

Engagement and Voting Report

January – June 2021

INVESTOR REPORT

We act as a steward

IFM Investors Responsible Investment Charter - Pillar 5

We own assets on behalf of our investors, embedding environmental, social and governance (ESG) principles without compromising long-term returns.

IFM Investors believes the integration of environmental, social and governance considerations into our investment decisions creates value for our investors over the longer term.



Chris Newton
 Executive Director,
 Responsible
 Investment
 Chair, IFM Investors
 Proxy Voting and
 Engagement
 Committee

Proxy Voting and Engagement Committee Chair’s Note

I am pleased to report on IFM’s engagement and proxy voting activity in relation to Australian equities for the period 1 January 2021 to 30 June 2021. This report provides a summary of the stewardship activities we have undertaken on behalf of our investors and their members and beneficiaries.

In alignment with our Responsible Investment Charter and the Australian Asset Owner Stewardship Code, we engage with companies and exercise our proxy voting rights on material environmental, social and governance (ESG) issues. We believe that proactive company engagement and voting is critical to encouraging responsible management of ESG risks and opportunities. It is through this activity that we seek to build value in pursuit of our purpose, which is to protect and grow the long-term retirement savings of working people.

Please do not hesitate to contact me to discuss the contents of this report and IFM’s approach to engagement and proxy voting.

Key highlights from the reporting period include:



Leveraging our size and shareholder influence to help improve board structures and compensation practices by voting on 435 resolutions. We voted against management in approximately **8% of cases.**



Woodside, Santos, Rio Tinto and Oil Search agreed to give shareholders a **‘Say on Climate’** at their 2022 AGM, and we expect other companies to follow suit.



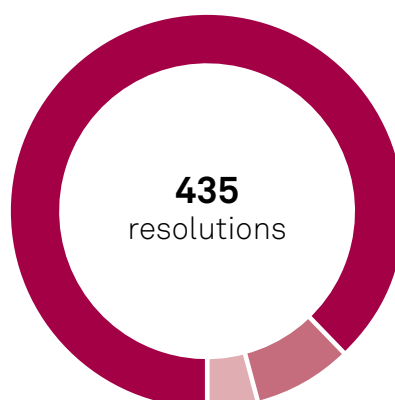
Following the Juukan Gorge destruction, **IFM joined over 60% shareholders** to vote against the Remuneration Report at Rio Tinto’s AGM, providing the company with a ‘first strike’. See breakout box on page 6 for details.



Proxy voting summary

Listed Equities voting activity

1 January 2021 – 30 June 2021	
Number of company AGMs	65
Number of resolutions	435
Voted With Management	381
Voted Against Management	35
Abstained	19
Voted against proxy advice	3



- With Management 88%
- Against Management 8%
- Abstain 4%

See table below for additional detail on 'Against' votes.

IFM abstained from voting on resolutions where we participated in placements.¹

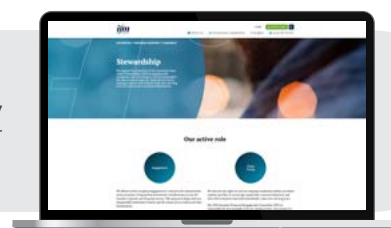
Summary of voting – proposal categories 1 January 2021 to 30 June 2021

Category	With Management	Against Management	Abstain
Director elections	137	11	-
Director fees / grants	51	10	-
Remuneration report	45	13	-
Company statute changes	17	-	-
Capital management ²	72	-	19
Audit / financials	22	-	-
Board related (other) ³	14	1	-
Corporate activity ⁴	14	-	-
Shareholder proposals - Other ⁵	-	-	-
Shareholder proposals - Climate Change	6	-	-
Shareholder proposals - Constitutional Amendment ⁶	3	-	-
Meeting administration	-	-	-
Total	381	35	19



IFM Investors' voting guidelines are available in our Group Environmental, Social and Governance Policy available at: www.ifminvestors.com/about-us/responsible-investment

IFM Investors' searchable record of voting activity is available on our website at: www.ifminvestors.com/about-us/responsible-investment/stewardship



¹ Not included in count of Votes Against Management

² Relates to stock issuance and share repurchase, etc.

