projects that support economies and working people.

We remain involved in a number of collaborative initiatives that aim to promote responsible business principles and outcomes globally. Collaboration is a strong theme in our active ownership activities. As we increasingly look to strengthen the broader system, we know that a collaborative approach will help to bring faster and more impactful positive change. I look forward to continuing to work closely with shareholders, investors and other like-minded stakeholders.

Thank you to the global IFM team for your immense efforts over the past year and your ongoing commitment to working together to protect and grow the long-term retirement savings of working people.



David Neal
Chief Executive



Pension funds can align to address major systemic issues

As we emerge cautiously from the COVID-19 pandemic and we contend with major global issues such as the climate crisis and Russia's invasion of Ukraine, we are starkly reminded that investment returns depend upon healthy environmental and social systems.

Systemic factors have long been acknowledged in investment theory, but they are now widely accepted as first order issues in practice. Managing systemic risk requires a different set of investment skills than those that have historically been emphasised by pension funds and other sophisticated investors.

Several environmental and social systems are integral to long-term prosperity. These systems need to be nurtured and supported – because if too much strain is placed on them, the underpinnings of our economic activity will falter.⁸ Long-term financial outcomes for pension funds – and almost everyone else – are undermined when the pursuit of short-term profits erodes these systemic underpinnings.

As universal owners, large institutional investors cannot avoid systemic issues that affect the entire economic system, such as inequality and biodiversity loss. These risks are impossible to diversify away from. They show up as lower returns across the portfolio over the long-term, as well as elevated short-term volatility.

Protecting long-term future investment outcomes involves taking on systemic issues, such as climate change. And this, in turn, involves pursuing real world impact to nurture the health of environmental, social and economic systems. Consciously pursuing impact means active ownership, investing in solutions, engagement with policy-makers, and working jointly with other institutions to bring about change. No investor, no matter how large, can take on these systemic risks alone.



Many large pension funds can now be considered universal owners – institutional investors that have become so large they own a slice of the whole economy. They cannot stock pick their way out of climate change.

David Neal, Chief Executive



⁸ See, e.g., Steffen et al., Planetary boundaries: Guiding human development on a changing planet, *Science*, 347 1259855 (2015). DOI: 10.1126/science.1259855 at 1259855-2 (noting that “The classic example is the possible weakening of natural carbon sinks, which could further destabilize the climate system and push it closer to large thresholds [e.g. loss of the Greenland ice sheet (18)].”).

New members joining a pension fund today are likely to be receiving benefits until around 2080, and some members will still be receiving benefits at the turn of the next century. And new members are joining every day. Over these ever-expanding time horizons, healthy environmental and social systems are necessary to sustain returns for this generation, and for future pension fund members.

As many countries grapple with the challenges of ageing populations, pension funds serve an important social purpose as the second pillar of the retirement incomes policies of many countries, supplementing publicly-funded age pensions or social security. A significant proportion of pension funds are themselves public sector entities; a 2021 study by the Thinking Ahead Institute of the world's top 300 pension funds found that 68% of assets were in public sector or sovereign pension funds.

Pension funds also continue to increase in size, with growth rates exceeding overall growth in savings and GDP growth. As shown in Figure 1,

pension assets have tripled since 2000 in the largest markets to more than USD\$48 trillion. Figure 2 indicates they are now equal to about two-thirds of the aggregate GDP of the OECD countries.

The next step for pension funds

For the past decade or so, pension funds have innovated to integrate ESG considerations into their investment processes, enhancing the performance of companies and assets. The next step for pension funds is to pursue deliberate impact at the systemic level in order to sustainably deliver risk-adjusted returns to their beneficiaries, consistent with their fiduciary obligations.

With pension funds globally managing the largest pool of capital in the world, their collective actions will continue to shape our economies and societies. Pension funds now have the scale, the capacity and the influence to lead change to maximise long-term outcomes on behalf of working people.

FIGURE 1 GLOBAL GROWTH IN PENSION ASSETS

Pension assets in seven largest markets (USD trillion), 2000 to 2020



Source: Thinking Ahead Institute

FIGURE 2 GLOBAL PENSION FUND ASSETS

| Year | \$USDm | % OECD GDP |
|------|------------|------------|
| 2016 | 25,420,592 | 55.3 |
| 2017 | 28,389,104 | 56.1 |
| 2018 | 27,573,129 | 53.3 |
| 2019 | 32,270,567 | 60.1 |
| 2020 | 34,245,851 | 63.5 |

Source: OECD Pension Funds in Figures (various years)

Note: OECD pension statistics do not include US individual retirement accounts of approximately \$12 trillion.



A blurred photograph of a modern office hallway with large glass windows. In the foreground, a man in a blue suit and a woman in a dark blazer and light-colored skirt are walking. The background shows other people and office furniture, all out of focus. A large white circle is centered over the image, containing the text "Responsible business at IFM".

**Responsible
business at IFM**

As a global asset manager, we play multiple roles 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 create shared economic and social value for a broad range of stakeholders.

Our focus on maximising risk-adjusted returns over the long term for our investors is underpinned by our responsible business activities, which are defined across four key areas:

- Investment processes
- Active asset stewardship
- Advocacy and collaboration
- Corporate practices

We have embedded ESG considerations across these activities and practices, which supports us in managing risk, building value and contributing to the long-term strength and resilience of the markets in which we operate. We have identified three priority responsible business themes that we believe we must address as long-term investors to deliver on our purpose:

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



A purpose-led, inclusive culture

Cultivating a unifying and purpose-aligned culture across the organisation is central to our success. We strive for an inclusive culture that motivates high-performance, accountability, openness, learning and collaboration.

The cohesion and engagement of our workforce remains important as we embed our hybrid working practices and navigate ongoing uncertainty and volatility in the environments we live and work in. Our Purpose – to protect and grow the long-term retirement savings of working people – and our Cultural Foundations and Behaviours (values) continue to guide our people and offer meaningful direction.



Our responsible business approach



Responsible business governance and oversight

As we pursue our purpose, responsible business governance and oversight remain essential. 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 investment committee and our investment teams, we have structures and policies in place that define, integrate and track our responsible business practices and stewardship. Please refer to Appendix A for details about our responsible business governance structure. See page 24 for an overview of our remuneration structures.

Conflicts of Interest

IFM maintains a standalone Conflicts Management Policy and Conflicts Management Procedures, which set out our approach to identifying, mitigating, managing and monitoring conflicts of interest between our business, investors, borrowers and staff.

From an investment perspective we understand the significance of managing potential conflicts of interest on behalf of our clients in our proxy voting and engagement with investee companies. Our distinct ownership, which drives an alignment with investor objectives, a commitment to investing for the long term, and respect for environmental and social responsibility, informs our Conflicts Management Policy. Please refer to Appendix B for further information.

Integrating ESG considerations into our investment analysis and decision-making

We systematically consider ESG data alongside financial data to shape our decisions throughout our investment analysis and decision-making processes, as illustrated in Figure 3. This approach enables us to identify, understand and manage investment risks and opportunities that we believe can affect investment value and returns in the short, medium and long term.

Our investment teams work closely with our Responsible Investment team to help ensure practices align to our Responsible Investment Charter and ESG Policy and that they continue to evolve over time.

Developing sustainability-themed products

We continue to collaborate with investors to develop bespoke sustainability-themed strategies, such as our low carbon listed equities strategies. We have also been incorporating sustainability objectives into new product development. In FY22, we launched new strategies and products that aim to support our investors to achieve their sustainable investment ambitions. These include the Net Zero Infrastructure portfolio, which targets opportunities that will help facilitate and scale-up decarbonisation efforts and accelerate the transition to net zero. We were one of the first Australian fund managers to create a low tracking error pooled index solution - our Australian Equities Climate Transition strategy - and we also partnered with the Commonwealth Bank of Australia to launch ESG Term Deposits.



→ LEARN MORE

Following the Treasury Services team's launch of Green Term Deposits in FY21, we worked with Commonwealth Bank of Australia in FY22 to introduce [ESG Term Deposits](#), the proceeds of which are allocated to Sustainability-Linked Loans.



Stewardship and active asset management

We embed ESG considerations into our investment stewardship and asset management activities across asset classes. We actively use our shareholder position to positively influence corporate behaviour and drive a more strategic understanding of ESG risks and opportunities.

We work with our portfolio companies to collect data about their ESG performance and practices and to continuously improve their reporting capabilities. This data informs our asset management approach and the creation of organisation-wide ESG strategies.

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

In **Infrastructure**, our specialist Asset Management team works collaboratively with management teams, co-shareholders and other stakeholders to drive ESG initiatives and sustainable business practices. Examples of our active ownership approach are highlighted on page 49 and within the Climate Change, Workplace Leadership and Inclusion and Diversity sections of this report.

In **Debt Investments**, as non-equity holders, post-engagement with issuers is limited, though it does form part of ongoing investment monitoring and our response to emerging or potential material ESG risks. However, we are increasingly seeking to influence the ESG and sustainability credentials of issuers pre-investment to help manage investment risk over the life of the investment. One element



Each investment team tailors its stewardship or active management approach to match the needs of its specific strategy

of this is improving the availability of ESG data for use in due diligence (see case study on page 20); the other is via the terms of the loans we negotiate (see case study on page 32).

Our active stewardship approach to Australian **Listed Equities** involves direct and indirect company engagement and exercising our voting rights. A summary of our voting activity and FY22 engagement focus areas is provided on page 17.

In **Private Equity**, our approach extends beyond risk management to consider how we can embed ESG considerations in our approach to value creation. During ownership, we seek to drive a range of ESG-related initiatives to support the generation of returns and build value. Case study examples are provided in our Climate Change and Inclusion and Diversity sections from pages 30 and 36, respectively.



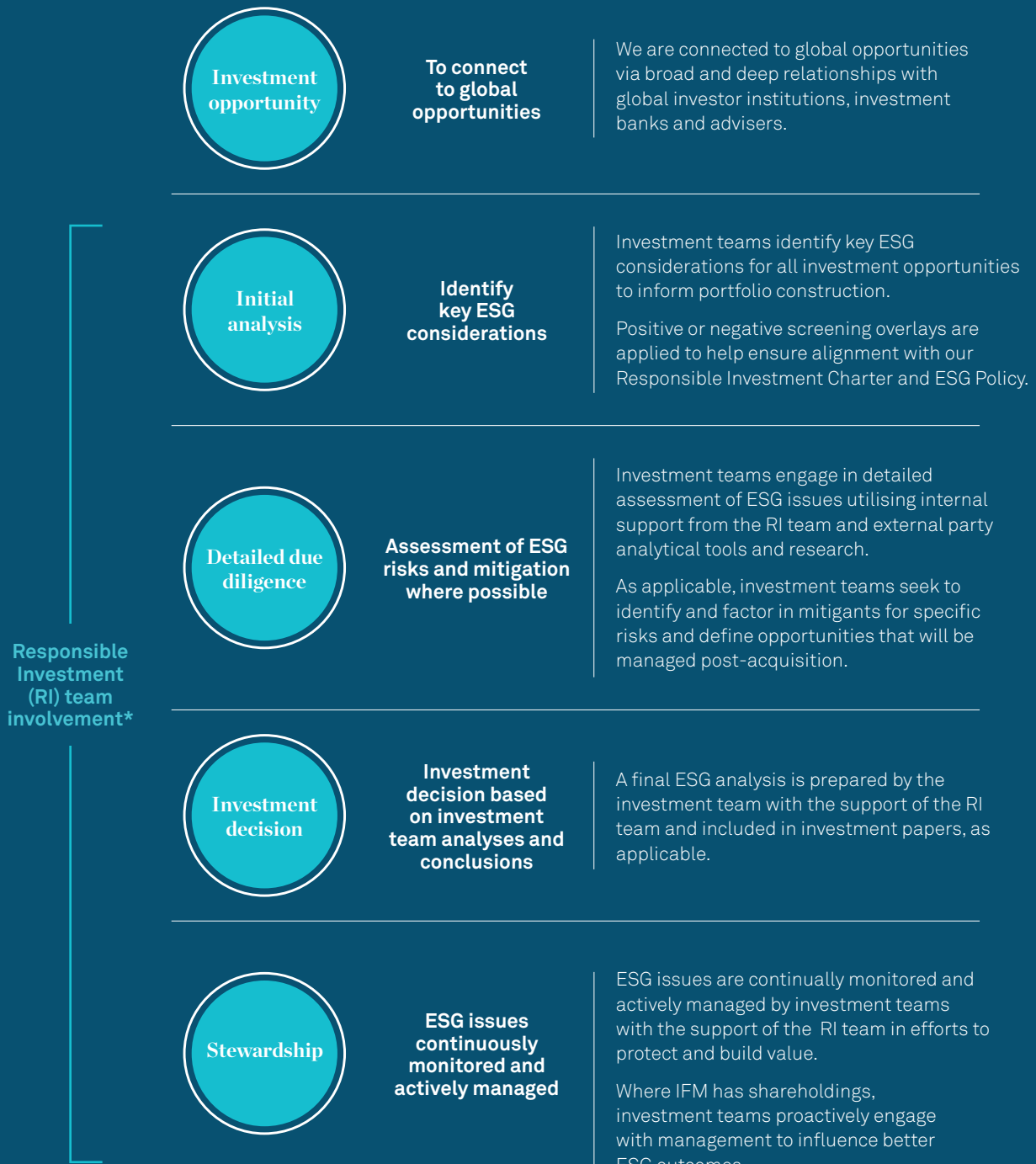
→ LEARN MORE

Aligning the heart, the head and the feet: A perspective on embedding ESG considerations into Private Equity's value creation approach.



