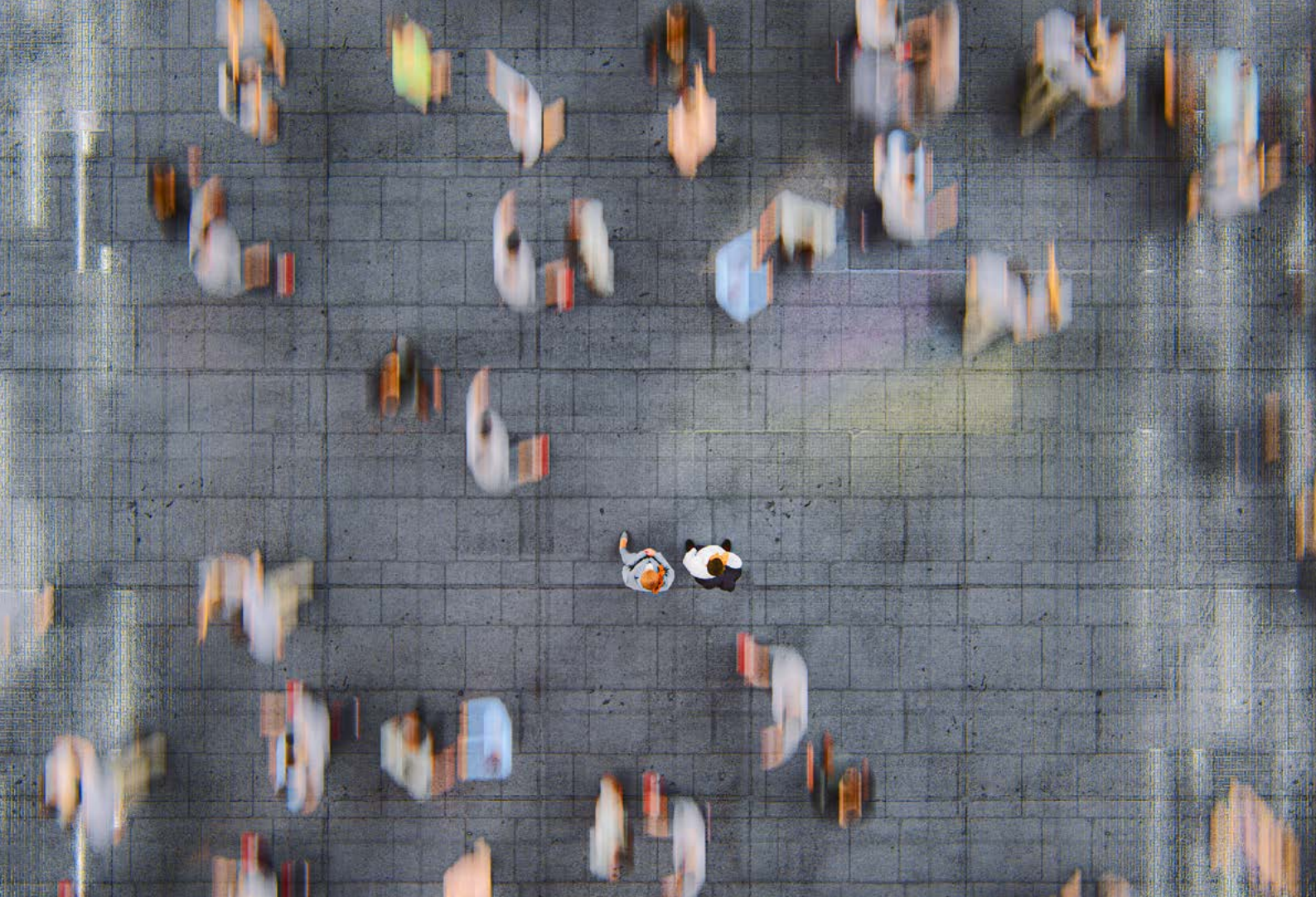


2023

# Sustainable Business Report





## About IFM Investors

**Owned by pension funds. Inspired by their members. Investing in what matters. We're driven to make a positive difference. Our purpose is to invest, protect and grow the long-term retirement savings of working people.**

IFM acts in its capacity as a diversified portfolio adviser or manager for investments across infrastructure, debt, listed equities and private equity portfolios.

Where possible, we aim to build a real and lasting impact by focusing on investments that we believe combine excellent long-term risk/reward characteristics with broad economic, environmental and social benefits to the community.

Our sustainable investment approach encompasses the integration of sustainability factors into investment processes in a manner we believe benefits our clients and their beneficiaries. We engage with investments with the aim of encouraging management of sustainability risks and opportunities to support their net performance while minimising investment risk.

This approach is part of our broader sustainable business approach, which encompasses how we consider sustainability on an organisation-wide basis across key areas of risk management and value-building practices and activities.

We believe that cultivating a unifying and purpose-aligned culture across the organisation is a key factor to our success. We strive to foster a culture that motivates our people to make a positive difference through our work. Our Purpose continues to guide our people.

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



## Glossary<sup>1</sup>

<b>asset classes</b>	Refers to the sum of IFM’s infrastructure equity portfolio, IFM’s listed equities portfolio, IFM’s debt investment portfolio and IFM’s private equity portfolio (see <a href="#">Our capabilities   IFM Investors   IFM Investors</a> for further details)
<b>ESG Policy</b>	IFM’s Environmental, Social and Governance (ESG) Policy
<b>greenhouse gas (GHG)</b>	As defined by the Intergovernmental Panel on Climate Change (IPCC) in its AR6 Synthesis Report, greenhouse gases are those gaseous constituents of the atmosphere, both natural and anthropogenic, that absorb and emit radiation at specific wavelengths within the spectrum of radiation emitted by the Earth’s surface, the atmosphere itself, and by clouds. This property causes the greenhouse effect. Water vapour (H <sub>2</sub> O), carbon dioxide (CO <sub>2</sub> ), nitrous oxide (N <sub>2</sub> O), methane (CH <sub>4</sub> ) and ozone (O <sub>3</sub> ) are the primary greenhouse gases in the Earth’s atmosphere. Human-made GHGs include sulphur hexafluoride (SF <sub>6</sub> ), hydrofluorocarbons (HFCs), chlorofluorocarbons (CFCs) and perfluorocarbons (PFCs); several of these are also O <sub>3</sub> -depleting.
<b>scope 1, 2 and 3 emissions</b>	As defined by the GHG Protocol – Corporate Accounting and Reporting Standard: a. Scope 1 emissions mean the direct GHG emissions that occur from sources that are owned or controlled by an entity, for example, emissions from combustion in owned or controlled boilers, furnaces, and vehicles. b. Scope 2 emissions mean indirect GHG emissions from the generation of purchased electricity consumed by an entity. Purchased electricity is defined as electricity that is purchased or otherwise brought into the organisational boundary of the company. c. Scope 3 emissions mean other indirect GHG emissions from the activities of an entity, but that occur from sources not owned or controlled by the company, for example, transportation of purchased fuels, use of sold products and services.
<b>IFM</b>	“IFM”, “we” and “our” refer to IFM Investors Pty Ltd (see <a href="https://www.ifminvestors.com/en-au/about-us/">https://www.ifminvestors.com/en-au/about-us/</a> ) and its subsidiary undertakings. IFM Investors Pty Ltd acts in a capacity as a diversified portfolio adviser or manager and any references to IFM acting as an “asset manager” or references to “our investments”, “our portfolios”, “IFM’s portfolios” or equivalent should be read as understood to be in this capacity.
<b>IFM’s debt investment portfolio</b>	See <a href="#">Debt Investments   IFM Investors</a>
<b>IFM’s infrastructure equity portfolio</b>	See <a href="#">Infrastructure   IFM Investors</a>
<b>IFM’s listed equities portfolio</b>	See <a href="#">Listed Equities   IFM Investors</a>
<b>IFM’s private equity portfolio</b>	See <a href="#">Private Equity   IFM Investors</a>

<sup>1</sup> This glossary provides the definitions for the stated terms in the specific context of and as used in this Report.

<b>Inclusion and Diversity strategy</b>	See <a href="#">Inclusion and Diversity   IFM Investors   IFM Investors</a>
<b>Purpose</b>	IFM's purpose is to invest, protect and grow the long-term retirement savings of working people.
<b>stewardship</b>	Refers to IFM's use of various strategies, including the responsible allocation, management and oversight of capital with the aim of creating long-term value for clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society, as described further from page 30.
<b>sustainable business</b>	Refers to IFM's sustainable investment activities combined with IFM's overarching organisational approach to sustainability across key areas of risk management, and value building practices and activities (encompassing sustainability factor integration, stewardship, collaboration and advocacy, transparency and reporting and corporate sustainability as described further from page 14).
<b>sustainable investment or SI<sup>2</sup></b>	Refers to IFM's approach to integrating sustainability factors into investment analysis, decision-making, ongoing management and oversight of investments, recognising the impacts these can have on investment performance, as well as wider society and the environment. Our sustainable investment approach is tailored to asset classes, tenure of holding and degree of influence we have as owners.
<b>sustainability factors</b>	<p>Factors that relate to society and the environment, such as worker safety, inclusion and diversity and climate change. These factors, and how they are integrated into investment processes, can give rise to investment risks, opportunities and impacts that may be financially relevant and ultimately affect investment performance.</p> <p>References to "sustainability opportunities" and "sustainability risks" shall be construed as opportunities and risks associated with such sustainability factors (as applicable).</p>

## Important Notes

This Report provides activity updates for the 1 July 2022 – 30 June 2023 financial year (FY23) unless otherwise stated.