³ Relates to board spills, post-employment agreements, indemnification of directors, related party transactions

⁴ Relates to divestiture/spin offs, takeover provisions

⁵ Shareholder proposals regarding cultural heritage, industry associations and the election of dissident board members

⁶ Proposals related to facilitating nonbinding proposals. IFM believes the regulatory process is a more suitable means for addressing this concern.

Summary of activity

Inclusion and Diversity

One of the investment principles in our Responsible Investment Charter states, “Diversity drives better performance”. We recognise the value of a diversity of viewpoints and opinions to support decision making that helps to create long-term value for our investors and their members and beneficiaries.

Gender diversity at the board level and within executive leadership teams is a focus area of our engagement in 2021. IFM engages with companies in collaboration with ACSI, as well as with other investors through our involvement in the 30% Club and 40:40 Vision.

The 40:40 Vision is an investor and business-led initiative working towards gender balance in executive leadership across all ASX200 companies by 2030, and our Chief Executive David Neal sits on the 40:40 Vision Steering Committee. IFM is leading the 40:40 Vision engagement with Woolworths and is the support investor for the Coles engagement. We commenced engagement through this initiative with Woolworths during the reporting period.

It was pleasing to hear that Woolworths not only has targets and firm commitments in place to achieve gender balance, but also that it is already focused on how to maintain gender balance, once achieved. This involves looking at the gender balance and other diversity measures within each team, as well as monitoring upcoming managers for promotion. Earlier this year, Woolworths was the first Australian food retailer to be recognised as a leader in the area of workplace gender equity when it was granted the Workplace Gender Equality Agency citation Employer of Choice for Gender Equality.

More broadly, with regards to the ASX200 at the end of June 2021, Silver Lake Resources Limited (SLR) and recent entrant Chalice Mining (CHN) were the only companies without any female board members, following appointments at Kogan.com over the preceding

six months. Australian Institute of Company Directors (AICD) diversity statistics for the end of June 2021 reveal the percentage of females on ASX200 boards had increased to 33.6%, up from 32.4% in December 2020.⁷ The percentage of females on ASX300 boards at the end of June 2021 was 31.6%.

During the reporting period, IFM voted against a director re-election at Cimic Group (CIM). A lack of gender diversity on the board was a significant driver of our decision, as well as some concerns about director independence.



Gender diversity at the board level and within executive leadership teams is a focus area of our engagement in 2021



⁷ Australian Institute of Company Directors, www.aicd.companydirectors.com.au/advocacy/board-diversity/statistics

Workplace leadership

Respect for working people is encapsulated in the strategic pillars underpinning our purpose. Promoting fair and equitable standards for working people is a key stewardship theme for IFM, encompassing modern slavery and, more broadly, human rights.

Modern slavery describes situations where offenders use coercion, threats, or deception to exploit victims and undermine their freedom. Practices can include human trafficking, slavery, servitude, forced labour, debt bondage, forced marriage, and the worst forms of child labour.⁸ Following the introduction of the Modern Slavery Act 2018 (Cth), Australian firms with at least AU\$100m in revenue are required to report annually on modern slavery risks and actions taken to respond to these risks in their operations and supply chains. The vast majority of firms required to report under the Act did so by 31 March 2021.

Following this first reporting period ACSI evaluated the quality and compliance of modern slavery reporting by ASX200 companies. They found significant room for improvement, with the majority of company statements only meeting minimum reporting requirements. This is somewhat understandable being the first reporting period. Nonetheless, ACSI's findings highlight

the necessity for investors to undertake co-ordinated and focused engagement with Australian companies to encourage them to acknowledge and identify modern slavery risks within their business operations and supply chains. IFM will actively work with ACSI and other investors to monitor and enhance this going forward. If companies fail to put adequate processes in place to uncover cases of harm, or fail to take any meaningful action to respond to incidents when they are identified, the legislation itself will likely fail to have any impact.

IFM is an active signatory of Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC). This investor-led initiative was convened to promote effective action among companies in the APAC region to identify, address and prevent modern slavery, labour exploitation and human trafficking in their value chains. IFM has commenced engagement with a number of retailers that the initiative is focusing on. To date, we have come to understand that the most significant issues for retailers relate to a need to increase capability and capacity. There is also a need to address factors limiting greater collaboration across supply chains and with other retailers, which include anti-competitive practice regulations.