FIGURE 3

ESG integration throughout the investment process



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

→ IFM INSIGHT

[Learn more](#) about our ESG integration and active stewardship approaches across our asset classes.

FY22 Australian Listed Equities engagement and voting summary



311
Company
AGMs



1988
resolutions



9%
of votes
were against
management



■ With management **90.24%**
■ Against management **9%**
■ Abstained **0.76%**

ESG engagement themes include:



→ **LEARN MORE**

[Further details about our Australian Equities engagement and voting activities in FY22.](#)

Principles relating to a healthy environment, inclusive society and strong governance underpin our active ownership approach in Listed Equities. Our stewardship activity is aligned to the requirements of the Australian Asset Owner Stewardship Code. We engage with companies directly and as members of collaborative initiatives on a range of material ESG risks and other topical developments pertaining to the company, industry or society at large. Our 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. See page 19 for more about the collaborative engagement initiatives of which we are active members or signatories to.

Shareholder resolutions

Shareholder resolutions are increasingly prominent each year during AGM season. While shareholder resolutions relate to a range of issues, in FY22, a large proportion related to climate change, centering on Paris Agreement-aligned

targets and expenditure, industry lobbying and transition planning disclosure.

FY22 also saw an increase in shareholder resolutions relating to Indigenous affairs. For example, Origin Energy Ltd. received a number of cultural heritage-themed resolutions relating to its activities in the Beetaloo region in the Northern Territory (Australia). Proponents focused on issues such as free, prior and informed consent by native title holders, the recognition of sacred sites, and the significance of cultural water flows.

Say on climate

In late 2021, ASX-listed BHP Group Ltd. became the first Australian company to provide shareholders the opportunity to have a 'say on climate' - a company-initiated non-binding advisory vote on its climate change policy, actions, targets, and disclosures. Several companies followed suit. IFM supports an annual 'say on climate' as an effective way for companies to gauge investor support for their climate targets and activities, and we expect this to be an ongoing feature of AGMs in the coming years.

Benchmarking our ESG practices



United Nations-supported Principles for Responsible Investment (PRI)

The PRI's assessment process benchmarks our responsible governance, investment and stewardship approach against its responsible investment principles.

In 2021, the PRI issued a revised assessment framework with the dual aim of capturing the different responsible investment approaches of its membership base and reflecting evolving market expectations regarding best practice responsible investment.

We have published our 2021 Transparency Report and 2021 Assessment Report on our website to support transparency about our responsible investment activities.

→ **LEARN MORE**

Our 2021 PRI Transparency and Assessment Reports are available on our [website](#).



GRESB¹⁰

IFM's 2022 GRESB submission for our Global Infrastructure and Australian Infrastructure portfolios marked our second consecutive year of participation in the GRESB assessment process.

In the first year, five portfolio companies participated, representing c.35-40% of assets under management (AUM) across the portfolios.¹¹ This year, we onboarded an additional two companies from each portfolio.

We expect to increase the number of companies reporting to GRESB each year until most portfolio companies (by FUM) are reporting to GRESB. As of October 2022, investors will be able to request our portfolios' Management Scores, as well as the Asset Scores of portfolio companies that have exited their grace period.¹²



Responsible Investment Association of Australasia (RIAA)

RIAA produces an annual Benchmark Report of Australian investment managers that apply a responsible investment approach.¹³ One hundred and forty investment managers, representing A\$2.063 trillion in assets under management comprise the 2022 survey universe. Of these, 74 were assessed as implementing a leading approach to responsible investment. IFM maintained our place in the 'leaders' category for the sixth consecutive year.

¹⁰ GRESB is an internationally recognised global ESG benchmark for real assets. It aims to provide validated ESG performance data and peer benchmarks to support investors' and investment managers' engagement and decision-making.

¹¹ As at 30 June 2021

¹² GRESB's 'grace period' allows first year participants to opt out of allowing GRESB members to access their data and GRESB results.

¹³ RIAA Benchmark Report <https://responsibleinvestment.org/resources/benchmark-report/>

Advocacy and collaboration

Collaborating with like-minded stakeholders

We are active signatories to or members of a number of organisations and initiatives promoting responsible investment and sustainable business principles globally. We aim to be part of collective efforts to advance responsible investment practices, outcomes and transparency via our

participation in working and consultation groups and signatory reporting. We engage collaboratively alongside our investors and peers through initiatives focusing on a range of responsible investment themes, including climate change, gender diversity, modern slavery and ESG data and disclosure.



→ **LEARN MORE**

[Click here](#) to learn more about the organisations and initiatives that we are signatories to or members of.

Our active participation in collaborative initiatives includes the following:

Partnership for Carbon Accounting Financials:

In FY22, we joined the Partnership for Carbon Accounting Financials (PCAF) to support our alignment with industry-best-practice accounting standards as we work towards our net zero commitments. PCAF is a collaboration between financial institutions worldwide to enable harmonised assessments and disclosures of greenhouse gas emissions financed by loans and investments. Our partnership with PCAF provides us with opportunities to collaborate and share learnings with other institutions facing the same data and methodology challenges.

International Investor Group on Climate Change

(IIGCC): We signed up to IIGCC in FY22 with the aim of strengthening our influence and collaboration in the UK and EU. We are active participants in two key initiatives. The first is the development of the sustainability disclosure standards, as first discussed at COP26, which aim to streamline global reporting initiatives and frameworks. The second initiative is the **Paris Aligned Investment Initiative (PAII)** working group, which focuses on designing a climate change adaptation framework. In June 2022, the PAII published draft sector guidance for Infrastructure portfolios. IFM'S Executive Director, Responsible Investment, co-lead the working group that developed and produced the guidance, which is intended to become

the sixth asset class covered by the **Net Zero Investment Framework (NZIF)**.

Australian Sustainable Finance Institute

(ASFI): We are a founding member of ASFI, which aims to realign the finance sector to create a sustainable and resilient financial system, which can be achieved by directing capital to support greater social, environmental and economic outcomes consistent with the Australian Sustainable Finance Roadmap. IFM serves on the ASFI taxonomy project steering committee. Building on work done on sustainable finance taxonomies internationally, ASFI is working with experts and stakeholders across the Australian financial system to determine what a sustainable finance taxonomy should look like in Australia to help ensure international credibility and interoperability.

Modern slavery engagement with ASX100

companies: We continue to work closely with the **Australian Council of Superannuation Investors (ACSI)** and other investors to monitor compliance and quality of modern slavery reporting across ASX 200 companies, as applicable. We also collaborate with industry peers through **Investors Against Slavery and Trafficking Asia-Pacific (IASTAPAC)**. Through this initiative, we lead engagement with various large retailers. »

Organisations we actively engage with:



ESG IN ACTION

Private market debt investors collaborate to improve access to ESG data

A prominent issue for investors providing private debt financing is the general lack of access to ESG and climate data in due diligence. During FY22, IFM and several large infrastructure debt investors collaborated to develop an ESG Covenant Package as a broader industry solution to this data challenge.¹⁴ The initiative, facilitated by the Global Infrastructure Investor Association, aims to:

- standardise ESG data collection by providing a consistent set of requirements as ‘best practice’ for borrowers when reporting to lenders with respect to ESG; and
- help lenders to comply with increasing ESG disclosure obligations under related EU and/or UK regulations and, where relevant, their own decarbonisation commitments and investor demands.

The ESG Covenant Package has been designed as part of a proposal to gather feedback from market participants on the proposed inclusions in finance documentation. The Loan Market Association is currently reviewing the package. We expect it to be published on the Association’s website in the final quarter of 2022.



¹⁴ <https://giiia.net/feedback-welcomed-on-new-esg-covenant-package/>

Advocating for public policy that supports economies and communities

During FY22, we advocated for policy outcomes that we believe strengthen the investment, superannuation/pension and financial systems in which we operate. We engaged with political, government and industry stakeholders directly or through participation in industry events and parliamentary inquiries (see key examples below).

Across all regions we have highlighted the significant opportunity of mobilising superannuation and pension funds for new infrastructure projects and the link between reducing emissions across our asset classes and long-term investment returns.



Across all regions we have highlighted the significant opportunity of mobilising superannuation and pension funds for new infrastructure projects

Australia

We continued to contribute to the national debate on superannuation-related policies. IFM representatives appeared before, and provided submissions to, Parliamentary inquiries on portfolio holdings disclosure and the common ownership of listed companies. On both of these topics, we worked with government, our shareholders and other industry stakeholders to advocate for policy outcomes that we believe to be in the best financial interests of superannuation fund members.

In the portfolio holdings disclosure inquiry, we successfully advocated for changes to draft regulations that ensured the confidentiality of individual unlisted asset valuations. This outcome helps superannuation funds to achieve the best price when selling an asset, which has flow-on benefits to fund-member returns.

Through the inquiry into the concentration of ownership of listed companies, we highlighted the existing law and regulation, and that there was no evidence that common ownership was harming the Australian economy, and thus no rationale to change policy at this time.

United States

IFM actively advocated for support of well-designed public-private partnerships (P3s) in the federal government's Infrastructure Investment and Jobs Act that was signed into law in November of 2021. Working with groups such as the National Governors Association and the Global Infrastructure Investor Association, our efforts produced historic recognition and funding for P3s at the state and local level.

We also assumed an active role in the annual SelectUSA Investment Summit, a foreign direct investment conference attended by federal, state and local officials. IFM's delegation, comprising IFM Board Directors, key employees and shareholders, met with senior members of the Biden Administration, state governors, senior Congressional staff and NGOs to advance a policy agenda to foster private and pension capital investing in US public infrastructure. Our work continues with governments at all levels to encourage their consideration of P3s as a solution to help close America's infrastructure gap.

United Kingdom and Europe

IFM's Chief Executive and other Australian infrastructure investors met the UK Prime Minister to discuss the UK's energy transition and the role investors can play. The group pledged to invest up to £28.5b across the UK in clean energy, technology and infrastructure projects over the next decade. IFM seeks to invest £3b over the next five years in the right opportunities across new net zero projects and to enhance our existing UK assets, including the M6 toll road, Anglian Water, and Manchester, Stansted and East Midlands airports.

Other climate-focused activities included participation in discussions at the European Commission on the decarbonisation of transport, including electrification and the development of sustainable aviation fuels. We also participated in discussions on the role of pension funds in financing the EU's global leading 2030 emissions reduction plan to reduce GHG emissions by 55% versus 1990 baseline; and worked with the IIGCC policy committee and industry stakeholders to strengthen climate-related disclosures rules and accounting standards.

We also contributed to the development of draft EU legislation on alternative investment markets; and worked with other asset owners and the OECD to develop a refreshed model for public-private partnerships to build, manage and operate infrastructure assets.





Responsible corporate practices

Acting in the long-term best interests of investors, their members and communities requires us to conduct ourselves and operate in a responsible and sustainable manner. Our own practices as a global employer, business and corporate citizen reinforce our investment-focused capabilities and provide us with further opportunities to build stakeholder trust and contribute to the strength of the broader system that we are a part of.

In FY22, we refreshed our Corporate Responsibility (CR) Strategy and developed a CR Framework to focus our activities, which was endorsed by the Board in late FY22. We will focus on building out related policies and processes in FY23 to operationalise the refreshed strategy.