This Report contains climate-related and other forward-looking statements and metrics which are not, and should not be considered to be guarantees, predictions or forecasts of future climate-related outcomes, financial performance or share prices. The statements are subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of IFM. Readers are cautioned not to place undue reliance on such statements in light of the significant uncertainty in climate and sustainability-related metrics and modelling that limit the extent to which they are useful for decision-making, and the many underlying risks and assumptions may cause actual outcomes to differ materially. While IFM has prepared the information in this Report based on its current knowledge, understanding and in good faith, it reserves the right to change its views in the future.

This important information should be read together with page 69 and the subsequent page (Important Disclosures). Please read the important limitations and disclaimers throughout this Report to aid your understanding.

<sup>2</sup> This definition differs from, and is not intended to refer to, the technical definition of "sustainable investment" in Article 2, point (17) under the European Union's Sustainable Finance Disclosure Regulation (SFDR).

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## The year at a glance<sup>3</sup>

Delivering on our Purpose.

### Funds Under Management (A\$)



### Product performance<sup>4</sup>

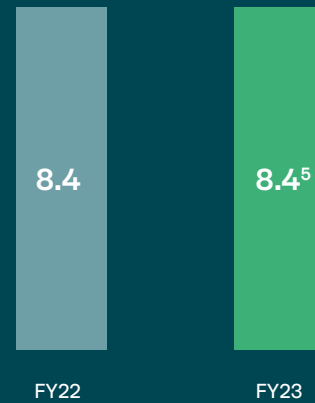
% of strategies performed at or ahead of investor objectives



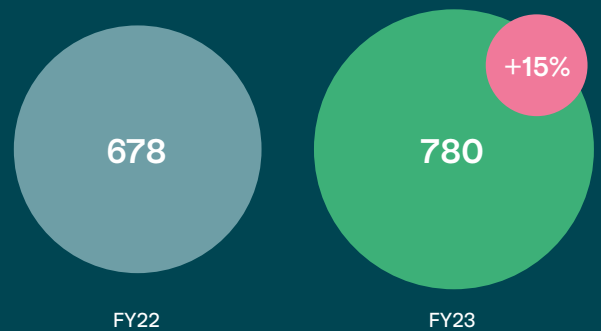
### Growth in global clients



### Investor Satisfaction Questionnaire (ISQ)



### Growth in staff numbers<sup>6</sup>



<sup>3</sup> Figures as at 30 June 2023 unless otherwise stated. Past performance does not guarantee future results.

<sup>4</sup> Product performance statistics are analysed on a rolling five-year basis and are based on the percentage of products across asset classes that outperform defined client objectives.

<sup>5</sup> IFM's 2023 ISQ score of 8.4/10 places us in the top 5% of the ISG Benchmarking database of banking, financial services and insurance institutions.

<sup>6</sup> Full time equivalent

## The year at a glance continued

### Delivering on our Purpose.

#### Other highlights

In 2022, more than 150 megawatts (“MW”) of financed behind the meter renewable capacity was installed across IFM’s infrastructure equity portfolio for assets’ self-consumption.



For the second consecutive year, IFM’s private equity portfolio companies obtained Climate Active carbon neutral certification for FY22 emissions.<sup>9</sup>



Safety performance assessments on a portfolio-wide basis for IFM’s infrastructure equity portfolio exceeded representative benchmarks in our FY23 study.<sup>7</sup>



In 2023, IFM was approved as a signatory to the Financial Reporting Council’s UK Stewardship Code.<sup>10</sup>



Our 2023 Infrastructure Community Grants Program began supporting seven projects globally with grant funding totalling more than AU\$300,000.



In line with our ESG Policy, IFM’s listed equities portfolio voted on 2,082 resolutions put forward by Australian listed companies.



Recipient projects range from installing pollinator gardens in public schools in Mexico to regenerating local wetlands while creating employment pathways for Indigenous Australians at Sydney Airport



IFM was successful in our inaugural application to Climate Active, obtaining carbon neutral certification for our FY22 global operational emissions.<sup>8</sup>



We developed and launched our inaugural Corporate First Nations Strategy in Australia.



Our annual corporate Inclusion Index<sup>11</sup> – for tracking and measuring the inclusive experience of our people over time – increased seven points to 82% from 2022 to 2023.<sup>12</sup>

<sup>7</sup> Benchmarking study includes annual data from assets across IFM’s infrastructure equity portfolio, averaged over five years (or since acquisition) and compared with appropriate benchmark averages. Benchmarks used include OSHA (Occupational Safety and Health Administration), EUROSTAT (European Commissions Safety Database) and Safe Work Australia. Refer to page 38 for further details.

<sup>8</sup> Certification was obtained pursuant to the Climate Active Carbon Neutral Standard for Organisations, under which IFM’s operational emissions (scope 1, 2 and 3 emissions) were reported. IFM does not generate scope 1 emissions. See further details on page 63 and in IFM’s Climate Active Public Disclosure Statement: [Guidance - Organisations - Public Disclosure Statement \(climateactive.org.au\)](#).

<sup>9</sup> Certification was obtained pursuant to the Climate Active Carbon Neutral Standard for Organisations for all companies forming part of IFM’s private equity portfolio as at 30 June 2022. The Climate Active certification process for IFM’s private equity portfolio companies assessed scope 1, 2 and 3 emissions that each entity generated in FY22, as applicable. IFM’s private equity portfolio companies Payapps and My Plan Manager generate scope 2 and 3 emissions. Render Networks generates scope 1, 2, and 3 emissions. See page 44 for further details.

<sup>10</sup> IFM submitted its application to be a signatory to the UK Stewardship Code in April 2023 and was notified of the successful outcome of the application in August 2023.

<sup>11</sup> The Inclusion Index is part of our enterprise engagement survey. It comprises the same set of questions each year that seek the views and experience of our people as it relates to inclusion at IFM. We have measured progress against the Inclusion Index each year since 2021. We are able to monitor our internal progress against the set of questions, as well as benchmark externally against global financial services organisations as reported by our survey provider, Kincentric.

<sup>12</sup> This 82% figure is 2% better than our global enterprise employee engagement survey provider Kincentric’s Global Diversified Financials benchmark. See page 59 for further details.





**Cath Bowtell**  
Chair, IFM Group Board



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

## Note from the Board

In FY23, global markets saw a slowdown in economic growth, driven by heightened interest rates imposed by central banks as they sought to address high inflation. Notwithstanding this environment, IFM continued to perform for our clients, many of which represent the retirement savings of millions of working people around the world, including nurses, teachers and construction workers.

In FY23, 80% of our strategies performed at or ahead of client objectives.<sup>13</sup> Funds under management grew 8.1% to AU\$215bn and the number of clients we serve grew 8.6% to 665 globally.

The IFM team continued to grow, with a 15% increase in employee numbers, bringing the full-time equivalent head count to 780, as at 30 June 2023. We wish to thank every team member for the role they play in IFM's collective efforts to deliver on our Purpose, which is to invest, protect and grow the long-term retirement savings of working people.

This Report provides an overview of IFM's sustainable business approach, including how we approach sustainability as part of our investment processes and other business operations. This approach underpins our focus on maximising long-term risk-adjusted returns for our clients to deliver on our Purpose.

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

We believe that the work of teams across IFM's asset classes in FY23 as summarised in this Report will support IFM's investment performance for our clients and the health of these broader systems over the long term.

We know, however, that we can't manage systemic risks that threaten the health and stability of these broader systems on our own. We see significant opportunity to mobilise superannuation and pension funds to work more collaboratively with each other, with governments and with civil society, to have a greater impact on policy development and market practices that can support the health of these broader systems. We look forward to further exploring collaborative opportunities with our owners, clients, peers and other stakeholders in the coming year.

<sup>13</sup> Product performance statistics are analysed on a rolling five-year basis and are based on the percentage of products across asset classes that outperform defined client objectives. Past performance does not guarantee future results.





**David Neal**  
Chief Executive

## Note from the Chief Executive

In FY23 we continued to integrate sustainability factors into our investment and corporate operational activities as part of our sustainable business approach. This approach underpins our focus on maximising long-term risk-adjusted returns by seeking to build resilient portfolios to invest, protect and grow the long-term retirement savings of the working people that our clients represent.

The global economic environment in which we invest and operate was volatile at times during FY23, characterised by increasing interest rates to address inflation and the subsequent slowing of global growth. However, our performance for our growing number of clients over the year is testament to our talented global team, who remained focused on our Purpose.

Climate change continued to be one of several priority themes across our sustainable investment activities, with investment teams in all asset classes focusing on managing climate change risk in their portfolios, as well as assessing investment opportunities that the global energy transition presents.

