

Engagement and Voting Report

July – December 2019

We act as a steward

IFM Investors Responsible Investment Charter - Pillar 5

We own assets on behalf of our clients, 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.

Overview

IFM Investors is pleased to report on its engagement and proxy voting activity in relation to Australian equities for the period 1 July 2019 to 31 December 2019. The report provides a summary of stewardship activities we have undertaken on behalf of our investors and their 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 proactive company engagement and voting is critical to encourage responsible corporate behaviour and drive ESG initiatives that build shareholder value over the long term.

Highlights

- We voted over 1,060 resolutions during the last six months, capitalising on our size and influence to help improve board structures and compensation practices. We voted against management in approximately 10% of cases.
- Following our initial communication to ASX200 and ASX300 companies with low female Board representation, we held follow up meetings with 18 companies to discuss their upcoming plans concerning female board appointments. We also voted against the re-election of directors on several boards that have not demonstrated adequate progress.
- We continued engaging with companies as part of the Climate Action (CA) 100+ initiative. The collaborative engagement model is driving significant progress across the target companies.
- We held an Investor briefing session with the Coles Group and attended worker forums in Shepparton and outer Melbourne, to discuss supermarket retailers' recent progress in the area of supply chain management and express additional improvements we would like to see implemented.

CASE STUDY

ANZ Settlement with Cambodian Farmers

A precedent-setting outcome.

On 27 February 2020, ANZ agreed to provide a financial package to some 1,200 Cambodian families forcibly displaced by a sugar company it financed via its subsidiary ANZ Royal Bank in 2011.

The agreement, which sets an important human rights precedent for the global banking sector, comes more than five years after the complaint was filed with the Australian National Contact Point (ANCP) for the OECD Guidelines for Multinational Enterprises (Guidelines) in 2015.

In 2016, IFM Investors commenced engagement with ANZ regarding the loan to the Phnom Penh Sugar Co. Ltd. In 2017 we hosted an investor-briefing where some of the affected farmers spoke about the use of child labour, food shortages, and threatening responses to worker protests on the sugar plantation. The session also sought to understand changes ANZ

had made, or was proposing to make, in order to

- i) Ensure greater compliance with their credit assessment process; and
 - ii) Remedy situations where the bank, in breach of its own standards, had negatively affected a community.
- In 2018, the ANCP confirmed ANZ was in breach of the Guidelines and its own human rights standards, in financing the company. IFM Investors continued to engage with ANZ after this announcement, writing again to the Chair and CEO of ANZ to request a case update and assurance that the bank's screening and monitoring processes were improved.

IFM Investors is pleased ANZ has agreed to compensate the aggrieved people and continue to improve its human rights policies, including customer social and environmental screening processes and grievance mechanisms.

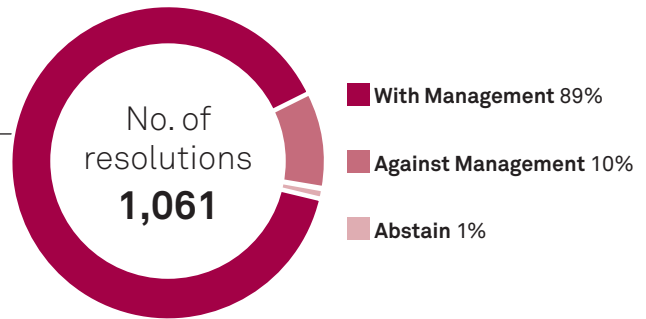
»

Proxy voting summary

Indexed Equities voting activity

(1 July – 30 December 2019)

No. of company AGMs	188
No. of resolutions	1,061
Voted with Management	938
Voted against Management	106
Abstained	14
Voted against ACSI recommendation	26



Three resolutions were advisory votes – instructed not to vote.

The majority of 'against' votes were cast on director elections (38%), executive remuneration (28%) and remuneration reports (27%).

IFM Investors abstained on 1% of resolutions, due to our participation in a placement.

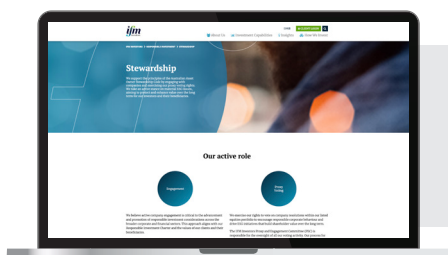
Summary of voting – proposal categories

Category	With Management	Against Management	Abstain ¹
Director elections	383	40	1
Executive remuneration	201	30	-
Remuneration report	133	29	-
Capital management	60	2	11
Change to company statute	48	-	-
NED remuneration	28	-	-
Audit/Financials	21	-	2
Merger & Acquisition	9	1	-
Board related (other) ²	30	-	-
Shareholder proposals	24	3	-

¹Capital management – IFM participated in the placements; Director elections – Board related; and Audit/Financials - Insufficient information available to make a determination.