Supporting our people

As a global employer of 720 people, we have continued to focus on building their resilience and capabilities in a hybrid working environment that offers flexibility, support and opportunities for career development.¹⁵

Our Ways of Working

Our Ways of Working (OWOW) is IFM's flexible hybrid working model encompassing both in-office and remote working. With a focus on connection, collaboration and wellbeing, each team has set and agreed their 'ways of working' in alignment with their broader business group. IFM provides

support for people to set up ergonomic working environments at home. We also ran programs to support our people to understand and adopt our OWOW strategy, build trust and resilience while working remotely, maximise the use of digital tools and keep health and safety front of mind. We believe that OWOW has played a critical role in the attraction and onboarding of 213 new hires in the 12 months to 30 June 2022.

The OWOW model is supported by our Flexible Working and Remote Working policies

Our Flexible Working Policy aims to help our people achieve personal and professional balance. It reflects the varying ways our people need to be flexible, including provision for adjustments to working hours, patterns and location.

Our Remote Working Policy provides for a temporary change to working location, domestically or internationally, to support people's personal circumstances. It has adapted and responded to changing pandemic restrictions and tax and immigration considerations to allow greater flexibility for our people. It also provides a structured framework for a consistent approach across our offices globally. We have had a positive response to the policy, with 264 requests to work in an alternative remote location received since the policy launched in early 2021.

»

¹⁵ Employee count, including permanent, fixed-term and casual employees, as at 30 June 2022

Developing our people: FY22 highlights



Our people completed 10,558 learning hours (an average of 10 sessions per person) in FY22, relating to professional and leadership development and our risk and compliance obligations.



Sixty-two people participated in our 2022 mentoring program to support development, growth and connections across the business.



Our Inclusion and Diversity Strategy and activities also focused on supporting the resilience and capabilities of our people in a hybrid working environment. Please see page 44 for an update of FY22 activities.



As we focus on building a feedback culture to support our team's development, we:

- asked people to seek feedback more broadly from peers and stakeholders as part of annual reviews;
- conducted 360 Degree Assessments for senior leaders for the third consecutive year; and
- introduced a 360 Degree 'Lite' Assessment for people leaders who report directly to our global executive team.

Operating a sustainable and ethical workplace

We seek to operate in a way that is ethical, compliant and transparent as we embed responsible business principles and considerations into decision-making and operational practices across the business.

Reducing our environmental impact

In addition to considering environmental factors in investment analysis and stewardship, we aim to contribute to a cleaner environment by actively managing our own operational impacts.

IFM's net zero by 2050 commitment encompasses our global corporate operating emissions. We have set a target of carbon neutrality of all operational emissions (scope 1 and 2) as of 30 June 2022, and we are working with a third-party advisory group to secure carbon neutral certification under the Australian Government's Climate Active Scheme.

As part of the certification process, we aim to develop a comprehensive emissions reduction strategy. This will involve establishing short-to-medium term commitments and improving data collection processes. We also aim to extend the scope of our activities to reducing the environmental impact of our operations more broadly, i.e. waste or water resource management.

Investing in Enterprise Risk Management

To support our global growth aspirations, we have continued to invest in our enterprise risk management (ERM) framework during FY22. Underpinning our strong risk culture, 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.

Key successes in FY22 were targeted recruitment of additional risk resources, streamlining our risk reporting and governance practices, the selection of a scalable risk management system, enhanced readiness for increased regulatory change, and an independent review of our compliance universe. We continue to focus on ensuring that key areas of ESG risk, including climate change and modern slavery, are embedded in our ERM framework.

Monitoring and enhancing cyber resilience

Our approach to cybersecurity management aims to protect our people, business, identity and informational assets against cyber threats. Our cybersecurity program focuses on promoting and fostering a culture of cybersecurity awareness and building the capability of our people to protect themselves and our business. On an ongoing basis, we proactively monitor our operating environment »

for threats, conduct assessments of existing architecture and seek to enhance our defenses. Our people play an important role in maintaining our cyber security defenses; building and maintaining their awareness about cybersecurity is central to our cybersecurity program. Topics ranging from email and password security to reporting incidences are addressed through training programs and cyber updates via internal communications channels on a regular basis.

Developing our social procurement approach

We have an opportunity through our corporate procurement activity to generate social and environmental value beyond that of the purchases we make. In FY22, we commenced development of our social procurement framework to guide our procurement activities and support a coordinated approach.

Activities completed and underway include:

- We recently updated our firm-wide Procurement Policy and Procedures with changed guidance for evaluating suppliers, including ESG considerations.
- With the support of a third party, we undertook an opportunity assessment of our procurement expenditure to identify certified social enterprises that could be included in upcoming supplier sourcing processes.
- We have started working with several certified social enterprises to support value creation over and above the purchase of goods and services. For example, we are working with 15 Times Better, an Indigenous-owned and operated business, to develop our inaugural First Nations Corporate Strategy.
- We are developing a new Supplier Code of Conduct, which aims to clearly outline our expectations regarding supplier behaviour and the standards to which we will be holding our suppliers accountable. The Supplier Code of Conduct will also outline the behaviour and standards that suppliers can expect of IFM and our people.

Remuneration structures

Our remuneration structures are designed to attract, retain, and motivate the best people in a competitive global marketplace. Our remuneration outcomes are aligned to our results for investors. Our performance-based remuneration is based primarily on whether our products exceed investor return benchmarks, net of all fees.

IFM's remuneration is also tied to our aspiration to build an inclusive culture. We include gender diversity targets for senior management and, in recent years, have increased weighting for demonstrated culture and behavioural alignment for all employees' performance assessments.

IFM complies with all laws and regulations for remuneration disclosure in each jurisdiction in which we operate. We provide remuneration-related disclosures – over and above our legal obligation – to our shareholders on an annual basis.

Fair taxation

We understand that taxes are key to the world's economies, and that fair tax policy is essential to a just society. We support the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit shifting (BEPS) framework and action plan, and we support efforts to improve corporate tax law and reduce tax avoidance and evasion.¹⁶

IFM believes in harnessing the power of collective investment to build scale and enhance benefits for individual investors. We seek to ensure that the structure of our investments and products can enable our investors to be taxed on investment income in their jurisdiction, as if they were directly invested in each asset. Using global fund vehicles, including those based in jurisdictions like the Cayman Islands and Luxembourg, supports us in achieving this tax neutrality outcome. We undertake non-aggressive tax planning, which aims to ensure fair competition, while also mitigating double taxation to improve after-tax returns for investors. This includes applying double tax treaties, including through holding company structures that have robust operational substance and are justified by business objectives.

¹⁶ OECD's BEPS framework aims to "stop countries and companies from competing on the basis of a lack of transparency, artificially locating profit where there is little or no economic activity, or the exploitation of loopholes or differences in countries' tax systems." (OECD/G20 Inclusive Framework on BEPS, Progress report July 2017-June 2018, OECD.)

Contributing to the sustainability of communities

We have both responsibility and opportunities to engage with and contribute to the sustainability of the communities in which we operate and invest. Our activities include a range of corporate-led and people-led initiatives and programs.

During FY22, our corporate-led initiatives have focused on supporting our people and our communities in times of emergency, crisis and disaster.

Through our people-led volunteering, workplace/ payroll giving and team fundraising programs,

we aim to support our people in contributing to communities and causes that are important to them in ways that work for them.

IFM also helped to fund eight community focused projects across our infrastructure portfolio through our Community Grants Program. The program, in its third year, aims to support positive social and environmental outcomes in portfolio companies' local communities and complement the ESG programs that are driven by our Infrastructure Asset Management team. Examples are provided in the Sustainable Communities breakout boxes below.

Contributing to sustainable and resilient communities - FY22 highlights



Our people contributed in-kind volunteer support using their paid volunteer leave entitlement. Examples include supporting local ecosystems to thrive at the Melbourne

Airport tree-planting day, as well as assisting long-term unemployed people to become job ready through the Juno Institute's "Passport to Work" program.



A\$400,000+

Corporate donations supported relief for three major disasters: UNICEF Australia's India COVID-19 Appeal; support for the Ukraine via the Red Cross and the United Nations High Commission for Refugees; and the Red Cross Australia relief appeal for those stricken by floods in northeast Australia.



A\$140,000+

Our IFM-matched workplace/payroll giving program supported a range of registered charities in the UK, US and Australia.



A\$287,000

Grant funding was awarded via our Infrastructure Community Grants Program. We supported eight community-focused projects across the UK, Czech Republic, US, Mexico and Australia, each receiving up to A\$40,000 of grant funding. [Learn more about the program and grant recipients here.](#)

Port of Brisbane partners with local landcare group on waterway restoration project



With funding from IFM's 2021 Infrastructure Community Grants Program, the Port of Brisbane (Australia) has partnered with the Bulimba Creek Catchment Coordinating Committee Inc. on a habitat management project focusing on restoring a local waterway on Brisbane Bayside State College (BBSC) land.

The project aims to transform a 6,400sqm parcel of inaccessible land overrun with weeds

into healthy native habitat, complete with an outdoor learning space to support students and the Bayside community. The land is part of an important biodiversity corridor. [Learn more about this project here.](#)

Creating career-pathways for at-risk women

With the support of community grant funding from IFM, global toll road operator Aleatica and community organisation Instituto para la Investigación de los Derechos Humanos y los Estudios de Género A.C (IIDHEG)¹⁷ identified a key project in the male-dominated plumbing industry in Ecatepec, Mexico, a densely populated city with high rates of gender-based violence. Training and

equipment will be provided to 30 'at risk' women in Ecatepec to become qualified plumbers. They will be provided with access to a network that supports ongoing employment opportunities, with the objective of improving their economic mobility. The women will also be provided with training to support their ability to identify gender-based violence, as well as guidance and support resources.

Enhancing customer experience and pathways to a diverse-ability talent pool



With the support of community grant funding from IFM, the Indiana Toll Road (ITR) (US) has partnered with community organisation Tradewinds to provide specialised training to employees that aims to improve user accessibility along the toll road, particularly for deaf and hard-of-

hearing users. The project also aims to provide employment opportunities for hard-of-hearing and deaf people to join the ITR customer service team. [Learn more about this project here.](#)

¹⁷ IIDHEG English translation: Institute for Human Rights Research and Gender Studies A.C.

Enhancing ESG reporting and disclosures

European Union's Sustainable Finance Disclosure Regulation (SFDR)¹⁸

During FY22, our SFDR Working Group has continued to assess the implications of the regulation for IFM, including how it applies to our organisational and product-level disclosures. As we deliver the work program to comply with SFDR requirements, key tasks completed or underway include the following:

- **Policy and processes:** we have developed the suite of required policies and processes to support the operationalisation of the regulatory requirements, and we have modified existing pre-acquisition ESG due diligence processes and operations compliance manuals.
- **Data capability:** we developed data collection templates and we are building data systems to

enable us to collect the necessary data from our portfolio companies and to prepare us to deliver SFDR-compliant disclosures in 2023.

- **Disclosures:** we published an initial set of disclosures on our website, as well as in private placement memorandums and annual reports for investors, as relevant, to comply with SFDR's 'Level 1' requirements. The more detailed and quantitative 'Level 2' requirements will come into effect in January 2023.
- **Portfolio company engagement:** we are engaging with our portfolio companies to collect the data on principal adverse impact indicators related to ESG issues, as well as sustainability indicators that are designed to measure ESG outcomes of portfolios within the scope of SFDR regulation.



Sustainable Development Goals

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

IFM does not have an explicit objective to allocate capital in alignment with the SDGs. However, we believe our organisation-wide responsible business priority themes – climate

change, workplace leadership and inclusion and diversity and related stewardship activities can align with and contribute to the SDGs and the positive real-world outcomes they target.

In FY21, we commenced analysis to determine our Private Equity portfolio companies' alignment with and contribution to the SDGs. We included this analysis in investor reporting and have done the same with our FY22 analysis.