Demonstrating workplace leadership with a focus on promoting fair, safe and inclusive standards for working people is another theme that we have been working on integrating into our sustainable investment activities. The importance of this theme is reflected in our growing focus on managing social factors to build long-term value.

In FY23 we continued to promote inclusion and diversity in our investment and operational practices. I was pleased to see our Inclusion and Diversity strategy continue to be integrated via a number of programs and initiatives that aim to support our people to feel connected, engaged and able to pursue their career development aspirations at IFM.

We aim to manage our priority sustainability themes – Climate Change, Workplace Leadership and Inclusion and Diversity – with a primary focus on enhancing and protecting the long-term performance of our portfolios. This work is also an important part of our deliberate and collaborative focus on the health of the wider system on which all of us and the long-term returns to investors in our global economy depend. We believe that our collaborative engagement and policy advocacy activities are examples of areas of opportunity to do this.

This Report aims to provide updates on our sustainable business activities in relation to our priority sustainability themes from across our asset classes and operational business areas for FY23.

Thank you to the global IFM team for another year of immense effort. Thank you, also, to our owners, clients and business associates for your support and advocacy.



**Luba Nikulina**

Chief Strategy Officer

## Note from the Chief Strategy Officer

My first year at IFM has been fast-paced and exciting. One of the main factors that attracted me to IFM was the extent of its commitment to sustainable investment, so I'm delighted to provide an update on IFM's evolving SI strategy.

Our SI strategy forms a key part of our overarching global growth strategy, which sets out our aspiration to become a truly global, diversified private markets investment firm with a proud Australian heritage, while continuing to deliver on our Purpose, which is to invest, protect and grow the retirement savings of working people around the world. We recognise the need for a strategy that reflects the expectations of our owners, our clients and our people. We are also mindful of the rapidly evolving regulatory environment and, importantly, the broad range of new investment opportunities that global trends, such as the energy transition, present to IFM and our clients as we pursue our Purpose.

### SI operating model

We developed a new SI operating model in FY23 to continue to enhance our capabilities relating to SI management and decision-making. We began to operationalise the model in late FY23 and continue to do so in FY24. The model is built around a centralised SI team in addition to integrating sustainability specialists within our investment teams.

Our new SI operating model has allowed us to get more clarity regarding relevant responsibilities of IFM's SI team and investment teams as they collaborate and leverage each other's specialist capabilities to support the investment process. These responsibilities are outlined in greater detail on page 25.

I am also delighted to welcome to IFM several new colleagues who joined both our central SI team and investment teams, bringing with them a wealth of sustainability experience gained in the context of asset owners, asset managers and infrastructure businesses around the world. This includes our new Global Head of Sustainable Investment Maria Nazarova-Doyle who joined us in September 2023 to lead IFM's central SI team. I look forward to accelerating our sustainability journey that we undertake on behalf of our clients with all the additional energy, ideas and skills that this new talent brings to IFM.

### Global Sustainability Steering Group

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

### Sustainability Scorecard

Given the importance of our sustainability pursuits, we have taken a decision to explicitly link our employee remuneration to achievement of sustainability-related goals.<sup>14</sup> We aim to achieve this by incorporating a sustainability scorecard into our broader corporate performance scorecard – an approach that has been approved by the IFM Board and is in operation for FY24.

### Evolving our SI strategy

In addition to working on operationalising the sustainable investment operating model in FY24, other strategic focus areas include a refresh of our overarching SI strategy and the continued build out of the central SI team so

that it is well positioned to support our owners, clients, and our investment teams in delivering for our stakeholders across the world. An important part of our strategy work is further enhancement of IFM's ability to engage with a wide range of stakeholders and influence systemic issues, such as climate change, human rights and inclusion and diversity. In doing so, we aim to contribute to improving the long-term stability of global social, environmental and economic systems, which will support the performance of our investment portfolios for the benefit of our clients and the millions of people they represent. I look forward to engaging further with our key stakeholders on this important topic and reporting further on our progress.



Pictured: Port Kembla, Australia

<sup>14</sup> Applies to all IFM employees excluding some risk and financial control employees.

## Our views of the FY23 macro-environment: Private markets remain resilient in a challenging economic environment

Global economic growth slowed in FY23, driven by heightened interest rates orchestrated by central banks to address inflation. While headline inflation seems to have peaked across advanced economies, helped by declines in energy prices and improvements in supply chains, underlying inflation remained more stubborn in FY23. Central banks have not ruled out more interest rate rises to combat inflation, but they are also focused on carefully balancing the impacts of this approach on the wider economy.

### Infrastructure investments well-positioned in a challenging economic environment

Higher interest rates traditionally have a negative impact on long-duration investments like infrastructure, as they may lower asset valuations and increase the cost of borrowed capital. However, well-constructed infrastructure equity portfolios may be positively influenced by inflation, which is often linked to revenues through contractual arrangements. The gradual impact of increased rates may be mitigated using laddered long-term debt refinancing.

IFM's infrastructure equity portfolio remained resilient overall with robust performance in FY23, during which time the IFM infrastructure equity team<sup>15</sup> continued to build and further diversify the portfolio.



Indiana Toll Road, US

### Transport-related sub-sectors have fared well:



- Toll roads experienced considerable growth in work-related commutes and truck movements, surpassing pre-COVID levels.
- In the first half of FY23, volumes through seaports initially outperformed 2019 levels, following the post-COVID rebound in global trade. However, trade volumes softened in the second half of FY23 due to a reduced demand for goods, stemming from the slowdown in global economic growth. Several factors, including supply chain bottlenecks, inflationary pressures, and evolving consumer behaviour, played a role in this shift.
- Airports continued to rebound in FY23, driven by a widespread return of travellers, as demand continues to recover relative to pre-pandemic levels.



**Utilities** demonstrated resilience in the face of an inflationary environment and economic downturn, largely due to their inflation-linked revenue mechanisms.



While the **midstream sector** faced challenges due to softening global fuel demand in the wider market, a recovery in demand for fuel storage mitigated adverse impacts on the midstream assets in IFM's infrastructure equity portfolio. Midstream assets in the IFM infrastructure equity portfolio continue to actively invest in the energy transition to meet increasing market demand and align with supportive government policies.

<sup>15</sup> IFM personnel supporting IFM's infrastructure equity portfolio.



### IFM's infrastructure equity portfolio FY23 transactions

- **July 2022:** Acquisition of an additional 2.3% stake in Adelaide Airport, increasing IFM's infrastructure equity portfolio's total shareholding to 15.06% and gaining the right to appoint a director to the board.
- **December 2022:** Completion of the Switch, Inc. acquisition in partnership with DigitalBridge. Switch, Inc. is a North American data centre and connectivity solutions provider.
- **December 2022:** Agreement by Global Container Terminal (GCT), an existing IFM infrastructure equity portfolio asset, to sell 100% of its interest in its US subsidiary to CMA CGM Group, subject to regulatory approvals.<sup>16</sup> The transaction provides GCT the opportunity to simplify and streamline its business to enhance value at its Vancouver ports.
- **January 2023:** Sale of a 25% interest in M6toll in the UK to GLIL Infrastructure. IFM's infrastructure equity portfolio continues to indirectly own 75% of the concessionaire.
- **February 2023:** Increase in IFM's infrastructure equity portfolio ownership stake in Vienna Airport by an additional 3.4% to 43.37% (as at 31 March 2023).
- **March 2023:** Acquisition of a majority interest in GreenGas, a fully integrated platform in the US with a track record of developing and operating renewable natural gas projects (see page 36 for further details)
- **June 2023:** Entry by IFM's infrastructure equity portfolio asset Buckeye Partners, L.P. into a definitive agreement, together with its joint venture partners, to sell 100% of the equity interests (US\$1.1bn) in the South Texas Gateway Terminal, LLC.

### Macroeconomic factors had little impact on private equity assets

The prevalent economic environment of high inflation and continued rate hikes had limited impacts on IFM's private equity portfolio companies. For example, portfolio company PRP Diagnostic Imaging saw activity increase back to around pre-COVID levels, and My Plan Manager, Australia's largest National Disability Insurance Scheme (NDIS) plan manager, saw the scheme continue to expand in FY23. Moreover, distress in the Australian, US and the UK construction industry was generally confined to residential, not commercial, which had limited impacts on Payapps, and fibre networks benefited from the Inflation Reduction Act, having a positive impact on Render Networks.

### IFM's private equity portfolio FY23 transaction

- **December 2022:** Acquisition in partnership with UniSuper, of a majority interest in Australian medical diagnostic imaging provider PRP Diagnostic Imaging.