²includes related party transactions, board spill, post-employment agreements & meeting administration

IFM Investors' voting guidelines are available in our Group Environmental, Social and Governance (ESG) 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



Engagement

Board Diversity update

Our Responsible Investment Charter acknowledges our belief that “diversity drives better performance”. We recognise the value of ensuring a diversity of views, cultures and opinions to aid better decision making that will lead to long term value creation for our investors.

The Australian Institute of Company Directors (AICD) statistics show that at end December 2019 the percentage of females on ASX200 boards remains at 30.07%.² Six ASX200 boards do not currently have any females. These companies include TPG Telecom, HUB24 Limited, NRW Holdings Limited, Pro Medicus, Silver Lake Resources Limited and New Hope Corporation Limited.

Early in 2019, we wrote to the CEOs and chairs of each of these companies to communicate our belief and encourage concrete steps to seek out and appoint female board members. For the companies unable to make a firm commitment on progress (TPG Telecom, Pro Medicus and Silver Lake Resources) we voted against director elections on diversity grounds.

We also voted against director elections at the AGMs of several other companies in the ASX200 with only one female director and ASX300 companies without any female directors. At the end of December 2019, 28 boards in the ASX300 do not have any females. We will continue engagement with these companies to encourage board gender diversity over 2020.

Climate Change update

IFM Investors participates in the Climate Action 100+ initiative and we are supporting engagement with Qantas, Bluescope, Adelaide Brighton and Woolworths Limited. Engagement meetings were held with each of these companies in the six month period and we are satisfied that each company is progressing against the specific asks put to them by the CA100+ investors.

In particular, we highlight Qantas’s commitment to reach net zero emissions by 2050 through actions related to customer flight offsets, capping net emissions post 2020 and \$50 million investment into the development of a sustainable aviation fuel industry. A net zero commitment by 2050 is one of the key



asks of the Climate Action 100+ agenda, and the biofuels commitment was a key issue discussed in the engagement meeting organised and led by AustralianSuper. In the coming year CA100+ investors will continue to engage with Qantas to seek further details on its pathway to net zero by 2050.

Labour standards update

IFM is continuing to engage with Woolworths and Coles on labour and human rights issues in their domestic agricultural supply chain. Our key asks for both retailers is:

- The implementation of more rigorous monitoring processes or a pre-qualification program for Labour Hire firms;
- Greater consistency applied across all supply chain certification standards; and
- Involvement of multi-stakeholder groups in worker education and grievance processes.

IFM supports the development of a pre-qualification program for Labour Hire firms that involves multiple stakeholders, including unions and other community organisations. Having multiple parties at the table allows alternative views and voices to be heard. We believe that having a worker-led scheme that gives workers access to education and effective grievance mechanisms is the only way to protect vulnerable workers. On the basis of this view, we voted in favour of the labour rights related shareholder resolution at the Coles AGM in November 2019. (See page 7)



² Australian Institute of Company Directors, www.aicd.companydirectors.com.au/advocacy/board-diversity/statistics

Proxy voting

Climate change related shareholder resolutions

The 2019 AGM season had an unprecedented number of climate change related shareholder resolutions lodged against companies in the insurance, utilities and banking sectors. In addition to climate change related lobbying resolutions at BHP and Origin Energy, resolutions were put to vote at the AGMs of:

- AGL Energy (Transition plan and Pollution controls);
- Suncorp Group (Reducing investments and underwriting exposure to fossil fuel assets);
- Origin Energy Limited (Phase Out of Coal Generation, Expenditure Report on Pollution Controls and Reporting on Business Alignment with the Paris Agreement);
- Insurance Australia Group Limited (Reducing Investments in Fossil Fuel Assets); and
- Westpac, ANZ and National Australia Bank (Reducing Exposure to Fossil Fuel Assets).

IFM Investors assesses shareholder resolutions on a case-by-case basis in the context of how they support value creation over the long term.