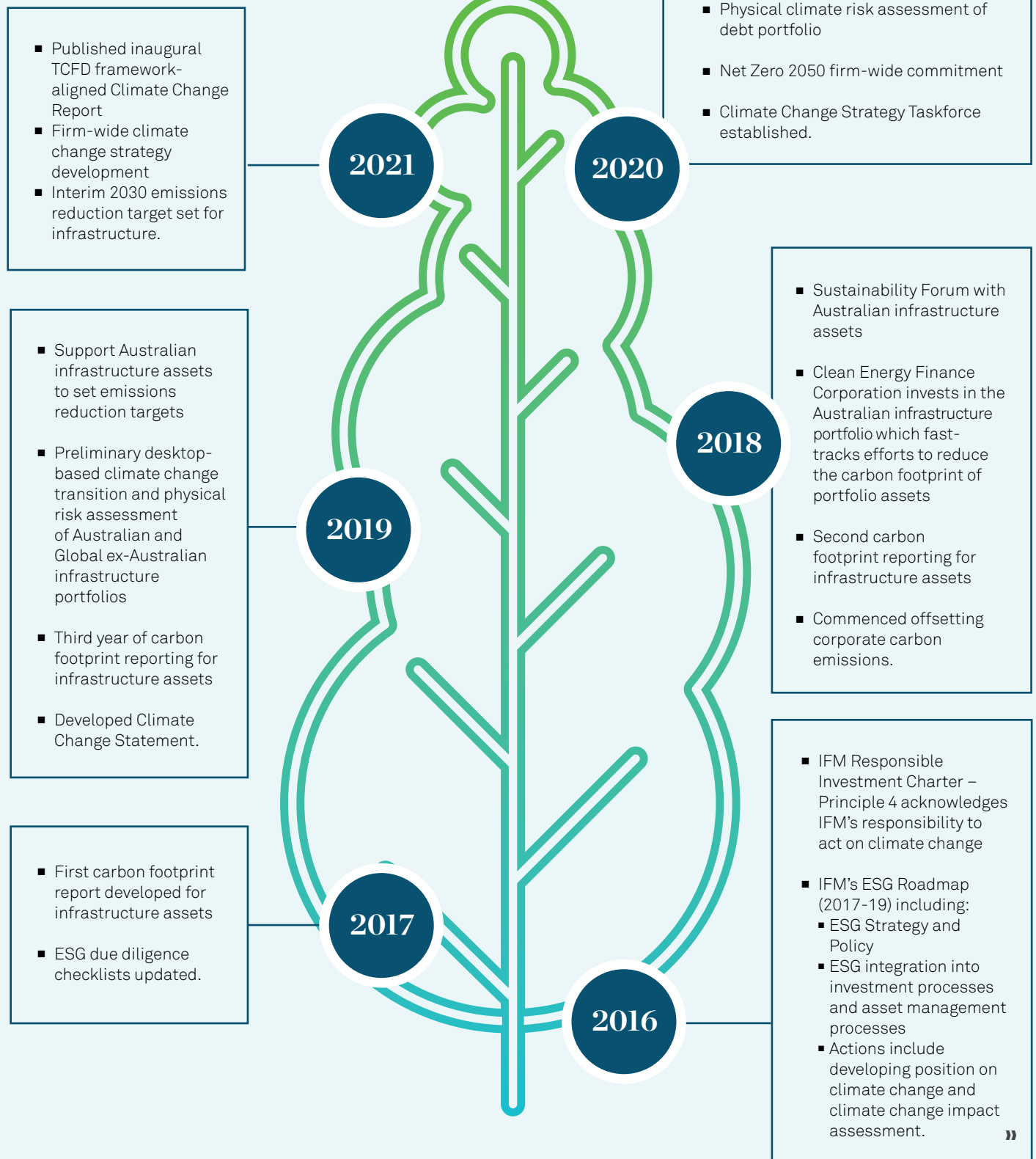
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¹⁸ SFDR is a European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants

A photograph of a wind farm at sunset. The sky is a mix of orange, yellow, and light blue. In the foreground, a large white wind turbine is partially visible on the right. In the background, several other wind turbines are scattered across a green field. A large white circle is centered in the image, containing the text "Climate change" in a black serif font.

Climate change

Our climate change journey 2021



The scale and complexity of climate change poses systemic risks and opportunities for our investment portfolios, with the potential to affect long-term investment performance and returns. 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 vital to our ability to create long-term value and deliver on our purpose - to protect and grow the long-term retirement savings of working people.

We have committed to targeting net zero greenhouse gas emissions across all of our asset classes and business operations by 2050. A dedicated, multi-disciplinary climate change project team was established in October 2020 to develop our longer-term strategy. We continue to develop and implement our climate change strategy in pursuit of our 2050 ambition.

Transition over divestment

We are focused on developing investment strategies and portfolios that are resilient to climate risks and able to benefit from the shift to a more sustainable, low-carbon economy.

The emphasis of our strategy is on transition rather than divestment – as divestment effectively shifts the problem to someone else. We engage with portfolio companies on transitioning to a low carbon economy. Where we have influence, we aim to be part of the solution and harness investment opportunities for our investors in ways that create

wider economic, social and environmental benefits for our broader stakeholders.

We believe investors should be positioning their infrastructure exposure for the pathway to Net Zero. Both transition and clean economy infrastructure portfolios could be expected to generate attractive, stable, long-term returns, but they will also have a climate change mitigation role to play as economies move towards decarbonisation. Read more about the role of infrastructure investment in climate risk management [here](#).

Transparency and disclosure

We are committed to providing our investors with transparency about the progress of our climate change strategy. We support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as a critical framework for financial market participants to assess and communicate climate change-related risks and opportunities.

In early 2021 we published our inaugural 2020 Climate Change Report in the TCFD-recommended format, and we will plan to release our 2021 report to investors shortly.

Our publicly available 2021 Climate Change Summary Report provides an overview of progress made on our strategy development and implementation. The case studies and other updates provided in the following pages aim to demonstrate our strategy in action.



→ FIND OUT MORE

Please refer to our [2021 Climate Change Summary Report](#) for an update on our climate-related governance, strategy, risk management, and targets and metrics.



Innovation and collaboration driving 400GWh renewable energy program to power critical Australian infrastructure

Enabling and supporting assets in our infrastructure portfolios to switch to renewable energy sources and improve energy efficiency is a strategy that IFM is implementing globally.

An example of this is the large-scale power purchase agreement (PPA) program IFM created to further support assets in our Australian Infrastructure portfolio to procure renewable energy.

Our aim was to create a multi-state, multi-asset solution, where all benefits would flow on to assets via a structure that provided:

- Access to renewable energy at below market rates;
- The ability to de-risk businesses against future electricity market volatility; and
- The opportunity to significantly reduce their greenhouse gas (GHG) emissions, supporting, and in some cases fast-tracking, assets' existing net zero commitments.

With no existing pathway or product in the market to meet our needs, we sought external support to help us develop a solution.

During 2021, we engaged with and brought other industry stakeholders into the project, including co-investors, large tenants of the assets and other

large infrastructure owners. QIC, a co-shareholder in some of the assets in our Australian Infrastructure 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 supporting the infrastructure industry's transition to net zero.

Over three stages, the program is expected to facilitate the supply of more than 400 GWh of renewable energy per annum by 2025, saving around 250,000 tonnes of GHG emissions each year.

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

Other critical Australian assets are expected to join the program in 2022 as part of Stages 2 and 3. We plan to develop a similar program for assets in our Global Infrastructure portfolio, several of which have already developed renewable energy strategies, with green energy PPAs in place.



→ LEARN MORE

Read about our Listed Equities Climate Transition strategy:
[A climate-enhanced index solution to support investors' net zero ambitions.](#)

Carbon neutrality and 2030 interim target for our Private Equity portfolio

All companies in our Private Equity portfolio achieved the goal of being certified carbon neutral for their FY21 emissions through the purchase of carbon offsets. The certification by Climate Active represents the Australian Government's certification standard. The portfolio companies are currently working towards carbon neutral certification for FY22.

Parallel to this process, we have been working with portfolio companies to reduce real-world emissions. At acquisition, the Private Equity team measures the carbon footprint of each investee company with a view to developing emissions reduction strategies. We are targeting a 45% reduction in scope 1 and scope 2 emissions by 2030, from a 2020 baseline. We are also supporting portfolio companies to work with



upstream suppliers, downstream customers, channel partners and industry peers to reduce scope 3 emissions and contribute to economy-wide decarbonisation.

Portfolio company Payapps' emissions reduction plan focuses on two primary levers: switching to renewable-generated purchased electricity and reducing electricity consumption through energy efficiency initiatives. The company is also encouraging employees to use energy-efficient modes of transport. The site of the company's new Melbourne office is within walking distance of public transport, and it offers employees well-appointed end-of-trip facilities and secure storage for bikes and scooters.

→ LEARN MORE

A [significant onsite solar project at Vienna Airport](#) completed in FY22 is helping to drive operational cost savings and reduce emissions.

Negotiating loan terms in infrastructure debt to improve emissions and safety disclosure

We completed a deal that supported a pan-Nordic public transport infrastructure operator that serves 68 strategically important routes. The company provides core connectivity services, including to sparsely populated areas where few alternatives exist, thereby supporting social inclusivity. The business is actively transitioning its fleet to low carbon and electric vehicles over the next two years.

The financing, which incorporates a sustainability linked loan (SLL), stipulates several ESG-related KPIs, including a greenhouse gas emissions intensity reduction target and a lost time incidents frequency reduction (LTIFR) target.

Our loan terms require the company to report and secure independent verification of its performance against these targets annually. Meeting or missing these targets will lead to a decrease or increase in the baseline margin by up to 7.5 basis points, which aims to incentivise the borrower to meet its ESG targets.

→ LEARN MORE

Incorporating ESG analysis in infrastructure debt is not just about investing in greener, more sustainable assets, [it is also a key element of managing investment risk.](#)

Infrastructure helping drive the energy transition in transportation

Infrastructure assets are critical to meeting the needs of economies and communities now and in a low carbon future. They have an important role to play in the energy transition and are critical for enabling the decarbonisation of emissions-intensive

sectors, such as transport.

The examples outlined below aim to demonstrate how some of our portfolio companies are supporting the decarbonisation of the broader transport value chain and addressing their own scope 3 emissions.



Supporting the uptake of electric vehicles (EVs)

- Australian energy provider Ausgrid has partnered with JOLT, an EV charging network company, to create an EV charging network across Sydney. Using existing street-side kiosks, which are common in every suburb, the charging stations will be powered by renewable energy.
- Indiana Toll Road (US), has deployed Level 3 fast-charging infrastructure at each of its four Travel Plazas for EV customers, providing compatible vehicles with an 80% charge in 30 minutes.
- Global toll road operator Aleatica has rolled out EV charging infrastructure at selected assets and launched a pilot project to test cutting-edge

wireless inductive charging for EVs on a one-kilometer section of road, adjacent to Brebemi in Italy. The technology used in this project was named by *Time* magazine as being among the 100 most important inventions of 2021 for its contribution to sustainable mobility.¹⁹

- Buckeye Partners (US) is aiming to capture opportunities in the hydrogen transportation market through its strategic investment OneH2 – a provider of scalable hydrogen fuel production systems. OneH2 is partnering with General Motors and Navistar to deploy hydrogen fueling solutions for use in the heavy-duty truck market.



Decarbonising shipping and port operations

- Impala Terminals (UK/Europe) offers a certified carbon neutral freight service, providing an audited calculation of the indirect scope 3 GHG emissions generated through the transportation of customers' cargoes, from collection to delivery point. Carbon credits are then purchased on the customers' behalf with the help of advisers Natural Capital Partners, which also independently verifies that the freight service meets CarbonNeutral® Protocol.²⁰

- NSW Ports (Australia) is researching and designing a pilot study on the provision of shore-based electrical power to vessels while berthing and anchoring – a process known as cold ironing, which generates lower emissions than vessels using their auxiliary engines to generate power at berth. IFM is also evaluating how cold ironing could be more broadly accepted in Australian port operations. This evaluation aims to incorporate learnings from other jurisdictions around the world where cold ironing has been successfully implemented.

¹⁹ <https://time.com/collection/best-inventions-2021/6113142/wireless-in-road-charging-electric-vehicles/>

²⁰ CarbonNeutral® Protocol is a global framework for carbon neutrality verification.

Infrastructure helping drive the energy transition in transportation *Continued*



Enabling delivery of Sustainable Aviation Fuel (SAF)

- In 2021, Manchester Airport Group (UK) announced a partnership with Fulcrum BioEnergy to support the development and delivery of SAF produced at a new waste to fuels bio-refinery. Manchester Airport will be the first UK airport to have a direct-feed SAF, which will be delivered through an existing pipeline. The partnership could see up to 10% of the fuel used by aircraft at the airport replaced with SAF within five years of the new facility becoming operational. The fuel produced will have a CO₂ footprint at least 70% lower than that of its traditional jet fuel equivalent.
- (UK) Colonial Pipeline (US) and Buckeye Partners safely delivered SAF for the first time to New York's LaGuardia Airport through their

networks of existing pipeline infrastructure.