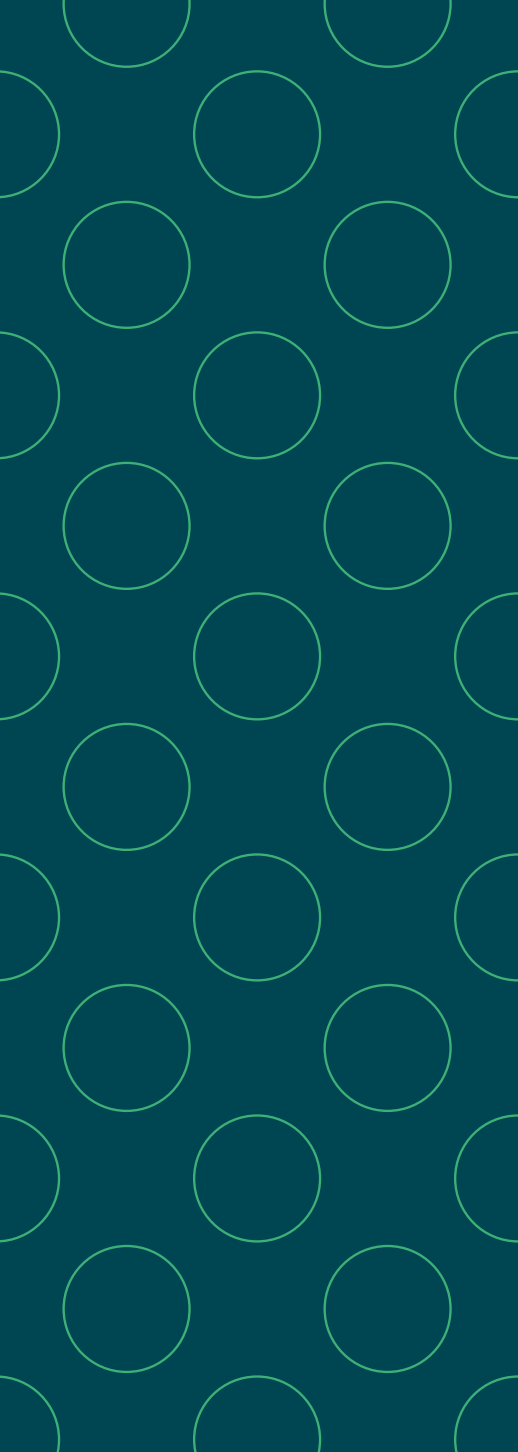


Pictured: My Plan Manager

<sup>16</sup> Completion of the transaction occurred in August 2023



# Sustainable business at IFM



As a global asset manager focused on maximising risk-adjusted returns for our clients over the long term, we recognise the multiple roles we play as a steward of everyday people's retirement savings, as a global employer and as a corporate citizen.

We see these roles as mutually reinforcing as we aim to carry them out in ways that create economic and social benefit for a broad range of stakeholders.

## IFM's sustainable business approach

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

of risk management and value building practices and activities. These are: sustainability factor integration, stewardship, collaboration and advocacy, transparency and reporting, and corporate sustainability, as illustrated in Figure 1.

FIGURE 1



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

To support us to manage risk and build value, we seek to establish and maintain robust governance and oversight practices across our corporate and investment activities. This approach is in line with research demonstrating that well-governed companies managing their social and environmental

impacts typically enable better long-term investments and stronger returns.<sup>17</sup> See page 17 for details about our sustainable business governance and oversight practices.

### Sustainability factor integration

We aim to identify risks and opportunities that could impact the investment performance of our portfolios over the short, medium and long term. To help ensure a comprehensive assessment of these risks and opportunities, we consider a range of sustainability factors, as outlined in our ESG Policy, alongside financial and other investment factors, in our investment analysis and decision making across our asset classes.

<sup>17</sup> For example: <https://acsi.org.au/wp-content/uploads/2020/11/Financial-Materiality-and-ESG-November-2020.pdf>; [https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM\\_ESG-Paper\\_2021%20Rev\\_0.pdf](https://www.stern.nyu.edu/sites/default/files/assets/documents/NYU-RAM_ESG-Paper_2021%20Rev_0.pdf); and <https://www.unepfi.org/fileadmin/events/2018/sydney/ESG-and-Corporate-Financial-Performance.pdf>



Investment teams across asset classes work closely with our SI team so that our practices align to our ESG Policy and continue to evolve over time. Our approach to integrating sustainability factors in investment analysis and decision-making differs by asset class and the nature of the investment. Please see Figure 2 on page 24 illustrating our high-level approach. The progress we have made during FY23 to uplift these practices is outlined from page 25.

### Stewardship

Our stewardship activities incorporate the responsible allocation, management and oversight of capital with the aim of creating long-term value for our clients and beneficiaries, leading to sustainable benefits for the economy, the environment and society.

Each of our investment teams tailors its stewardship approach to suit the needs of its specific strategy, the tenure of holdings and the degree of influence we have. Examples of our stewardship activities are outlined from page 30.

In April 2023, we submitted our successful application to become a signatory to the UK Stewardship Code.<sup>18</sup> You can view our submission [here](#) to learn more about IFM's stewardship approach.

### Collaboration and advocacy

We believe that through our collaboration and advocacy activities we can have a greater positive impact on policy development and market practices that support our ability to maximise returns and investment value for our clients over the long-term.

We are members of and signatories to a range of collaborative industry initiatives. Through these initiatives and our policy advocacy activities, we work with other investors, civil society and governments to drive change and promote responsible investment principles and practices.<sup>19</sup>

A FY23 update on these activities is covered in the Advocacy and collaboration section of this Report from page 45.

### Transparency and reporting

To earn and maintain the trust of our owners, our clients, our people and our other stakeholders, we seek to uphold the principles of transparency and we support the application of sustainability reporting frameworks. The Transparency and reporting section of this Report from page 51 outlines further details on such sustainability reporting frameworks and our FY23 activities in this area.

### Corporate sustainability

Corporate sustainability is about our corporate operational practices and activities, which form a key part of our sustainable business approach. This extends to how we build capability and support our people to thrive, our environmental impact, our operational systems and platforms and enterprise risk management processes, and our community-facing activities that aim to contribute to the long-term resilience of the communities in which we operate. FY23 updates from across our corporate functions are provided in the Corporate sustainability section of this Report from page 56.

### Sustainable business governance and oversight

As we pursue our Purpose, we believe maintaining robust corporate governance practices and oversight across our corporate and investment activities remains essential as part of our overarching sustainable business approach. We believe the systems and governance throughout our investment and corporate decision-making processes support rigour and accountability in our approach.

We have structures and policies in place that define, integrate and track our sustainable business activities in line with our ESG Policy.

Further details about our sustainable business governance structure can be found on our website [here](#).

### ESG Policy

Our ESG Policy outlines the sustainability-related beliefs and approaches that IFM investment teams are expected to adhere to when investing.

Our approach to investing sustainably is tailored across portfolios, reflecting their specific strategies and the degree of influence we have as an asset manager. Our investment teams draw on specialist advice and support from our central SI team as they seek to align practices to our ESG Policy and draw insights on market expectations and best practices.

<sup>18</sup> We were notified of the successful outcome of our application in August 2023.

<sup>19</sup> For example, the UN-supported PRI and CERES. Please see page 49 for further detail on the organisations we are members of or signatories to.

## Priority sustainability themes

In FY23, we prioritised three sustainability themes that we believe we must address to help deliver on our Purpose, which are:

Managing the risks of climate change and transitioning to a low carbon economy.



Demonstrating workplace leadership with a focus on promoting fair, safe and inclusive standards for working people.



Championing inclusion and diversity.



### Climate Change

Climate change poses risks, including some systemic risks, which can adversely affect the investment performance of our portfolios.

In 2020, IFM committed to reducing greenhouse gas emissions targeting net zero (across scope 1 and scope 2 emissions) across all asset classes by 2050. The same year, we established a dedicated, multi-disciplinary taskforce, which included representatives from all asset classes, to develop our longer-term climate strategy. Our work to determine this longer-term strategy is ongoing, with our approach tailored across asset classes.<sup>20</sup> We believe our plan to mitigate climate change risk across our portfolios is important to our ability to protect and grow long-term investment value. Likewise, we believe our plan to harness the investment opportunities arising from the transition to a net zero economy supports us to create further investment value for our clients and their beneficiaries.

Our largest asset class<sup>21</sup> is IFM's infrastructure equity portfolio, and the emphasis of our climate strategy for this asset class is on transition to a low carbon economy, as opposed to divestment, in order to achieve real-world decarbonisation outcomes.<sup>22</sup> We believe that assets in IFM's infrastructure equity portfolio – from airports and toll roads to water management and heating utilities – serve key needs of the societies and economies where they are located, and that they will continue to do so for decades to come. The global economy will rely heavily on transitioning existing infrastructure to decarbonise and progress to net zero.

While investment teams in each of our asset classes continue to assess and seek to mitigate climate change risk, we recognise that the science, investment conventions and market expectations continue to evolve, as will global frameworks to support investors to transition portfolios. During FY24, we plan to review our strategy to seek to reflect these dynamics.

<sup>20</sup> To date, we have set our total portfolio level target of net zero (across scope 1 and scope 2 emissions) by 2050. For IFM's infrastructure equity portfolio and IFM's private equity portfolio we have also announced interim 2030 targets. Work to develop plans to be in position to set targets for IFM's listed equity portfolio and IFM's debt investment portfolio is ongoing.

<sup>21</sup> Based on assets under management.