We did not support the resolutions listed above³. Our decisions arose from the fact that we are satisfied that each of these companies:

- Recognises climate change at the strategic level and has robust plans in place to manage both risks and opportunities;
- Has set measureable long-term targets and goals;
- Is taking a leadership stance in regards to

2019 AGM Season – key take outs

- **Strikes Increase:** Increase in 'strikes' against remuneration reports (24 in 2019, compared to 20 in 2018).
- **Increase in Votes Against Directors:** There was an increase in the number of directors who received high negative votes (>25% against) on their election or re-election (30 in 2019, compared to 25 in 2018).
- **Shareholder Resolutions Increase:** Shareholder proposals have increased substantially in 2019, jumping to a record high of 27 proposals, compared to 16 over the same period in 2018. Westpac Banking Corporation (WBC) became the subject of civil proceeds commenced by AUSTRAC under the Anti-Money Laundering and Counter-Terrorism Financing Act. Shareholders expect directors to take accountability for poor decisions or results. Issues of debate include the length of time the director has served before he/she should be accountable for wrongdoing and what period of time should past issues link to a particular director.

climate change disclosure and adoption of the TCFD recommendations; and

- Is doing as much as is feasible within Australia's uncertain and hostile policy environment.

Investors were presented with individual rationales for each resolution in our investor pre-voting reports.

It is important to note that our 2020 engagement plan prioritises engagement with each of these companies to stress the need for continued progress and additional disclosure in relation to the issue(s) the resolutions are seeking to address.

CASE STUDY

Heads roll on the back of Austrac allegations

Westpac (ASX:WBC)

IFM voted against the re-election of Peter Marriott to the Westpac Board. Having served on the board for six years and the experience gained through a banking background, we believe Mr. Marriot failed in regards to his oversight duties and is accountable, alongside other longer standing directors, in relation to the Austrac claim. We supported the election and re-election of the other standing directors based on their limited time on the Board.

We also voted against the remuneration report as we failed to see adequate recognition or the assumption of responsibility by the full Board of Directors regarding oversight of risk management and culture.

We acknowledge Mr. Hartzler's forfeit of his FY19

bonus, but in our view, payment of his full fixed remuneration (in lieu of 12 months' notice) is not appropriate in light of the shareholder loss. In allowing this payout, the Board appears to have afforded Mr. Hartzler the benefit and presumption of innocence before a full investigation of events is completed. We see this as reflective of an attitude that suggests he has done no wrong, despite reasonable expectations that senior management of large institutions should ensure that the business complies with both the spirit and the letter of the law.

42% of shareholders voted against the re-election of Peter Marriott. 35.9% of shareholders voted against the Remuneration Report⁴.

³ IFM did vote in favour of the Origin Energy and BHP lobbying resolutions.

⁴ Season Review Proxy Stats Australia Report, Glass Lewis, December 2019.

Transition in line with the goals of the Paris Agreement

AGL Energy (ASX:AGL)

In recent years, several companies have received shareholder proposals asking them to set greenhouse gas emissions reduction goals in line with the Paris Agreement. Energy companies have traditionally been the target for these types of proposals.

However, scrutiny on the exit plans of companies operating coal generation plans is increasing as investors increase their understanding of what it will take to limit temperature increases to 1.5°C – in particular the timing of closures.

In light of this, shareholders submitted a proposal to AGL's 2019 AGM requesting that the company disclose strategies to align with the Paris Agreement by setting short, medium, and long term targets to reduce both its direct emissions and emissions accounted for via purchased energy.

At AGL's meeting on 19 September 2019, 32.4% of shares were voted in favour of the resolution⁴.

This result was the highest ever for a resolution seeking Paris-aligned emission reduction targets in Australia, suggesting AGL's current plan to exit coal by 2050 will not satisfy investors.

IFM did not support this resolution. We believe AGL cannot practically set short to medium-term targets in light of Australia's current political climate and the lack of any effective national planning to help transition our energy sector away from coal. However, we agree that AGL's current closure dates for its coal fired generation plants are not adequate.

IFM Investors will seek direct engagement with AGL over the coming year to encourage the company to continue its investment in renewable energy supply and work to close its coal plants in a shorter timeframe.

32.4% of shareholders supported this resolution seeking Transition planning disclosure⁴.

Pressure to address worker exploitation issues in the supply chain

Coles Group Limited (ASX:COL)

Prior to voting in support of the shareholder resolution 6b, IFM Investors attended meetings with the company and each of the resolution's proponents. We also participated in a collaborative workshop, which was attended by representatives from Coles and Woolworths, agricultural workers and union officials, to discuss changes the company has made to their supply chain management practices, and intentions moving forward.