⁸ <https://www.homeaffairs.gov.au/criminal-justice/Pages/modern-slavery.aspx>



Climate Change

Shareholder resolutions asking companies to allow shareholders a non-binding vote on their climate strategies - a ‘Say on Climate’ - has been a significant theme during the first half of the 2021 proxy season. So far, Woodside Petroleum, Santos, Rio Tinto, Oil Search and, most recently, AGL Energy have agreed to put climate reporting to a non-binding, advisory vote starting at their 2022 AGMs. As long-term investors, we are pleased that these companies have taken the lead in terms of giving investors a voice on this important issue. At this stage the companies have agreed to this resolution at their 2022 AGMs, but we will encourage them to allow shareholders an annual vote.

The resolution requires that company management put forward advisory resolutions to seek shareholder approval on their company’s climate change transition action plan, as well as progress against its decarbonisation strategy. We believe that this is a suitable avenue by which companies can gauge investor support for their targets and activities as it relates to energy transition. We expect ‘Say on Climate’ resolutions will continue to be a focus of the upcoming Australian proxy season, and we expect they will be proposed for all CA100+ target companies.

Other climate-related shareholder resolutions that caught investors’ attention during the first-half period were the ‘Capital

Protection resolutions’ lodged at the Santos, Woodside and Oil Search AGMs. IFM voted AGAINST the resolution at all three company AGMs.

We acknowledge that these companies face significant risks from climate change and the energy transition, and we expect these companies to have these risks front of mind when setting long-term strategy and future capital allocation plans. We also agree that shareholders can benefit from more granular information and details on scenarios and assumptions that underpin these decisions.

However, instead of focusing on these elements, the resolution text asked for the disclosure of plans for the winding up of operations, the return of capital to investors, and providing assistance to employees facing job losses. In our view this suggests only one course of action is possible, despite the fact that climate scenarios propose alternate futures and a number of potential transition pathways.

Following the Santos and Woodside AGMs we wrote to each company. We encouraged them to provide additional disclosure on capital expenditure plans, including investment in low carbon technologies and 1.5 degree stress testing. This disclosure will enable investors to better assess the preparedness of the firm for a net zero carbon world.



Proxy voting policy

IFM’s approach to engagement and voting is guided by the standards of business practice outlined in international and domestic frameworks, including the OECD Guidelines for Multinational Enterprises, the Guiding Principles on Business and Human Rights, the United Nations-backed Principles of Responsible Investment (PRI), and the Australian Council of Superannuation Investors (ACSI) Governance Guidelines.

In our experience, change is best effected by acting as part of a collective and voting in line with like-minded investors. IFM’s voting guidelines are closely aligned with the ACSI Governance Guidelines and we are part of the Governance Guidelines working group that reviews the Guidelines every two years. IFM’s Executive Director, Responsible Investment, is a member of the ACSI Member Council.

Our voting activity is overseen by IFM’s Proxy Voting and Engagement Committee (PEC), which is headed up by our Executive Director, Responsible Investment, working in conjunction with the Global Head of Listed Equities (who manages the Indexed & Quantitative Equities, Small Cap Active Equities and Large Cap Active Equities teams).

The PEC’s decision-making process aligns with

IFM’s Responsible Investment Charter and the voting guidelines stated in IFM’s Corporate ESG Policy. In addition to input from IFM’s equities teams, this process incorporates advice from independent external research firms and proxy advisers, with whom IFM Investors maintains close relationships. For example, on occasion, we receive input from Mr Mark Zirnsak, Senior Social Justice Advocate, Synod of Victoria and Tasmania, Uniting Church in Australia on critical social factors relating to ASX-listed companies.

In all instances, the PEC aims to ensure that any proxy advice and voting recommendations adopted are aligned and consistent with IFM’s own responsible investment policies.

IFM maintains independence when exercising its voting power and there are instances where our final voting decisions may differ from proxy advice. From January to June 2021, our voting stance differed from proxy advice on three resolutions relating to Director Elections.⁹

More information on our approach to engagement and voting, our individual voting records, and our high level Voting Guidelines are disclosed in the IFM Investors Group Environmental, Social & Governance (ESG) Policy available at: www.ifminvestors.com/about-us/responsible-investment

IFM Investors Proxy & Engagement Committee



⁹ Does not include resolutions where IFM abstained from voting.

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