<sup>22</sup> For further detail about our 'transition over divestment approach', please see page 21 of our 2022 UK Stewardship Code submission.



### Workplace Leadership

Our Purpose puts working people at the heart of the ‘what, how and why’ of our day-to-day activities. We believe the safety, wellbeing and engagement of tens of thousands of working people – from IFM’s own team to the collective workforce of portfolio investments to communities where our assets operate – are crucial to our ability to generate competitive risk-adjusted returns and investment value over the long term for our clients and their beneficiaries.

Our work to date on this theme focuses on the continued promotion of safe, fair and inclusive workplaces at IFM’s infrastructure equity portfolio companies, which support a combined workforce of more than 65,000 people globally.

As active managers of IFM’s infrastructure equity portfolio, we have a long history of engaging with assets to champion high workplace standards. Our approach is underpinned by commitments made in the memorandum of understanding we signed with the International Trade Union Confederation (ITUC) in May 2019 and is informed by the United Nations Global Compact and the International Labour Organisation framework on global labour rights.

#### Bringing priority sustainability themes to life

Examples that aim to demonstrate how we are bringing our priority sustainability themes to life are provided throughout this Report.



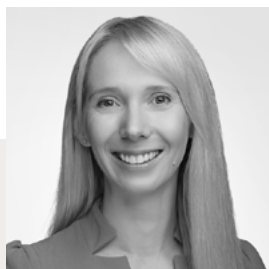
### Inclusion and Diversity

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

We continue to integrate our Inclusion and Diversity strategy across our operational practices, as applicable, and develop the ways we drive and measure progress.

In our investment activities, there are common themes and elements underpinning the approach in each asset class, including:

- Establishing and aligning data metrics and collection approaches;
- Engaging with portfolio companies and other internal and external stakeholders to encourage development of an inclusion and diversity approach, as relevant;
- Expanding the scope of our inclusion and diversity focus beyond gender;
- Recognising differences in inclusion and diversity cultures across the global regions in which our asset classes invest; and
- Considering how to expand our inclusion and diversity approach to positively impact suppliers, communities and customers.



**Maria Nazarova-Doyle**

Global Head of Sustainable Investment

## Capital of the human kind: Managing social factors to build long-term value

The interests of working people are at the heart of our heritage and our Purpose. Our 660-plus clients represent about 110 million people around the world – everyday people like nurses, teachers and construction and hospitality workers.

We're focused on investing, protecting and growing the long-term retirement savings of these working people. We aim to do this in ways that create benefits for them and the communities in which they live, now and for generations to come.

### Social factors and social systems carry risks and opportunities for companies and investors

While we've always been committed to creating long-term benefits for everyday people, we're increasingly engaged in managing social factors in our investment and corporate activities.

These 'social factors' are factors that relate to people and include things such as labour standards, working conditions, safety, wellbeing and practices to foster equality and inclusion in workplaces and communities.

We also recognise that the broader social system in which we operate carries risks. Inequality and population trends, for example, can have associated flow-on effects with the potential to impact people and the health of the economic systems they are part of, which makes them systemic risks. With impacts at the sector and market level, these issues cannot be fully mitigated through diversification. This, in turn, can affect investment value and returns.

### People are central to long-term investment performance

When we think about the workforces that our investments support, we're reminded how important people are to our ability to maximise long-term returns and investment value. IFM's infrastructure equity portfolio, for example, supports a combined workforce of more than 65,000 people in over 20 countries. Policies, practices and decisions that impact these people, not to mention the tens of millions more people in communities, can also impact company reputations and financial performance.

This is why we believe it's important to manage social risks and opportunities across our asset classes; and the way we aim to do this is to build in consideration of social factors when we are making investment and asset management decisions.

### Focusing where we have influence

We aim to exercise our influence as an asset manager, where we can, to promote effective management of social risks and opportunities across our portfolios.

Across IFM's infrastructure equity portfolio, for example, we manage a long-running occupational health and safety program. Our active focus on this important area has resulted in step-change improvements in the safety performance of some assets and our infrastructure equity portfolio-wide safety performance assessments have exceeded representative benchmarks in our FY23 study.<sup>23</sup> In relation to IFM's listed equities portfolio, we have examples of engaging and exercising our voting rights to help drive a more balanced representation of women on listed company boards and executive teams.

<sup>23</sup> Refer to page 38 for details. Includes annual data from assets across IFM's infrastructure equity portfolio, averaged over five years (or since acquisition) and compared with appropriate benchmark averages. Benchmarks used include are OSHA (Occupational Safety and Health Administration), EUROSTAT (European Commissions Safety Database) and Safe Work Australia.



### Long-term returns depend on healthy social, environmental and economic systems

We only need to look back over the last few years to understand the importance of healthy systems for the wellbeing of people and society. The COVID-19 pandemic was a stark reminder of the inextricable connections and dependencies between social, environmental and economic systems.

Climate change is another example of a systemic risk with significant interconnected environmental, economic and social dimensions that need to be managed. Beyond the economic risks and opportunities that the global energy transition presents, we believe it is important to not lose sight of the need for an orderly and just transition for workers and communities.

As they represent one of the largest pools of capital in the world, we believe pension funds have an opportunity to collectively pursue a real-world impact that shapes and supports healthy social systems.

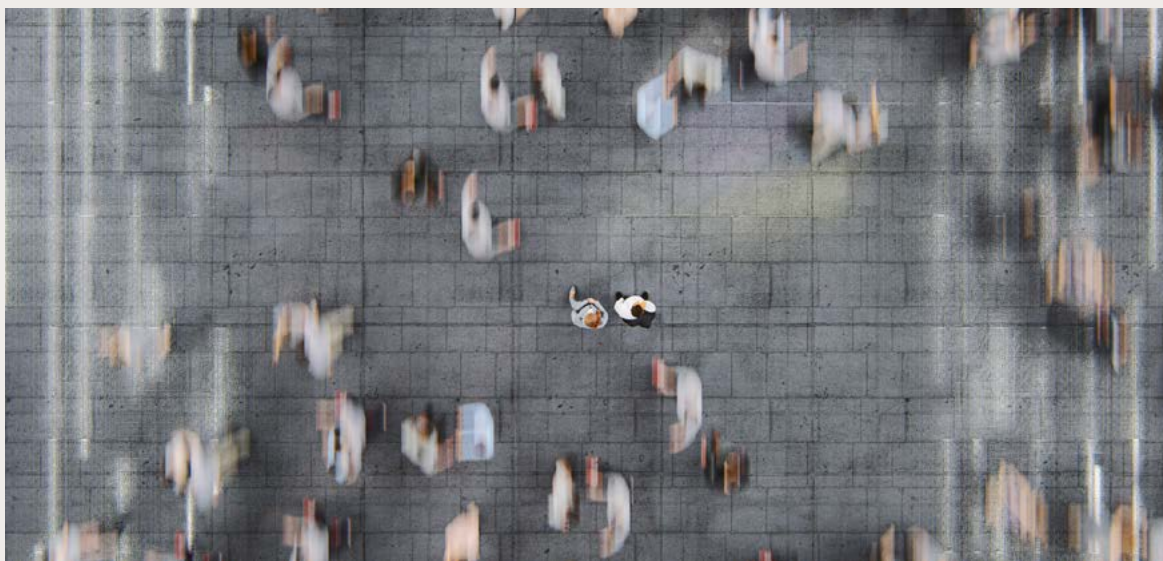
### The data challenge

To better understand the risks and opportunities that social factors present, we see a need to measure these impacts on investments and portfolios. However, a lack of metrics and reliable data can be a challenge for investors.

Independent of my role at IFM, I am also a co-chair of the UK's Department for Work and Pensions' Taskforce on Social Factors. In this role, I'm excited and determined to be working collaboratively to support pension scheme trustees and the wider pensions industry with some of the key challenges in managing social factors.<sup>24</sup>

I encourage investors to engage on this topic and to work with each other and other industry and government stakeholders to improve the management of social factors. No single actor on their own can resolve the challenges around advancing this issue.

There is work to be done.



<sup>24</sup> The taskforce comprises representatives from pensions schemes, asset managers, data providers, cross-industry collaboration groups, government departments, regulators and civil society. The taskforce aims to support industry-wide prioritisation and management of the systemic social challenges that are material to long-term investment performance.



# Integrating sustainability factors in investment analyses and decision-making

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

FIGURE 2

## Integrating sustainability factors throughout the investment process

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



<sup>25</sup> IFM does not stipulate screening and exclusions at a firm-wide policy level, however, investment teams apply them, as relevant, in response to individual investor mandates and in accordance with our ESG Policy.

## Defined responsibilities

The SI team and asset class teams have defined responsibilities as they work together throughout the investment process illustrated in Figure 2.

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

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

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

With respect to sustainable investment reporting, metrics and data, asset class teams manage asset and portfolio specific data. The SI team collates this data for external client and regulatory reporting.