We recognise that Coles has progressed discussions with the proponents and several unions over the past month, and they have more recently demonstrated a willingness to address concerns raised through the resolution. However, the company's actions have largely been reactive rather than proactive.

By voting for the resolution we hope to encourage the company to progress negotiations and come to a formal agreement and set of actions that will better protect workers. The current education and grievance process has considerable shortcomings and the audit process

is heavily reliant on a third party program with minimal direct audit conducted by the company. Practices are behind global and local peer Woolworths. Our specific concerns in relation to Coles are:

- The current audit process is highly reliant on third party Sedex's audit program. This program is highly dependent on suppliers' self-assessments, which use "low", "medium" and "high" risk ratings.
- The company's indirect audit program that sees audits conducted by third party auditors engaged and paid for by the suppliers themselves.
- Labour hire providers can be accredited through any one of three systems, with inconsistent standards applicable across the three.
- There is no involvement of worker representatives either in education programs or grievance procedures.
- The grievance hotline is currently only in English.

12.7% of shareholders supported this resolution seeking enhancement to supply chain management practices⁴.

⁴Season Review Proxy Stats Australia Report, Glass Lewis, December 2019.

IFM Investors' proxy voting policy

IFM Investors' 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.

We believe change is best effected by acting as part of a collective, and voting in line with like-minded investors. IFM Investors' voting guidelines are closely aligned with the ACSI Governance Guidelines and IFM Investors is part of the Governance Guidelines working group that reviews the Guidelines every second year. Our Executive Director, Responsible Investment is a member of the ACSI Member Council.

Our voting activity is overseen by IFM Investors' Proxy and Engagement Committee (PEC), headed by the Executive Director, Responsible Investment, working in conjunction with the Global Co-Heads of Listed Equities (who manage the Indexed & Quantitative Equities, Small Cap Active Equities and Large Cap Active Equities teams).

The PEC's decision making process aligns with IFM Investors' Responsible Investment Charter and Voting Guidelines stated in the IFM Investors

Group Corporate ESG Policy. In addition to input from our internal equities teams, this process also incorporates advice from independent research firms and proxy advisers, with whom IFM Investors maintains strong relationships.

In all instances the PEC ensures that ACSI's guidance and voting recommendations are aligned and consistent with IFM Investors' own responsible investment policies before adopting ACSI's voting recommendations.

IFM Investors maintains independence when exercise its voting power and there are instances where our final voting decisions may differ from ACSI.

Over July to December 2019, our voting stance differed from ACSI on 26 resolutions, as outlined below:

- **Remuneration reports or stock option grants** – 13 resolutions
- **Director elections** - 11 resolutions
- **Board spill (Harvey Norman)** – 1 resolution
- **Shareholder resolution on lobbying (Origin Energy)** – 1 resolution

More information on our approach to engagement and voting 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



Global Disclaimer

Important Notice The following disclaimer applies to this document and any information provided regarding the information contained in this document (the "Information"). By accepting this document and Information, you agree to be bound by the following terms and conditions. The Information 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 document 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 the Information or to third parties, or any responsibility whatsoever, for the correctness, quality, accuracy, timeliness, pricing, reliability, performance or completeness of the Information. 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 Information even if it has been advised of the possibility of such damages. Certain statements in the Information may constitute "forward looking statements." Words such as "expects," "anticipates," "plans," "believes," "scheduled," "estimates" and variations of these words and similar expressions are intended to identify forward-looking statements, which include but are not limited to projections of earnings, performance, and cash flows. These statements involve subjective judgement and analysis and reflect IFM Investors' expectations and are subject to significant uncertainties, risks and contingencies outside the control of IFM Investors which may cause actual results to vary materially from those expressed or implied by these forward looking statements. All forward-looking statements speak only as of the date of this information or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to IFM Investors or any person acting on its behalf are qualified by the cautionary statements in this section. Readers are cautioned not to rely on such forward looking statements. The achievement of any or all goals of any investment that may be described in this Information is not guaranteed. Economic conditions- Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value of investments made or opportunities considered for prospective investment. It should not be assumed that the investments discussed herein will be profitable or that investments made in the future will be profitable or will equal the performance of the investments discussed herein. Any pipeline opportunities discussed are provided for informational purposes only and should not be relied on to make an investment decision. Pipelines are subject to change and it should not be assumed that IFM will participate in all opportunities or will continue to see the same or similar opportunities in the future. An infrastructure investment is subject to certain risks including: the burdens of ownership of infrastructure; local, national and international economic conditions; the supply and demand for services from and access to infrastructure; the financial condition of users and suppliers of infrastructure assets; changes in interest rates and the availability of funds which may render the purchase, sale or refinancing of infrastructure assets difficult or impractical; changes in environmental and planning laws and regulations, and other governmental rules; environmental claims arising in respect of infrastructure acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established; changes in energy prices; changes in fiscal and monetary policies; negative economic developments that depress travel; uninsured casualties; force majeure acts, terrorist events, under insured or uninsurable losses; and other factors beyond reasonable control. Please consult the constituent documents for more information on risks specific to infrastructure investing. An investment in any of these investment programs should be made only after careful review of the risk factors described in the related offering documents. This Information may contain material provided by third parties for general reference or interest. While such third party sources are believed to be reliable, IFM Investors does not assume any responsibility for the accuracy or completeness of such information. This Information does not constitute investment, legal, accounting, regulatory, taxation or other advice and the Information does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or particular needs. You are solely responsible for forming your own opinions and conclusions on such matters and for making your own independent assessment of the Information. This Information is confidential and should not be distributed or provided to any other person without the written consent of IFM Investors.