The companies expect to continue to deliver the environmentally friendly fuel to LaGuardia Airport, where it was first used on a Delta Air Lines flight. This partnership and product flow demonstrates how existing pipeline infrastructure is expected to play a key role in the aviation industry's journey to net zero.

- Brisbane Airport (Australia) has committed to working with more than 100 other airports, airlines, fuel suppliers and industry stakeholders to put the global aviation sector on the path to net zero emissions by accelerating the supply and use of SAF to 10% by 2030.



Supporting biofuels for sustainable transportation

- A key customer of Buckeye Partners is using the company's Perth Amboy terminal (New Jersey) as its critical distribution point for biofuel in the Northeast US. Upon completion, this terminal is expected to be the single largest distribution point for biomass-based sustainable diesel in the region. Existing infrastructure at the Perth Amboy terminal will be adapted and repurposed to aggregate, store, blend and distribute biofuels and bio-blend stocks.

- Buckeye Partners is also upgrading blending infrastructure at seven terminals in the US states of New York and Connecticut to enable the increased blending of sustainable biodiesel into heating oil and ultra-low sulphur diesel (ULSD). Upon completion, these projects are expected to facilitate the blending of an incremental 9.2 million barrels of biodiesel over the next ten years, which would reduce Buckeye's scope 3 emissions by an estimated 1.45 million MT CO₂ over that time frame.

A modern office interior featuring a multi-level glass staircase with white railings. The space is bright and airy, with large glass panels and white structural elements. In the background, several people are visible: a man in a dark suit and a woman in a dark blazer are walking on an upper level, while a group of people is seated at a table on a lower level. The overall atmosphere is professional and contemporary.

Workplace leadership

Our company purpose puts working people at the heart of everything we do. Our employees and those of our portfolio companies are central to maximising risk-adjusted returns and investment value over the long term.

Our direct corporate workforce is made up of over 720 employees (permanent, fixed-term and casual).²¹ The combined workforce across our infrastructure portfolio companies exceeds 60,000 people, spanning over 20 countries. We also recognise the millions-strong combined workforce of companies across our Listed Equities, Debt and Private Equity portfolios.

As active owners, IFM has a long history of engaging with investee companies, like-minded investors and other stakeholders to champion high workplace standards. Our approach aligns with global labour rights frameworks, including the United Nations Global Compact and the International Labour Organisation. The development of our firm-wide Workplace Leadership Strategy is an important step in expanding our ESG management capabilities in this area.



The combined workforce across our infrastructure portfolio companies exceeds 60,000 people, spanning over 20 countries.

Organisation-wide strategy update

In 2021 we commenced development of a five-year Workplace Leadership Strategy focused on the continued promotion of safe, fair, inclusive and diverse workplaces across our investment portfolios. Central to this is understanding and developing strategies to manage the key labour risks in the sectors and regions in which we invest.

The strategy is underpinned by commitments made in the memorandum of understanding we signed with the International Trade Union Confederation (ITUC) in May 2019.

Our work to develop the strategy over the last 12 months has focused on our infrastructure asset class in Australia. Key workstreams included formalising social dialogue with industrial stakeholders at global, national and sectoral levels, and connecting this with the long-term and strategic priorities of our assets.

Supporting a just transition

In line with momentum building among multilateral institutions, investor groups and industrial parties, IFM is committed to a just transition; that is, a transition towards a sustainable global economy.

We believe that workers should be treated with dignity and respect as the climate transition is implemented. As a signatory to the UNPRI's Statement of Investor Commitment to Support a Just Transition on Climate Change, we are committed to actions that integrate workforce and social dimensions in our climate practices.

During FY22, we developed Just Transition Principles for our infrastructure portfolios, setting out our commitments to workers, portfolio companies, public policy and industry engagement in relation to the transition to net zero. The principles reflect our commitment to a multi-level social dialogue that positions IFM to deliver class-leading outcomes for investors, as well as portfolio company workers and their communities.

Health and Safety: Infrastructure

Our Infrastructure team has a strong track record of working closely with investee companies to drive and continuously improve safety performance. To date, our approach has had a meaningful impact, »

²¹ As at 30 June 2022

with incident data largely demonstrating a trend of overall improvement after we acquired each asset.

We know the safe operation of infrastructure and creating safe workplaces require a continuous and vigilant focus. We take an enterprise approach to best practice safety management that governs how we:

- identify potential risks and mitigation measures;
- manage risks through our asset management framework; and
- assess safety culture and maturity of portfolio companies.

During FY22, COVID-19-related health and safety impacts remained a focus as on-site working resumed in greater numbers. Our Asset Management team also continued to progress a range of multi-year occupational health and safety (OH&S) initiatives, as outlined below.

Safety roundtables

Since 2019, we have hosted safety forums with investee companies to share and leverage knowledge across the portfolio. Discussion topics focus on best practices and solutions to mitigate OH&S hazards. We hosted two forums in FY22, in conjunction with our global safety partner, Environmental Resources Management (ERM).

Safety Roundtable 1 focused on electricity and energised components, with particular emphasis on administrative and preventive control measures when working with electrical hazards.

Safety Roundtable 2 focused on hazardous material risk management, with emphasis on storage and handling.

Infrastructure safety benchmarking

We continued our safety risk management performance benchmarking study this year. The study, which commenced in FY2019/20 and is facilitated by ERM, measures our combined Australian and Global Infrastructure portfolios against a composite benchmark on overall employee and contractor safety performance. The analysis of FY2020/21 data continued to demonstrate that the safety performance of IFM's infrastructure portfolios is significantly better than representative benchmarks. The lost time injury frequency rate (LTIFR) for employees and direct contractors, a key indicator used in the study, was 60% better than a comparable representative industry benchmark for FY2020/21.²²

Toll Road Asset Safety Reviews

We completed an engagement with an independent consultant to review safety practices across toll roads in our Global Infrastructure portfolio. In its review, the consultant identified future opportunities for improvement and affirmed that, across multiple criteria, safety maturity at each of these assets had markedly improved since IFM acquired them.

Promoting and strengthening health and safety: examples from our infrastructure portfolio.

At **DCT Gdansk**, the majority of health and safety performance metrics continue to trend better than targets. The company's health and safety team is working on the implementation of further improvement measures in the coming year, including raising safety awareness and training for external parties.

At **Freeport Train 2**, the company had zero employee or contractor recordable incidents with 1,150,000 exposure hours in 2021, continuing a positive trend of strong safety performance during construction and commencement of operations.

Indiana Toll Road achieved a zero lost-time injury rate for calendar year 2021 and YTD through June 2022. A substantial reduction in injury severity rate (62% below the 5-year average) was also recorded during the year, reflecting the company's robust safety systems and practices, as well as longer-term improvements in safety culture that IFM has driven since acquisition in 2015.

²² Includes annual data from 27 assets across the Australian and Global ex-Australian Infrastructure portfolios, averaged over five years (or since acquisition) and compared with appropriate benchmark averages. Frequency rate is normalized as the number of lost time injuries occurring per 100 full time workers/200,000 hours worked.



Modern Slavery

In FY22 we have continued to build on existing processes across our business and investment operations to further embed modern slavery risk considerations. Key areas of work are detailed below.

Gap Analysis

We worked with a specialist business and human rights advisory firm to undertake a gap analysis of our modern slavery risk management practices against expectations set out in the Australian Modern Slavery Act and the UN Guiding Principles on Business and Human Rights. The analysis:

- encompassed our own direct operations and corporate supply chains, as well as our investment portfolios;
- informed a set of recommendations for continuous improvement, which we are implementing across the business; and
- involved benchmarking our modern slavery risk management activity against key investor peers, the results of which indicated that we are broadly comparable to investor peers, while also highlighting key areas to continue strengthening.

Guidance for Infrastructure asset directors

In collaboration with third-party specialists, we developed a Modern Slavery Guidance note for our Infrastructure team asset directors. The Guidance note aims to support directors to drive portfolio companies' actions to manage modern slavery risks and comply with modern slavery legislation. It includes an indicative list of high-risk goods

and services; a checklist of suggested actions for portfolio companies; definitions of modern slavery practices; and links to key resources.

Lifting internal capabilities

Building on work undertaken in previous years, we remain focused on increasing knowledge and understanding of modern slavery and lifting the capability of our people to identify and mitigate modern slavery risks across our business, supply chain and investments. We delivered mandatory training to IFM employees who have opportunities to influence change through board level positions across our private asset holdings in Infrastructure and Private Equity asset classes. The training aimed to equip nominee company directors and those who support them with an understanding of modern slavery risk indicators and covered the assessment of modern slavery risk in due diligence processes.

Moving modern slavery oversight to business as usual

As it relates to corporate procurement, our modern slavery oversight has moved into an ongoing business-as-usual approach. We have updated our tools and templates and we are embedding modern slavery considerations in our social procurement strategy. This has helped to raise the profile of a broader set of evaluation and management objectives in our engagements with suppliers.

→ LEARN MORE

In compliance with the Modern Slavery Act (UK) 2015 and Modern Slavery Act (Australia) 2018, we publish annual [Anti-slavery and Human Trafficking Statements](#) on our website.





This image, courtesy of Airport Development Group, is from the filming of the company's [Welcome to Country video](#), shot on the cliffs at Fannie Bay in Darwin.

Developing our First Nations engagement approach in Australian Infrastructure

IFM recognises the Indigenous Peoples of all countries in which we operate and invest as important stakeholders. The development of our First Nations Engagement Approach in Infrastructure is anchored in our respect for Indigenous stakeholders and commitment to contributing to inclusive communities and societies.

The goal of our work across our Australian Infrastructure portfolio is twofold:

1. Build investment team members' cultural awareness and understanding

IFM Infrastructure team executives have been briefed on how to deepen awareness and appreciation of Indigenous history and culture. Discussions included the role of government policy on First Nations People's lives and the value that they bring to Australian communities.

2. Work with portfolio companies to advance individual approaches to engagement with First Nations Peoples

We commenced work with portfolio companies to assess their approach to Indigenous engagement, with a view to supporting the creation of fit-for-purpose action plans, such as a Reconciliation Action Plan (RAP)²², where appropriate.

As we develop this work, we seek to incorporate learnings from portfolio companies that have already commenced and progressed their Indigenous engagement approaches.

Airport Development Group (ADG), the company that owns and manages Darwin, Alice Springs and Tennant Creek Airports in the Northern Territory, refreshed its Indigenous Engagement Strategy in 2021. The updated strategy has a renewed focus on intergenerational change through education, engagement, employment, mentoring and retention. Strategy initiatives include an Indigenous Advisory Committee, comprising Aboriginal stakeholders and ADG and IFM representatives. The company also supports educational and career pathways through its Indigenous training academy, established in early 2022, and direct employment and procurement activities.

Several other assets in our Australian Infrastructure portfolio have committed to the ongoing process of reconciliation and driving positive impacts for local Indigenous communities through Reconciliation Action Plans²³, including Brisbane Airport, Port of Brisbane, Sydney Airport and Ausgrid.

We plan to extend our portfolio approach to engaging with First Nations Peoples beyond Australia in the coming years.

²² A RAP assists businesses to embed the principles and purpose of reconciliation. There are four different Reconciliation Action Plan maturity levels starting with Reflect, then moving to Innovate, Stretch and Elevate. (www.reconciliation.org.au)

²³ Reconciliation Action Plans or 'RAPs' assist businesses to embed the principles and purpose of reconciliation between Indigenous and non-Indigenous Australians. There are four different Reconciliation Action Plan maturity levels starting with Reflect, then moving to Innovate, Stretch and Elevate. (www.reconciliation.org.au)



Inclusion and Diversity

Cultivating a diverse and talented team with a respectful and inclusive culture is a strategic imperative at IFM and fundamental to how we do business. We believe that championing inclusion and diversity (I&D) in our own business and the businesses in which we are invested is crucial for fulfilling our purpose.

We know an inclusive culture that embraces diverse qualities, backgrounds and perspectives leads to more innovative thinking, better decision-making and competitive business performance. The I&D work highlighted in the following pages aims to demonstrate our approach to embedding I&D across our investment and corporate functions and decision-making processes.

A governance structure for organisation-wide alignment

In 2021, we established an I&D governance structure with the aim of creating alignment between our corporate and our investment teams' strategies and actions. The structure brings together representatives from the corporate function and investment teams from all asset classes with the objective of actively aligning the I&D work across the enterprise.