## Enhancing due diligence processes

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

During FY23, we sought to further enhance existing processes of integrating the consideration of sustainability factors in due diligence and reporting capabilities for our IFM infrastructure equity team and IFM Debt Investment team.<sup>26</sup> This work focused on improving processes by ensuring they reflected developments, such as ongoing developments under the European Union's Sustainable Finance Disclosure Regulation (SFDR).

### Infrastructure equity

An Infrastructure ESG checklist aims to streamline the way we incorporate ESG factors in the due diligence process for IFM's infrastructure equity portfolio.

While the checklist and broader ESG due diligence toolkit have been regularly updated since their initial creation more than a decade ago, their purpose

remains the same: to help identify sustainability risks and opportunities associated with potential investments; provide input into IFM Investment Committee decision-making; and help inform the development of business plans following acquisitions.

The IFM infrastructure equity team works with the SI team on a collaborative basis to regularly update the Infrastructure ESG checklist as part of the broader ESG due diligence toolkit, so that the checklist remains an effective due diligence tool.

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

### Debt Investments

Our IFM Debt Investments team's sustainable investment approach is concentrated on the screening and due diligence phase of the investment process when there is typically a higher potential degree of influence<sup>27</sup>, as compared with post-investment, when terms have been agreed. We seek to raise awareness of sustainability factors within our networks of sponsors, advisors, banks and brokers in an effort to achieve improved outcomes over the long-term. In FY23, our work to uplift due diligence processes and practices included the following:

### Infrastructure Debt

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

With the growth of sustainability-linked loans and bonds across infrastructure debt markets globally, we have had the opportunity to engage with borrowers on their sustainability strategies. This engagement included negotiation of loan terms that seek to drive sustainability-related enhancements to improve the sustainability profile of an investment, while improving reporting and disclosure of relevant sustainability factors.

<sup>26</sup> IFM personnel supporting IFM's debt investment portfolio.

<sup>27</sup> Not applicable to certain cash and FX products forming part of IFM's debt investment portfolio.



## SUSTAINABILITY IN ACTION

## Infrastructure Debt: assessing long-term revenue profile of biomass project

In FY23 we completed financing of a project relating to the construction and operation of a greenfield bagasse pellet production plant located near Jeanerette, Louisiana.

Bagasse pellets are derived from waste sugarcane or sorghum fiber. They serve as a drop-in replacement for power generators that currently use woody biomass – biomass derived from trees, including construction scrap and sawmill and forest residues – as their primary fuel source.

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

The project's revenues are underpinned by long-term contracts with strategic European biomass generators that are seeking to diversify feedstock supply types to meet government sustainability requirements.<sup>28</sup> Increased focus on sustainability

requirements in Europe relating to biomass feed stocks, as well as the continued conversion of coal-fired plants to biomass in certain Asian markets, creates market tailwinds supporting further re-contracting and the long-term economic viability of the plant.

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

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



<sup>28</sup> As per requirements that include (i) guidance laid out in the European Commission's Implementing Regulation in relation to demonstrating compliance with sustainability criteria for forest biomass laid down in its RED II (Renewable Energy Directive II); and (ii) the UK's Department of Energy and Climate Change's Timber Procurement Policy, which defines legal and sustainable timber procurement for governmental offices.

## SUSTAINABILITY IN ACTION

**Infrastructure Debt: sustainability-linked financing.**

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

The terms of the financing included a sustainability-linked feature whereby the credit spread on the loan would increase or decrease based on the borrower's ability to achieve certain sustainability-related key performance

indicators (KPIs). In addition to discussions with the borrower on the selection of the KPIs, the borrower sought our feedback on a range of matters to help inform their on-going sustainability initiatives and business strategy. During these discussions, we had the opportunity to not only provide insight on sustainability factors, but also to learn from the borrower about considerations from their perspective

**Diversified Credit**

Pollination also helped us to enhance our ESG assessment framework during due diligence for diversified credit investments. This work included:

- Rationalising existing ESG risk categories according to SASB Standards<sup>29</sup>, with an enhanced focus on climate change, data security, modern slavery, employee wellbeing and diversity and inclusion;
- Separating non-financial and financial ESG risk materiality thresholds, which drive go/no-go investment decisions, as well as helping set risk tolerance levels and risk mitigation planning, respectively; and
- Clarifying risk assessment timeframes related to debt tenor and refinancing risk at debt maturity.

We also commenced work to build out a sector-based assessment process for our diversified credit investment opportunities—focused on addressing climate risk—an important component of the due diligence uplift work aiming to align asset class processes to IFM's overarching climate strategy, as outlined on page 18.

The sector-based screening involves leveraging SASB SICS<sup>30</sup> sector categorisation of risk assessment based on GHG emissions, with high-risk sectors automatically requiring enhanced climate change due diligence. Companies in medium-to-low risk sectors are benchmarked relative to their industry. Companies generating higher GHG emissions relative to their industry average are also flagged for enhanced due diligence.

The due diligence process includes detailed quantitative and qualitative climate analyses, with recommendations for the implementation of structural changes or mitigants where feasible. This process also calculates a prospective investment's emissions footprint intensity, allowing a more informed view of emissions drivers and how they translate into broader climate risk for the prospective investment. This process will assist future decision-making as transition targets are considered a part of IFM's commitment to reducing greenhouse gas emissions across all asset classes targeting net zero (across scope 1 and scope 2 emissions) by 2050.

In FY23, we piloted these enhancements across our existing investments in diversified credit assets and aim to continue to implement them across all new investment processes during FY24.

<sup>29</sup> The Sustainability Accounting Standards Board (SASB) Standards aim to enable organisations to provide industry-based disclosures about sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance or cost of capital over the short, medium or long term. <https://sasb.org/standards/>

<sup>30</sup> SASB Standards use the Sustainability Industry Classification System (SICS) to group companies based on shared sustainability risks and opportunities.

## SUSTAINABILITY IN ACTION

## Integrating sustainability factors in diversified credit

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

- Assessment of an opportunity in the resources sector in Australia included consideration of sustainability factors associated with mining and mineral processing. These included the borrower's relationship with the local Indigenous community, labour rights considerations and Native Title and Aboriginal Heritage. With specialist support from IFM's SI team, the IFM Diversified Credit team<sup>31</sup> engaged with stakeholders, where relevant, as it sought to ensure that Free Prior and Informed Consent was established with Indigenous stakeholders. The team also conveyed its expectation that employee safety, particularly for female employees, be given priority, given the remoteness of the mining region. Discussions with the company also included diversity goals for the board and management team.
- The team declined a Buy Now Pay Later (BNPL) sector debt financing opportunity in Australia due to management's inability to provide convincing evidence, policies and practices of the business's commitment to responsible lending practices.
- Prior to making an investment into an Australian food manufacturing business, the IFM Diversified Credit team conducted due diligence into its governance framework to better understand legacy governance issues that had come to light. The legacy issues had led to litigation against the company at the time of financing and were identified as being the result of mismanagement by the previous executive team. The team undertook direct discussions with the board and senior management. The team also undertook a thorough review of the company's governance remediation strategy, making its expectations known regarding timelines and milestones for improvements. Ultimately, the team was comfortable the governance issues were being addressed, given a clearly defined transition strategy that was being led by a newly appointed board chair with over 25 years of experience, and proceeded with the investment.

## SUSTAINABILITY IN ACTION

## Sustainability-related learning

In FY23 we provided opportunities for nominated employees to enrol in the UN-supported PRI Academy's Understanding Responsible Investment and Applied Responsible Investment courses.

We are also developing structured learning pathways for our people over time, with opportunities relevant to specific roles and functions that provide both technical and skills-focused content.

During the year we commenced work on building a bespoke foundational Sustainable Investment online module. This compulsory module aims to build a consistent and shared foundational understanding of sustainability factors and how they link to our Purpose, strategy, and sustainable business approach.

<sup>31</sup> IFM personnel supporting the diversified credit products within IFM's debt investment portfolio.

## SUSTAINABILITY IN ACTION

## Bespoke quantitative equities strategies with sustainability objectives

The IFM Listed Equities Quant team<sup>32</sup> started assisting individual clients more than ten years ago to develop bespoke quantitative equities strategies to meet sustainability objectives within their risk budgets.

During this time, the team has developed strategies that aim to raise a portfolio's alignment with the United Nations Sustainable Development Goals<sup>33</sup>, those that aim to lower a portfolio's aggregate carbon exposure and those that look to improve a portfolio's aggregate ESG score. In each case, the particular investment requirements form the objective or constraint of the portfolio optimisation, with other constraints set to satisfy the client's risk budget and other requirements.

All of our quant strategies have sustainability elements at their core. This means that the strategies are primarily focused on achieving the client's particular sustainability-related investment requirements (including climate characteristics), as well as risk attributes and other investment constraints.

During FY23, our IFM Listed Equities Quant team worked with a client to develop and launch a Labour Rights/Value strategy, which aims to materially and meaningfully improve the allocation to companies demonstrating strong performance against key labour rights metrics, while also achieving a value exposure, all at a controlled tracking error.