Australia Disclaimer This Information 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).

Japan Disclaimer This material is prepared by affiliates of IFM Investors (Japan) Pty Ltd (IFMJ) (Financial Business Operator: Kanto Local Finance Bureau Register Number 2839, a member of the Type II Financial Instruments Firms Association) for the purpose of providing information and is not a disclosure document as specified or required under the Financial Instruments and Exchange Act (FIEA) nor is it intended as a solicitation. This material is intended only for use by qualified institutional investors, among professional investors defined in FIEA article 2 item 31 and is not intended for anyone other than the above. This material has been prepared based on information and databases considered reliable by IFMJ but IFMJ does not explicitly or implicitly guarantee the accuracy, timeliness or integrity of their contents. Past investment results do not necessarily give an accurate guide to future investment results or guarantee the prevention of loss. Future prospects based on current opinions and expectations may be included in this material, but IFMJ does not guarantee expected results or prevention of loss against the invested amount and this material may change and result in revisions without prior notice. Our provision of this material should not be construed as our advice to you about any legal issues, taxation, investment or other matters.

South Korea Disclaimer Any fund or products mentioned in this document and Information (the "Fund") has not been registered with the Financial Services Commission of Korea as a foreign collective investment vehicle pursuant to the Financial Investment Services and Capital Markets Act of Korea (the "FSCMA"), and none of the interests in the fund or products may be offered, sold or delivered, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea, or to any resident of Korea except pursuant to applicable laws and regulations of Korea.

United Kingdom Disclaimer This Information 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 the Information or to third parties, or any responsibility whatsoever, for the correctness, quality, accuracy, timeliness, pricing, reliability, performance or completeness of the Information.

Israel Disclaimer IFM Investors Pty Ltd is not licensed under Israel's Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law") and does not carry insurance pursuant to the Advice Law. This material is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law. Furthermore, this material may not be reproduced or used for any other purpose, nor be furnished to any other person other than those to whom copies have been sent. Nothing in this material should be considered investment advice or investment marketing as defined in the Advice Law nor a substitute for investment marketing which takes into consideration the special data and needs of each person. This material does not constitute an offer to sell or solicitation of an offer to buy any securities, nor does it constitute an offer to sell to or solicitation of an offer to buy from any person or persons in any state or other jurisdiction in which such offer or solicitation would be unlawful, or in which the person making such offer or solicitation is not qualified to do so, or to a person or persons to whom it is unlawful to make such offer or solicitation.

Switzerland Disclaimer This Information is provided to you on the basis that you warrant that you are a Qualified Investor as defined in the CISA and its implementing ordinance ("Qualified Investor"). IFM Investors (Switzerland) GmbH shall have no liability, contingent or otherwise, to any user of the Information or to third parties, or any responsibility whatsoever, for the correctness, quality, accuracy, timeliness, pricing, reliability, performance or completeness of the Information.



One Purpose. Shared Prosperity.

HEAD OFFICE

Level 29 | Casselden | 2 Lonsdale Street | Melbourne | VIC 3000
+61 3 8672 5300 | www.ifminvestors.com

MELBOURNE • SYDNEY • LONDON • NEW YORK • BERLIN • TOKYO • HONG KONG • SEOUL • ZURICH