The group defined a vision and strategic direction at an enterprise level for I&D. It also

helped to establish a complete understanding of current activities across our asset classes and the ongoing areas of focus.

Embedding I&D considerations in our investment and stewardship practices

Encouraging and supporting portfolio companies to build inclusive and diverse workplaces is central to our ownership philosophy. Each of our four asset classes tailors its I&D approach to suit investment strategies; however, there are common themes and elements to each approach, including:

- Continuous learning to understand the business case for I&D strategies and actions;
- Establishing and aligning data metrics and collection approaches;
- Engaging with portfolio companies and other internal and external stakeholders to inform and help ensure a best practice approach;
- Expanding the scope of our I&D focus beyond gender;
- Recognising differences in I&D cultures across the global regions we invest in; and
- Considering how to expand our I&D approach to positively impact suppliers, communities and customers.

ESG IN ACTION

Promoting gender diversity in Listed Equities Stewardship

Gender diversity is a priority thematic in our listed equities stewardship. Through engagement and exercising our voting rights, we aim to encourage balanced gender representation, particularly at the board and executive team levels. We are signatories to both the 30% Club and 40:40 Vision and we also engage directly with ASX 300 companies that are yet to reach the 30% female representation on boards threshold.

In May 2022, we voted against the re-appointment of a male director at ASX 200 company Nickel Industries (ASX NIC). In addition to concerns about board independence, given the director is a founding director, our 'against' vote took into account that the board only had one female director and had no tangible plans in place to improve board diversity.

→ LEARN MORE

Our Small Cap Equities team is gender balanced at the director and above level. Small Caps Director Anita Costa provides insights about the challenge of increasing female representation on company boards [here](#).



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Promoting and strengthening I&D in our infrastructure portfolio

Our Infrastructure team's approach to I&D is focused on developing an understanding of where portfolio companies are situated across a range of I&D measures. The data we collect is used to support the development of asset-specific long-term I&D plans, which are regionally and culturally relevant. Examples of outcomes of our work to-date at the portfolio and asset-level are outlined below.

19%
2017

29%
2021

We have driven a step-change improvement in gender diversity of boards across our Global and Australian Infrastructure portfolio companies, with female representation increasing from 19% in 2017 to 29% in 2021.

38%

The gender diversity of IFM board nominees at portfolio companies has increased from 18% to 38% female representation between 2017 and 2021, compared with non-IFM appointed nominees, which only increased from 20% to 21% over the same period.

In-house development of an I&D maturity assessment tool to be used with portfolio assets.



Ausgrid (Australia) has implemented gender targets to help include more women at all levels of the organisation. The targets focus on increasing women in leadership roles to 25% and tripling the number of women in frontline operational roles by 2025. The company's I&D Action Plan incorporates programs relating to raising awareness among executive teams and people leaders, supporting emerging leaders and succession planning, mentoring and parental leave resources.

During 2021, **Anglian Water (UK)** changed its leave policy to allow employees to swap Christian bank holidays with the dates of the festivals of their own religion. The company has also implemented changes to its domestic violence, transgender and transition, and dress code policies to better reflect the needs of its workforce.



I&D strategies are increasingly encompassing inclusive access to health and safety protections. An example of this is the Seafarers Vaccination Program that **NSW Ports** in conjunction with New South Wales Ministry of Health (NSW Health) launched in response to the COVID-19 pandemic. The initiative saw approximately 1,500 crew members of 85 ships vaccinated against COVID-19 in the 12 months to June 2022. Protecting the health and welfare of this critical workforce, who can spend up to 12 months at a time at sea, is critical to supporting resilient global supply chains.



Incorporating I&D considerations in Diversified Credit due diligence

The Diversified Credit team assessed an investment opportunity in the Australian childcare sector, which has a high concentration of female workers (educators).

Given the highly casualised and lower-paying nature of the broader early childhood education sector, which was particularly challenged throughout the first two years of the pandemic, we engaged with the borrower to understand flexible working conditions, remuneration outcomes and staff support.

We queried management and received confirmation that pay levels were above market

rates, and that employees were supported with ongoing training and personal development opportunities to support their engagement and sense of connection and value. The success of this business's approach to creating a workplace that is fair and inclusive is evidenced by its relatively lower turnover rates, as compared to the wider sector.

Our Debt Investments teams - Infrastructure Debt, Diversified Credit and Treasury Services - are considering how to build on work to date to further incorporate I&D considerations into investment decision-making.

Private Equity's I&D focus supporting growth at My Plan Manager

I&D is a key element of the Private Equity team's approach to creating workplace cultures that support value creation. We have also been focused on improving gender diversity in our own team, and we were pleased to have achieved gender balance across the Private Equity team in FY22.

In 2019, we invested in My Plan Manager, Australia's largest National Disability Insurance Scheme (NDIS) plan manager. Each year, we have worked closely with the management team to drive an accelerated growth strategy, which has resulted in four-year revenue growth of approximately 200%. We believe that improvements in the company's I&D credentials have contributed to this growth under our ownership.

Policies that support I&D outcomes, such as transitioning all casual workers to permanent contracts to increase job security, have helped to further increase female representation to 65% (up from 64% in June 2021) across the business, while headcount has grown 108% to 297. At June 2022, female representation at the Board level remains at 40%.

Secondments to higher level roles, a hybrid working policy, and leadership programs targeting

female job progression have all contributed to an increase in female representation at the management level from 45% to 57% in the 12 months to June 2022.

During FY22, the company aimed to further foster positive I&D outcomes through:

- An updated leave policy incorporating two days paid volunteering leave per year; paid wellness leave for proactive medical, wellness or immunisation appointments; and expanded cultural and community leave providing unpaid leave for cultural reasons.
- Improved accessibility considerations in new premises design, including modified amenities for staff and visitors such as automated doors and accessible meeting rooms.
- A purpose-designed wellness room and 'quiet zones' offering spaces for mental health support, first aid, prayer and breastfeeding mothers.



Embedding I&D considerations inside IFM

We believe our approach to I&D in our corporate practices makes a significant contribution to creating a unified and purpose-aligned culture across the organisation. We are committed to creating a truly inclusive lived experience for our people and we aim to embed I&D into every aspect of their experience with IFM.

IFM's Inclusion Index

Our Inclusion Index aims to help us track and measure the inclusive experience of our people over time. In this year's employee pulse survey, our overall Inclusion Index positive response score was 75%, one point down from our inaugural 2021 score of 76% and 3% above the Global Diversified Financials benchmark average. Responses indicated that our people think IFM values I&D, and that our work environment supports diverse perspectives and ways of thinking.

FY22 I&D focus areas

During FY22, we continued to embed our I&D strategy, which is defined by five pillars of focus, as outlined in Figure 4. Key areas of work during FY22 are outlined in the following pages.

Embedding Inclusion

Building an inclusive mindset – individually and collectively – is critical to supporting our I&D strategy. One of the ways we are aiming to do this is through a new program called “Embedding Inclusion”, which focuses on tackling unconscious bias – something we know can impact decision-making and how we view and relate to others. Our employee-led I&D Forums have been involved in identifying this focus area and co-designing training. In early FY23, we will start rolling out this training company-wide.

I&D-focused leadership and development programs

In late FY22, we launched two new programs that aim to develop the capabilities of our future leaders and strengthen our team to achieve greater diversity in leadership:

- Our Women in Leadership Scholarship program is designed to support senior IFM women (director/executive director) to invest in building their leadership capabilities.
- Our nine-month Breakthrough Leadership program is open to managers and senior associates. It has been designed to acknowledge the systemic barriers that participants may have come up against in their careers, while supporting them to develop leadership capabilities.

Supporting mental health and wellbeing

In the context of the ongoing global pandemic, political and social unrest, frequency of natural disasters and the need to adapt to hybrid working, during the year we continued to focus on supporting the mental health and wellbeing of our people.

We launched our inaugural Mental Health First Aid (MHFA) Officers program in London, Melbourne and Sydney and we are currently implementing the program in New York.

Globally and regionally-recognised Days and Months of Significance have also been catalysts for reinforcing the importance of mental health and wellbeing. Activities at these times aim to increase awareness of support resources available and encourage conversations, idea-sharing and personal reflection.



During Mental Health Month in May, we launched our #IFMMyBest campaign, which encourages our people to share what supports their mental health and wellbeing.

Embedding I&D considerations inside IFM *Continued*



FIGURE 04

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 the refreshed I&D Strategy.

Ability

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

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

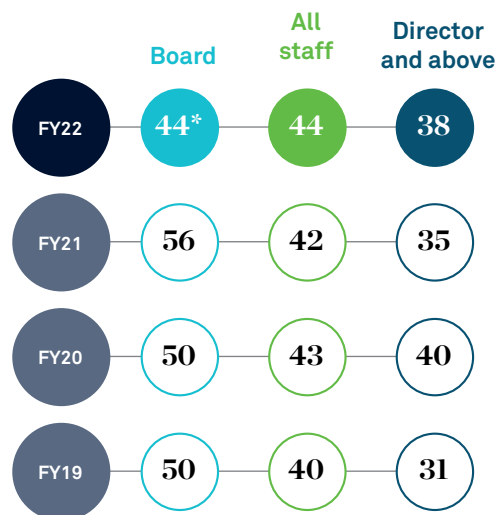
Building on the success of the 'attract, develop, retain' actions of our previous I&D strategy, this pillar will extend building our pipeline of female talent and future women leaders.

Our continued focus on achieving greater gender diversity

In FY22, we undertook a process to refresh our approach to setting targets to support our gender diversity aspirations.

We set a firm-wide longer-term target of 45% of any gender at the all-staff level and 45% of any gender at the director and above level by 2026. For the first time, we have also set longer-term gender diversity goals for each business unit, recognising that each of our business units has different starting points and commercial challenges to achieve this goal. Importantly, our business units have tailored strategies that incorporate enabling drivers for the attraction, retention and development of diverse talent. They also provide periodic updates to the IFM Group Board.

Female representation (%) at IFM[†]



*During FY22, one female board member retired, and one male board member joined (four female, five male directors at 30 June 2022).

†Figures are as at 30 June for each financial year listed.

FY22 I&D activity highlights

600+

600+ IFM people collectively attended a two-part virtual I&D event. Panellists from across the business shared personal and work experiences, our I&D governance structure; and activities promoting I&D in investment and corporate activities.



iTRUST workshops offered to all employees aimed to promote an understanding of the elements of trust to support working relationships with colleagues and clients.



We partnered with The Pinnacle Foundation to create the IFM Investors Scholarship to support LGBTIQ+ people to undertake tertiary education.



We commenced a partnership with JumpStart Advisory Group in North America to help connect us to a diverse and talented pipeline of candidates.

We updated our Domestic and Family Violence Support Policy, doubling paid leave to 10 days and increasing other support such as safe access to a mobile phone.

10 days



We partnered with Indigenous owned and operated business 15 Times Better to start developing our inaugural First Nations Corporate Strategy.



We welcomed interns from the Australian Career Trackers program and US-based Prep-for-Prep to support employment pathways for Indigenous and students of colour, respectively.

Our three regional employee-run I&D Forums continue to reflect voices across the business. We became members of Pride In Diversity, a non-profit organisation with programs and resources to support organisations creating inclusive workplaces for employees of diverse sexuality and gender.

20+

20+ Mental Health First Aid Officers trained globally since program launch.



We marked several Days of Significance through internal speaker events and campaigns including International Women's Day, Pride Month, IDAHOBIT Day, NAIDOC Week, International Day for the Elimination of Racial Discrimination and Harmony week.



We partnered with external consultant Textio to support us to use inclusive language in the recruitment process.



The background of the page is a dark blue field filled with various financial data visualizations. In the upper right, there is a candlestick chart with red and green bars. Below it, a line graph with a yellow line and a blue dotted line is visible. In the lower right, another candlestick chart is shown. The overall aesthetic is that of a digital financial dashboard or trading screen.

Asset class financial year updates

FY22 Overview

Infrastructure

FY22 has been an exceptionally strong year of investment for our Infrastructure team, and we continue to build and further diversify the portfolio.

Our portfolio has generated stable returns in an increasingly volatile market environment. With the performance of many portfolio companies positively correlated to inflation, as well as our prudent approach to financial leverage – primarily focused on long-dated, fixed-rate debt – we believe that our portfolio is well-positioned for a challenging market environment ahead.

During the year we have remained focused on portfolio resilience and managing the transition of portfolio companies in line with our 2030 interim emissions reduction target and our net zero by

2050 aspirations.