## Modern Slavery

In FY23 we focused on the areas of opportunity we identified through a gap analysis we undertook in FY22. These focus areas included:

- Reviewing and updating ESG due diligence tools that investment teams in all asset classes use to assess modern slavery risk;
- Reviewing and updating the grievance mechanisms and processes referenced within our Whistleblower Policy with the aim of ensuring modern slavery-related issues and concerns are directly referenced and accommodated for; and
- Commencing work to enhance our procurement approach, including the development of procurement governance documents and processes to encompass modern slavery considerations, as referenced in the 'Governance in procurement and operations' update on page 64.

### Updating modern slavery risk assessment

The work we commenced in FY23 to review and update due diligence questionnaires is ongoing and aims to ensure IFM investment teams in each asset class appropriately consider modern slavery risk in their due diligence analysis.

This program of work began with the development of a detailed list of modern slavery due diligence considerations. These considerations were consolidated into a set of key questions that were included in the IFM Private Equity<sup>34</sup> and the infrastructure equity investment teams' pre-existing due diligence toolkits in FY23. The additional questions aim to support these teams to consider inherent modern slavery risk when assessing new investment opportunities, as well as the mitigations in place to manage them.

In FY24, continuation of this work is focusing on reviews and updates of our IFM Debt Investment team's and IFM Listed Equities team's<sup>35</sup> due diligence toolkits, with a view to considering the incorporation of modern slavery risk assessments, or enhancing existing processes, as applicable.

Read the latest IFM Investors Modern Slavery Statement 2022-2023 [here](#).<sup>36</sup>

<sup>32</sup> IFM personnel supporting the bespoke quantitative equities strategies forming part of IFM's listed equities portfolio.

<sup>33</sup> Alignment of each stock in the portfolio is determined using ESG data provider ISS's SDG Impact Rating, which determines a company's positive or negative impact on the United Nations' Sustainable Development Goals across three key pillars: products and services; operations management; and controversies. Alignment of a portfolio is determined as a weighted average of each stock's alignment.

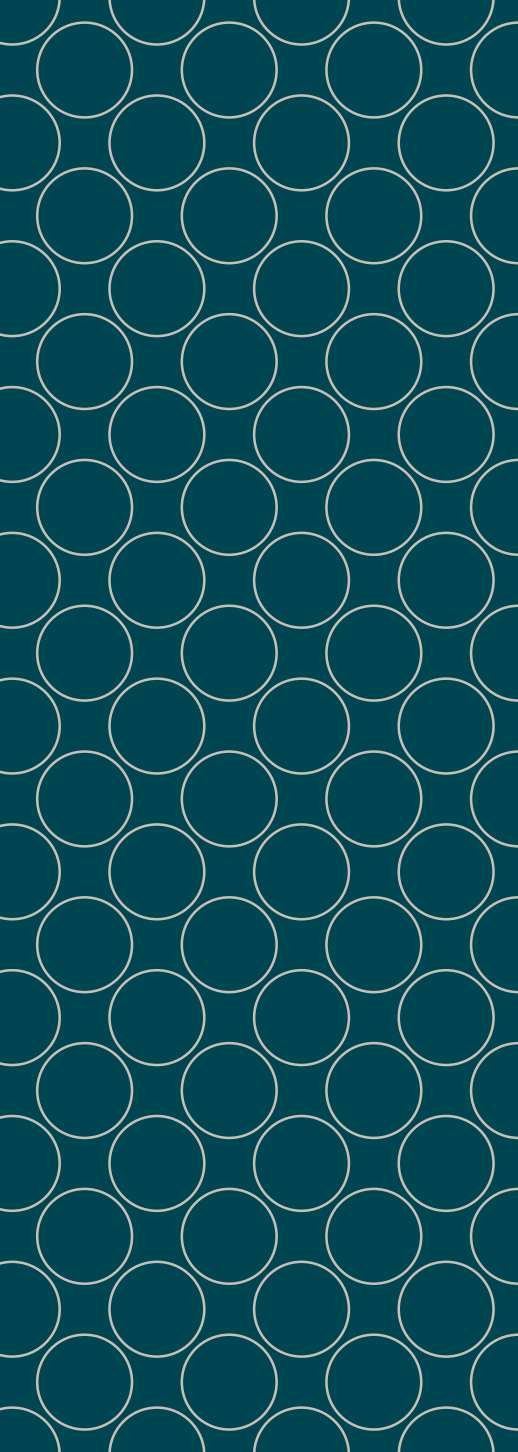
<sup>34</sup> IFM personnel supporting IFM's private equity portfolio.

<sup>35</sup> IFM's personnel supporting IFM's listed equities portfolio

<sup>36</sup> At the time of publishing this report, this statement was under consideration for publication in the Australian Government's online Modern Slavery Statements Register.



# Stewardship





Through our stewardship activities, we aim to use our investment position to positively influence corporate behaviour and drive a strategic understanding and management of sustainability risks and opportunities.

## Stewardship

Each of IFM's investment teams across asset classes tailor their stewardship approach to match the needs of their specific strategy, the tenure of holdings and the degree of influence we have.

Stewardship activities include listed company engagement and proxy voting, as well as portfolio company-level support and capacity building, delivery of thematic work programs and director representation on IFM's infrastructure equity portfolio and IFM's private equity portfolio company boards for private investments.

FY23 updates and examples of our stewardship activities relating to IFM's infrastructure equity portfolio, IFM's listed equities portfolio and IFM's private equity portfolio are provided in the following pages.

## Infrastructure

We take a long-term and active approach to managing IFM's infrastructure equity portfolio assets. As members of company boards and management committees, we work with management teams, co-shareholders and other stakeholders with the aim of building resilient businesses that deliver benefits to multiple stakeholders over the long-term, including shareholders, workers and local communities. We seek to evaluate and engage with portfolio assets across a number of areas including strategy, potential acquisitions and divestments, capital structure, industrial relations, risk management frameworks, capital expenditure and executive selection and remuneration.

Our approach to sustainability strategy and driving good management of sustainability risks and opportunities is anchored in our focus on delivering competitive risk-adjusted returns over the long term. We seek to integrate these considerations into asset management activities through a range of programs and initiatives, many of which are multi-year in nature.

Our work in FY23 focused on climate change risk management (as outlined below), and social sustainability (as outlined from page 37).

### UK Stewardship Code

Testament to our stewardship approach and activities, IFM became a signatory to the UK Stewardship Code (the Code) in August 2023, following a successful submission in April 2023 for FY22.

The Financial Reporting Council, which administers the Code, defines stewardship as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society."

The Code sets high standards for those investing money on behalf of UK savers and pensioners, and those that support them. It is voluntary and comprises a set of 12 'apply and explain' Principles for asset managers and asset owners investing in a range of asset classes. The 12 Principles relate to purpose and governance, investment approach, engagement and exercising rights and responsibilities.

Our 2023 UK Stewardship Code submission is available [here](#).



## Climate change management<sup>37</sup>

In FY23 we continued to work with assets in IFM's infrastructure equity portfolio to develop and implement decarbonisation plans as we pursue two emissions reduction targets:

1. reducing greenhouse gas emissions across all asset classes, targeting net zero (across scope 1 and scope 2 emissions) by 2050;<sup>38</sup> and
2. reducing scope 1 and scope 2 emissions in IFM's infrastructure equity portfolio by at least 2.02 million tonnes of CO<sub>2</sub>e by 2030 (from a 2019 GHG emissions baseline).<sup>39</sup>

We believe these targets are important, as, in our view, the effective mitigation of climate change risk will be important in delivering long-term stable returns.

To deliver on these targets, our strategy focuses on three key areas. An overview of these areas and their expected contribution to the targets are illustrated in Figure 3.

With respect to scope 3 emissions, we are not planning to set targets at this time. We will continue to focus on scope 3 measurement, as well as projects and policies that support scope 3 reductions, consistent with our focus on making commitments that we have confidence we can deliver.

### Disclosure and reporting for clients

We report carbon footprint data and outline our decarbonisation pathways and progress towards the 2030 infrastructure asset class target for our clients via annual reports and periodic client updates.



**We continue to work with management teams to set emissions reduction targets at the portfolio company-level, focusing on net zero by 2050 and clear interim targets.**

**Deepa Bharadwaj**  
Head of Infrastructure, Europe

### Target-setting at IFM's infrastructure equity portfolio company-level

We believe setting clear GHG emission reduction targets is essential to achieving decarbonisation commitments. We continue to work with management teams to set portfolio company-level scope 1 and scope 2 emissions reduction targets. We seek to confirm that portfolio company targets are backed by plausible initiatives and projects. As at December 2022, approximately 85% of companies across IFM's infrastructure equity portfolio have set carbon targets and/or strategies to reduce their GHG emissions footprint, covering almost 97% of the GHG emissions of the portfolio and 99% of the portfolio's net asset value.<sup>40</sup> We aim to continue working with the remaining companies on setting appropriate targets and associated decarbonisation plans.

<sup>37</sup> This Report contains climate-related and other forward-looking statements and metrics which are not, and should not be considered to be guarantees, predictions or forecasts of future climate-related outcomes, financial performance or share prices. The statements are subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of IFM. Readers are cautioned not to place undue reliance on such statements in light of the significant uncertainty in climate and sustainability-related metrics and modelling that limit the extent to which they are useful for decision-making, and the many underlying risks and assumptions may cause actual outcomes to differ materially. While IFM has prepared the information in this Report based on its current knowledge, understanding and in good faith, it reserves the right to change its views in the future.