We launched and started acquiring assets in our Net Zero Infrastructure portfolio, which targets opportunities that will help facilitate and scale-up decarbonisation efforts and accelerate the transition to net zero.

Our Community Grants Program provided funding for eight projects that portfolio companies are undertaking with local community organisations. We are looking forward to seeing the social and environmental outcomes these projects will generate.

FY22 Transactions

- Our Net Zero Infrastructure portfolio (NZI) made an investment to acquire, indirectly and over time, up to a c. 31% shareholding in ERG S.p.A., a renewables business offering exposure to core European markets across the onshore wind and solar sectors.
- Impala Terminals (UK/Europe) spun out Nala Renewables into a new standalone company. Global Infrastructure's (GI) 50% equity interest in Nala Renewables was acquired by NZI.
- GI completed the acquisition of 13.39% ownership stake in Naturgy Energy Group, a global gas and electric utility headquartered in Spain.²⁴
- Our Australian Infrastructure portfolio (AI) and GI completed acquisition of Sydney Airport as part of the Sydney Aviation Alliance consortium at an enterprise value of approximately A\$32 billion.
- GI entered into an agreement with DigitalBridge Group, to acquire all the outstanding shares of common stock in Switch, Inc., one of North America's leading providers of data centres and connectivity solutions, at an enterprise value of US\$11 billion.
- As at 30 June 2022, GI and associates had secured a combined relevant interest and economic interest of c. 15.5 percent in Atlas Arteria (ALX), a global toll road owner and operator listed on the Australian Securities Exchange (ASX), making it a substantial shareholder in the company.
- In a 50:50 joint venture with Europe's largest telecom operator Telekom Deutschland GmbH, GI completed the acquisition of GlasfaserPlus, a German broadband fibre venture that will roll out fibre-optic access solutions across rural areas of Germany.
- As at 30 June 2022, GI had announced its intention to launch a partial offer to the shareholders of Flughafen Wien AG (Vienna Airport) for c. 10% at a price that implies a 25.5% premium prior to its announcement to launch an offer.

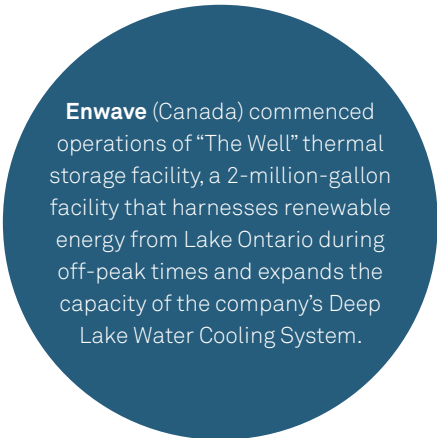
→ LEARN MORE

We launched our inaugural Infrastructure Outlook Report in early 2022. Titled *Resilience and Transition: Infrastructure Outlook*, the report outlines the macro themes and disruptions that are shaping the infrastructure sector and creating investment opportunities.

²⁴ Based on publicly disclosed ownership as of 15 June, 2022

Infrastructure Asset Management Highlights

We aim to drive value over the long term by actively engaging with the management teams of our portfolio companies, as well as with governments and other stakeholders. We seek to identify projects and implement initiatives and programs that increase operational capacity and efficiency, build resilience to the impacts of climate change and create wider social and economic value. In the five years to 2025, more than US\$4.5 billion will be invested in major projects across our portfolios.²⁵ Highlights of our portfolio companies' major cap-ex projects and ESG initiatives and programs are outlined below.



Enwave (Canada) commenced operations of “The Well” thermal storage facility, a 2-million-gallon facility that harnesses renewable energy from Lake Ontario during off-peak times and expands the capacity of the company’s Deep Lake Water Cooling System.



Vienna Airport's onsite 24-megawatt peak (MWp) capacity solar farm, Austria's largest, went online in May.



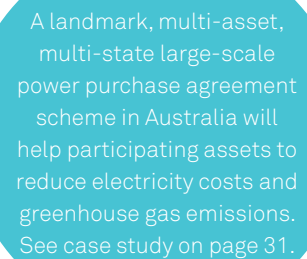
Manchester Airport has announced a partnership with Fulcrum BioEnergy to support the development of a facility to deliver sustainable jet fuel. See page 34 for further details.



After several years of construction, **Port of Brisbane** (Australia) opened the new AU\$177 million Brisbane International Cruise Terminal in June 2022.



VTTI B.V. (UK/Europe) completed a number of tank conversion projects in Rotterdam and Amsterdam. These projects converted around 64,000 cubic meters of oil storage tanks to store ethanol and biofuel under long-term contracts.



A landmark, multi-asset, multi-state large-scale power purchase agreement scheme in Australia will help participating assets to reduce electricity costs and greenhouse gas emissions. See case study on page 31.



Brisbane Airport (Australia) plans to deliver a AU\$72 million Queensland Regional Aeromedical Base with AU\$60 million state government funding it secured in June 2022. The base will accommodate the Royal Flying Doctors Service, LifeFlight and Queensland Health facilities.

Completed onboarding of cyber security specialist partner CYE Security to continue enhancing our portfolio wide approach to improving cyber resilience.



NSW Ports (Australia) completed a \$14 million rehabilitation project of the Bulk Liquids Berth 1 at Port Botany, which included works to protect concrete beams supporting road and pipeline bridges to the berth.

LEGEND:

Global Infrastructure portfolio

Australian Infrastructure portfolio



²⁵ Represents the major project investment undertaken by our portfolio companies

FY22 Overview

Debt Investments



During FY22, The team increased its focus on providing 'climate transition' funding

Infrastructure Debt

The team deployed A\$1.86b during the year, one of our highest annual deployments since we globalised our infrastructure debt business in 2013.

Market volumes in North America and Europe improved following pandemic-induced market dampening. Active sectors were largely consistent with historical averages, with the majority of completed deals in the power and renewable energy sectors.

Australian debt markets experienced volatility, with borrowers looking to refinance at rates that are still at historical lows. Recent increases in the official cash rate have followed a period of significant increases in floating base rates. Credit margins have been slow to widen.

We continue to develop our Global Infrastructure Debt strategy as we seek attractive relative value for our investors while lending to assets that promote energy transition, electrification, environmental management and energy efficiency.

Specialist Credit

Direct COVID-19-related impacts on portfolio investment performance mostly receded through FY22, however, some borrowers exposed to the tourism sector and international travel volumes continued to experience below-historical revenues. Some borrowers have also experienced secondary impacts of the pandemic, including workforce shortages and recruitment challenges; supply chain constraints; and operating restrictions. While affected businesses may have experienced strong revenues, many saw operating costs rise.

Capital inflows balanced outflows across most of the year. Capital allocations broadly reverted to pre-pandemic patterns as operating circumstances mostly normalised; however, our team remained wary of rising inflationary pressures and therefore were cautious when considering investments in sectors exposed to discretionary consumer spending.

During the second half of the year, we started seeing the impact of rising inflation and interest rates flow through the portfolio. This resulted in the overall income yield of the portfolio rising, as floating rate assets benefited from rising interest rates. However, increasing market volatility flowed through to widening credit spreads, resulting in mark-to-market losses on some portfolio holdings.

During FY22, the team increased its focus on providing 'climate transition' funding, as well as negotiating financing terms with borrowers that aimed to drive material changes in business strategies to address medium and long-term transition risks.

Treasury Services

Following the launch of the Green Term Deposit in FY21, the team worked closely with Commonwealth Bank of Australia to introduce ESG Term Deposits, the proceeds of which are allocated to Sustainability-Linked Loans.

We started providing fund-level data on emissions to clients of the Australian Bond strategy, and we continue to research a standardised approach for emissions data and its implications for bond portfolios.²⁶

With the launch of the IFM Net Zero Infrastructure portfolio, we are engaging with counterparties on ESG-linked FX forwards. Banks have indicated that they are willing to reduce costs on FX derivatives attached to ESG-friendly assets.

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²⁶ We are using a carbon intensity measure based on enterprise value, including cash (EVIC). We note limitations to accurately measuring emissions associated with government and semi-government bonds.

FY22 Overview

Listed Equities

It was a volatile year for listed equities in Australia and globally, with most markets experiencing significant declines. Higher interest rates from central banks around the world had a negative impact on the valuations of growth, long duration and IT stocks, in sharp contrast to earlier in the financial year when IT and growth stocks were rallying in a different environment.

Russia's invasion of Ukraine added a new level of volatility and politically-charged themes to global markets. Sanctions on Russia impacted multiple sectors and "risk off" quickly became the dominant theme of the financial year, with large cap stocks significantly outperforming their small cap peers.

During the year, in collaboration with our Responsible Investment team, our Listed Equities team continued to engage with companies and exercise proxy voting rights on material environmental, social and governance (ESG) issues.

Large Cap Active Equities

It was a year of two halves for the Australian market as the rally in growth and IT stocks in 2021 was derailed by high inflation prints and rising

interest rates in 2022, resulting in the S&P/ASX 200 Accumulation Index declining by 6.5%.

Despite the volatility, our active Large Cap strategies outperformed their benchmarks. Since the inception of the Core and Long Short strategies in 2016, the team has generated an alpha of 1.4% p.a. and 4.1% p.a., respectively – an information ratio of 1.4x and 1.9x. The team believes the key to navigating volatile markets is its adoption of a diversified set of alpha factors. Other contributors to the outperformance include the team's 'Expectations at Risk' (EaR) trades, a fundamental overlay that seeks to enhance alpha by avoiding value-traps or crowded trades that can negatively impact systematic returns. During FY22, the team also partnered with clients to apply bespoke carbon reduction targets in portfolios.

Small Cap Active Equities

Market volatility was magnified at the small cap end of the spectrum, where the S&P/ASX Small Ordinaries Accumulation Index declined 19.5% over the financial year. The month to 30 June 2022 saw particularly unstable conditions, as the Australian small cap market declined more than 13%. However, the team outperformed its annual benchmark and entered the new financial year with a long-term, 10-year track record of 4.2% p.a. alpha.

Global Indexed Equities

While the news in absolute return terms was negative for Global Equities in the financial year to 30 June 2022, the team achieved its strongest outperformance in the six years since first investing in global indices.

Indexed & Quantitative Equities

Despite market volatility, the team outperformed across all passive strategies for the financial year. This outperformance was a product of several incremental value-add strategies, as well as our participation in six off-market buybacks, the most the team has participated in within a financial year since 2007.

The Quantitative team was pleased to launch its Australian Equities Climate Transition strategy. »



FY22 Overview

Private Equity

During FY22, we have continued to implement our strategy to invest in proven, resilient businesses with clear and actionable growth potential.



My Plan Manager

Ongoing market uncertainty and volatility relating to a number of global economic and geopolitical factors reinforced the importance of our rigorous approach to valuations and due diligence.

We finalised A\$380 million in IFM Private Equity Growth Partners fundraising in February this year. This included an investment of AU\$80 million from the Australian Government-owned Clean Energy Finance Corporation (CEFC).²⁷ This product will target investments in companies that have the potential to facilitate widespread emissions reduction through their products and services, or through their own business operations.

In late 2021, we commenced fundraising and achieved first close of A\$445 million for our Long-Term Private Capital strategy. This strategy aims to offer a differentiated investment platform focused on long-term, economically durable, private market investments with 'mid-risk' return profiles in the Australian and New Zealand market. We expect the long-term ownership periods this product targets support the potential for greater ESG impact.

Cultivating purpose-driven cultures, promoting fair and inclusive workplace practices, and reducing our portfolio's carbon footprint continue to be key elements of our investment approach and integral to creating value for our investors. Examples of how we are driving ESG outcomes at portfolio companies are included in the Climate Change and Workplace Leadership sections of this report.

Our Private Equity team was proud to be the first one in Australia to have all its portfolio companies achieve carbon neutrality for FY21 emissions, as fully certified by Climate Active, which represents the Australian Government's certification standard.

Key transactions and company announcements

- Completed the divestment of medical practice management software/cloud company Genie Solutions in late 2021.
- Completed the acquisition of Render Networks in May 2022, a global provider of construction management Software as a Service (SaaS) solutions for builders and operators of telecommunications, energy and utility networks.
- Payapps (formerly known as Zuuse) was shortlisted for the 2021 AFR Most Innovative List in both the 'Technology' and 'Property, Construction and Transport' categories. The company also achieved strong jobs growth, increasing the number of FTEs from 69 to 145 in the first 18 months post IFM's acquisition.
- My Plan Manager's client base has increased four-fold to c.35,000 clients since acquisition in 2019, and it remains the leading NDIS platform in Australia.

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²⁷ <https://www.ifminvestors.com/about-us/media-centre/news/2022/02/11/cefc-and-ifm-investors-bring-sustainability-focus-to-mid-market-private-equity-growth-companies>

Appendix A

Responsible Business Governance and Oversight

Board oversight

The Board Responsible Investment and Sustainability Committee (BRISC) assists the IFM Group Board by providing an objective, non-executive view of the effectiveness of IFM's responsible investment, stewardship, sustainability strategy and reporting framework. The BRISC is responsible for monitoring and overseeing progress against key responsible investment and sustainability objectives, as well as endorsing and providing guidance on ESG-strategies proposed by management. The BRISC convenes on a quarterly basis and also receives written updates between sessions, as required.

Management responsibility

Embedding ESG and stewardship matters into all aspects of our investment and business decision-making processes is crucial to achieving competitive risk-adjusted investment returns. Our executive team, cascading through the committees and investment teams, share a commitment to fulfilling this.

Our Chief Executive, taking guidance from the BRISC, helps to ensure responsible business practices are embedded in IFM's strategy and business planning and integrated within each investment team's process and investment decisions. Our Chief Executive is supported by the Investment Committee, which helps to ensure responsible business policies are factored into our investment decisions. Our capabilities, assessment methodologies and frameworks continue to evolve and develop to reflect market best practice and changing investor expectations.

Our Responsible Investment team is responsible for the overarching strategy development and ambition of IFM's Responsible Investment Charter and ESG Policy.

Global Investment Heads are responsible for the execution and implementation of IFM's Responsible Investment Charter and ESG Policy in the investment and asset management process.

The Proxy voting and Engagement Committee (PEC) provides oversight of all proxy voting activity

on listed securities. The PEC comprises the Global Head of Equities, Executive Director, Responsible Investment and Executive Directors of the Large Cap, Small Cap and Indexed and Quantitative Equities teams. While the PEC delegates authority for day-to-day engagement and voting on listed securities to representative members in the team, it is responsible for reviewing and approving votes cast in relation to shareholder proposals and other important decisions.

Investment responsibility – Investment teams

Our investment teams across four asset classes operate within a decentralised structure. Each team, with specialist support from the Responsible Investment team, is responsible for managing ESG considerations and stewardship activities in its responsible investment and asset management processes.

IFM's investment teams are responsible for the design and execution of asset class-specific strategies, frameworks and reporting, as well as responsible investment and stewardship outcomes at the investment level. The Responsible Investment team works closely with the investment teams to carry out these activities.

All teams draw on research and data from external fund managers and brokers, ESG research and data service providers, and via our membership of specialist climate change-related investor organisations. Investment team representatives also coordinate knowledge sharing between assets, and attend conferences, forums and signatory working group sessions to build knowledge and share information with investment teams and management on climate change-related trends and developments.

IFM Investors' investment teams are expected to adhere to IFM's Responsible Investment Charter and Group Environmental, Social and Governance Policy. These documents outline how responsible investment considerations and stewardship are embedded in our investment decision-making processes.

Responsible Investment and Stewardship leadership: Responsible Investment team

The Responsible Investment team, with its diverse skill sets and backgrounds, provides consultation and specialised advice to investment teams. They work collaboratively with investment teams on their responsible investment and ESG integration approaches.

External resources

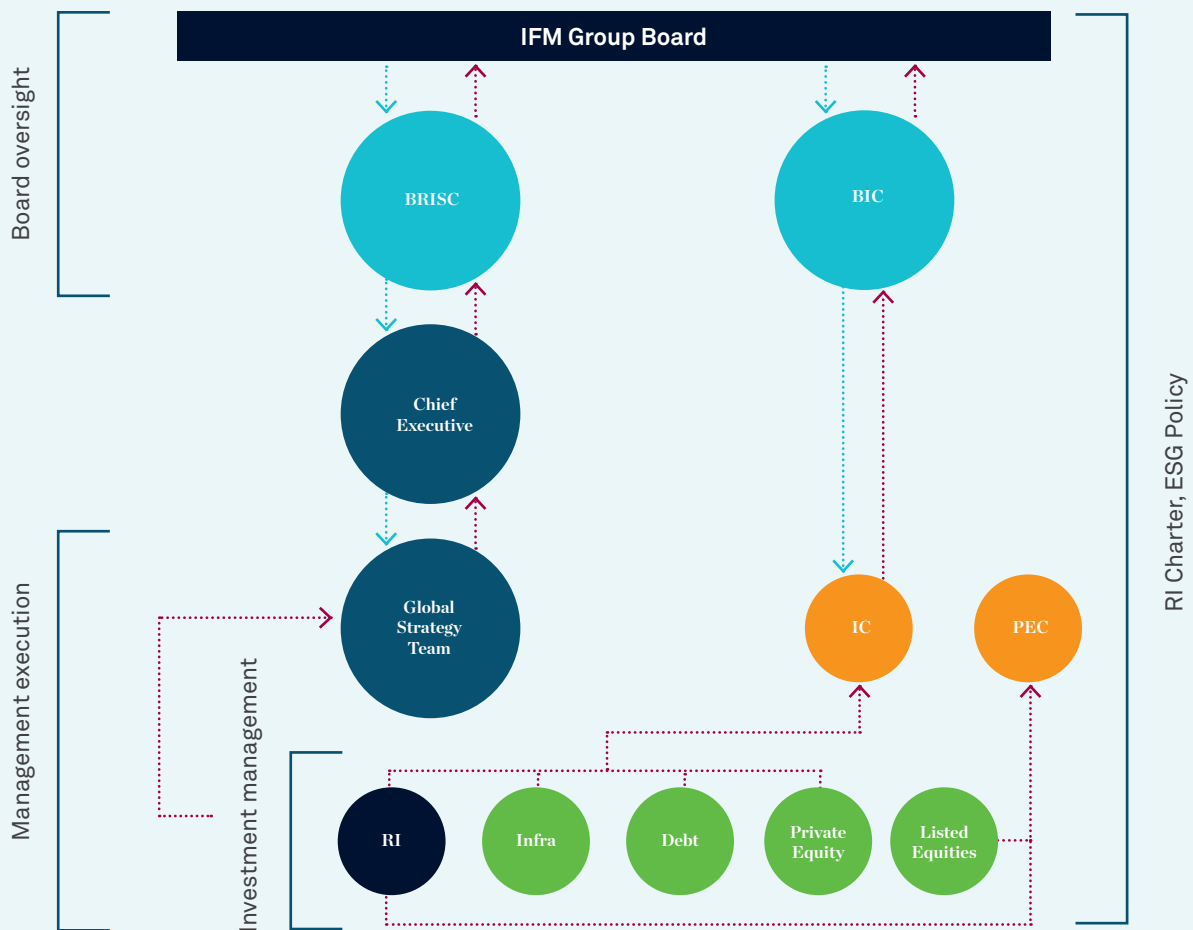
IFM’s internal responsible investment and infrastructure resources manage the vast majority of our ESG research, climate change research and responsible investment-related data. This allows IFM to oversee and implement our own responsible investment and stewardship processes. However, we may complement this internal effort with external input where this can add value to the investment process. In infrastructure, we may appoint an independent specialist to carry out detailed analysis

on a particular ESG issue during due diligence.

Climate change research and data is derived from multiple sources, especially through our membership of a number of investor bodies which are focused on climate change, analyst research, and participation in climate-focused working groups and round tables. We also subscribe to climate change emissions and risk analytics data through MSCI, and we commission individual assessments related to our infrastructure portfolios by external providers such as Arup, ERM, 427 (now owned by Moody’s) and Pollination.

In addition to external benchmarking, such as the PRI’s annual assessment process, we have an internal assurance process. Our policies and processes are reviewed and updated on a regular basis. Any material changes are presented to the BRISC. Moreover, each asset class is generally required to present their ESG and stewardship processes to the BRISC annually.

Responsible business governance and oversight



Appendix B

Managing Conflicts of Interest

IFM Investors maintains a Conflicts Management Policy that sets out how the business identifies, mitigates, manages and monitors conflicts of interest at the corporate, investment and personal level. We also recognise the significance of managing potential conflicts of interest on behalf of IFM's clients when voting their shares and engaging with investee companies.

When certain instances of conflict arise, they will be disclosed to the Conflicts Committee, and the appropriate steps will be taken to ensure that IFM Investors properly identifies, manages, and reports the conflict, and fulfils duties to act in our clients' best interests. To address instances in which a potential conflict may arise, our Conflicts Management Policy takes into account the nature, scale and complexity of the circumstances.

Managing Potential Conflicts

Where a conflict of interest is identified, IFM may use one or more of the three following measures to address the conflict:

- Managing the conflict of interest;
- Avoiding the conflict of interest; and/or
- Disclosing the conflict of interest.

In all conflict situations, IFM Investors will seek to put the interests of its clients first.

Important Disclosures

The following disclosure applies to this material and any information provided regarding the information contained in this material. By accepting this material, you agree to be bound by the following terms and conditions. The material does not constitute an offer, invitation, solicitation, or recommendation in relation to the subscription, purchase, or sale of securities in any jurisdiction and neither this material nor anything in it will form the basis of any contract or commitment. IFM Investors (defined as IFM Investors Pty Ltd and its affiliates) will have no liability, contingent or otherwise, to any user of this material or to third parties, or any responsibility whatsoever, for the correctness, quality, accuracy, timeliness, pricing, reliability, performance or completeness of the information in this material. In no event will IFM Investors be liable for any special, indirect, incidental, or consequential damages which may be incurred or experienced on account of a reader using or relying on the information in this material even if it has been advised of the possibility of such damages.

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Past performance does not guarantee future results. The value of investments and the income derived from investments will fluctuate and can go down as well as up. A loss of principal may occur.

Environmental, Social, and Governance (“ESG”) strategies may take risks or eliminate exposures found in other strategies or broad market benchmarks that may cause performance to diverge from the performance of these other strategies or market benchmarks. ESG strategies will be subject to the risks associated with their underlying investments’ asset classes. Further, the demand within certain markets or sectors that an ESG strategy targets may not develop as forecasted or may develop more slowly than anticipated.

Investments in infrastructure are subject to various risks including regulatory risk and market risk, which are outlined in further detail on the “Important Disclosures” page. Prior to making an investment in any infrastructure strategy, investors should refer to the offering documents for a complete discussion of risks.

Investments in fixed income securities are subject to the risks associated with debt securities generally, including credit, interest rate, call and extension risk.

Private equity investments are speculative, highly illiquid, involve a high degree of risk and have high fees and expenses that could reduce returns; they are, therefore, intended for experienced and sophisticated long-term investors who can accept such risks. Furthermore, restrictions on transferring interests in private equity funds may exist so prospective investors should be prepared to retain their investments in the fund until the fund liquidates. Private equity funds may borrow money or use leverage for a variety of purposes, which involves a high degree of risk including the risk that losses may be substantial. Lastly, the possibility of partial or total loss of a private equity fund’s capital exists, and prospective investors should not subscribe unless they can readily bear the consequences of such loss. There can be no assurance that the private equity fund sponsor’s or the fund’s investment objectives will be achieved or that investors will receive a return of their capital.

Australia Disclosure

This material is provided to you on the basis that you warrant that you are a “wholesale client” or a “sophisticated investor” or a “professional investor” (each as defined in the Corporations Act 2001 (Cth)) to whom a product disclosure statement is not required to be given under Chapter 6D or Part 7.9 of the Corporations Act 2001 (Cth). IFM Investors Pty Ltd, ABN 67 107 247 727, AFS Licence No. 284404, CRD No. 162754, SEC File No. 801-78649.

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United Kingdom Disclosure

This material is provided to you on the basis that you warrant that you fall within one or more of the exemptions in the Financial Services and Markets Act 2000 (“FSMA”) [(Financial Promotion) Order 2005] [(Promotion of Collective Investment Schemes)(Exemptions) Order 2001, or are a Professional Client for the purposes of FCA rules] and as a consequence the restrictions on communication of “financial promotions” under FSMA and FCA rules do not apply to a communication made to you. IFM Investors (UK) Ltd shall have no liability, contingent or otherwise, to any user of this material or to third parties, or any responsibility whatsoever, for the correctness, quality, accuracy, timeliness, pricing, reliability, performance, or completeness of the information in this material.

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