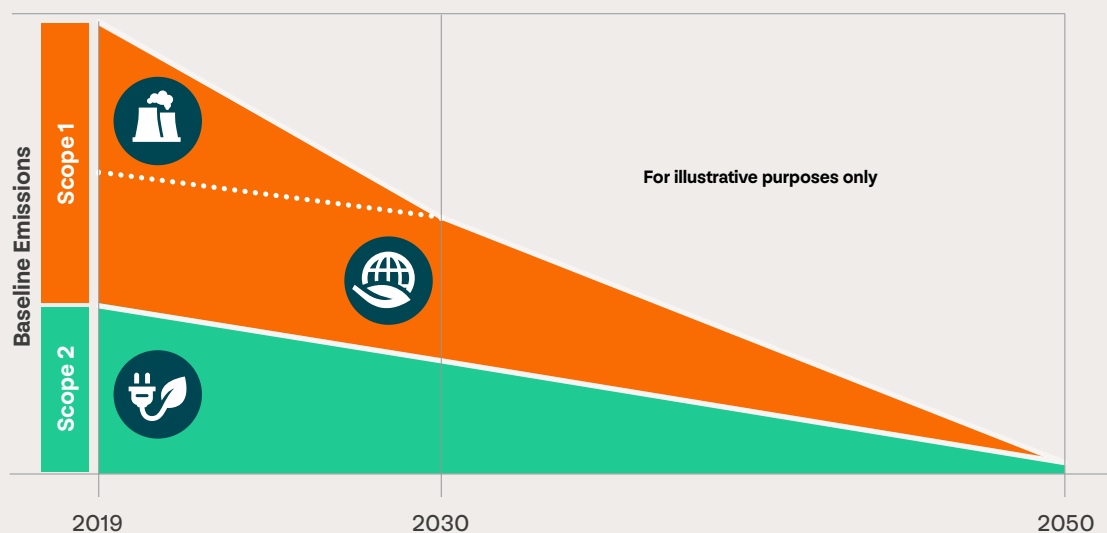
<sup>38</sup> Work to determine the strategy to pursue this target commenced in 2020 and is ongoing. Our approach is tailored across our asset classes. We have set targets for IFM's infrastructure equity portfolio and IFM's private equity portfolio, including interim 2030 targets. Work to develop plans to be in a position to set targets for IFM's listed equity portfolio and IFM's debt investment portfolio is ongoing.

<sup>39</sup> In 2021, IFM set a scope 1 and scope 2 emissions reduction target for IFM's infrastructure equity portfolio companies of 1.16 million tonnes of CO<sub>2</sub>e by 2030 (from a 2019 baseline). As a result of changes to the infrastructure equity portfolio composition (including shareholding increases and acquisitions, divestments and major organic growth investments within portfolio companies), the interim target has risen to 2.02 million tonnes of CO<sub>2</sub>e for the portfolio as of end 2022. Details about the methodology for updating the target are disclosed to clients.

<sup>40</sup> Emissions and target data for assets in the portfolio as of 31 December 2022. Net asset value as of 30 September 2022.

FIGURE 3

## Our strategy to reduce greenhouse gas emissions, targeting net zero (scope 1 and scope 2 emissions) by 2050<sup>41</sup>



Source: IFM Investors, 2023



### Seek to phase out revenue exposure to thermal coal by 2030

We are seeking to transition all IFM infrastructure equity portfolio assets to zero revenue exposure to thermal coal by 2030. IFM's current policy is to not make new investments in assets that derive material revenue (defined as greater than net revenue of 20% at the time of the investment) from the production or transport of thermal coal, or its use in electricity or heat generation.



### Seek to drive electrification and green electricity usage

From now until 2050, many companies, in our view, need to focus on switching from fossil fuels to electric equipment and vehicles, implementing energy efficiency protocols and increasing the use of green electricity. We believe the global decarbonisation of electricity grids will assist with this process; however, we also believe in an active approach and are working with IFM's infrastructure equity portfolio company management teams across the following initiatives:

- Procure renewable energy where it is more advantageous than self-generation (e.g., Power Purchase Agreements, Energy Attribute Certificates, etc.);
- Develop behind the meter renewable installations for self-consumption; and
- Increase electrification of equipment.

In addition, we seek to contribute to the decarbonisation of energy grids by investing in renewable energy projects.



### Seek to replace transition fuels

Looking forward, we believe a challenge post-2030 will be to replace transition fuels such as gas with permanent power solutions by 2050. This may require investment into emerging technologies that promote the role of hydrogen and bioenergy, as well as the following activities, some of which are already underway at some of our infrastructure equity portfolio companies:

- Renewal of vehicle fleets to more efficient and/or lower/zero emissions vehicles;
- Switching to cleaner fuels (e.g., fuel-oil or natural gas to biogas and hydrogen);
- Carbon capture initiatives; and
- R&D to boost new and more efficient technologies that promote energy savings.

<sup>41</sup> While we may consider these options, we may ultimately decide not to pursue one or more of the strategies noted in Figure 3 and may also consider and/or implement strategies not discussed herein, including but not limited to in response to evolving market expectations and circumstances, technological developments etc.

## SUSTAINABILITY IN ACTION

## Buckeye Partners using alternative energy to reduce emissions and transition

Buckeye owns and operates a diversified network of integrated assets providing midstream infrastructure and logistics solutions across the US and the Caribbean. Post-acquisition, IFM supported the launch of a refreshed corporate strategy at Buckeye, which considers the risks of and targets the myriad opportunities the energy transition present for Buckeye. As part of this refreshed strategy, Buckeye announced its commitment to contribute to the decarbonisation of the broader economy and meet the evolving energy needs of its customers by continuing to diversify its platform and offerings to enable less carbon intensive energy solutions, and to undertake decarbonisation efforts across its operations.

Buckeye is diversifying its platform and offerings through investment in and development of renewables, cleaner fuels, alternative energy, and other sustainable innovations. It is also adapting its existing liquid petroleum products infrastructure to facilitate the transition to cleaner energy alternatives. Energy transition investments and initiatives currently underway at Buckeye include:

- Minority investment in OneH2, a hydrogen production infrastructure and logistics company that provides turn-key hydrogen fuelling solutions.

- Majority investment in Swift Current Energy (SCE), a utility-scale renewable energy developer focused on solar, wind and battery storage projects in North America with a project pipeline of over 9GW in aggregate capacity.
- Installation of low-carbon biodiesel blending infrastructure at Buckeye's terminals in New York and Connecticut.

In pursuit of its commitment to decarbonise its own operations, Buckeye announced targets to halve its net scope 1 and scope 2 emissions by 2025 and to become a net zero business by 2040.

To reduce its scope 1 emissions, Buckeye has multiple decarbonisation initiatives underway, including fuel switching, energy efficiency improvements and emission capturing technologies.

Buckeye has completed construction on 437MW of solar projects and intends to use the equivalent of the associated renewable energy credits resulting from the clean energy generated in order to offset its own scope 2 emissions. In addition to these operating projects, Buckeye has c. 400 MW of identified renewables projects in development.



Pictured: Swift Current Energy



## SUSTAINABILITY IN ACTION

**Q&A: Allocating capital to low carbon and climate solutions**

In addition to working closely with assets across IFM's infrastructure equity portfolio to help decarbonise their operations, we also manage investments in assets with low climate transition risk that we believe will help accelerate the transition to a net zero economy.

The following Q&A is with Marigold Look, Executive Director, Infrastructure. It outlines where we see opportunities in the low carbon transition and introduces IFM's infrastructure equity portfolio asset GreenGas, explaining how it is helping to support the decarbonisation of hard-to-abate sectors.

**Q What low transition risk infrastructure opportunities is IFM focusing on?**

**A** We are primarily considering opportunities across four key areas: renewable power, electrification, low carbon fuels and carbon capture. These categories capture projects such as solar and wind-powered electricity generation and related storage, transmission and distribution infrastructure, as well as infrastructure to support the uptake of alternative fuels like hydrogen and biofuels.

**Q How do you expect low carbon investment opportunities to change over time?**

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

With electricity demand set to increase by 25-30% to 2030,<sup>42</sup> we anticipate the entire energy ecosystem will need to transition, from generation, storage and transport, to end usage. We, therefore, expect to see more opportunities relating to new or renewed energy grids, battery storage, energy efficiencies and electric vehicle charging.

We also expect carbon capture opportunities to expand in the coming decade as related technologies evolve.

**Q What about low carbon fuels?**

**A** Alternative fuels that displace the use of fossil fuels in transport and heating are essential to achieving net zero by 2050.<sup>43</sup> Opportunities in this area include assets that are engaged in the production, storage and transportation of low carbon fuels, such as renewable natural gas (RNG).

**Q How does portfolio asset GreenGas support decarbonisation efforts?**

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

**Q What GHG emissions reduction benefits does GreenGas aim to deliver?**

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

<sup>42</sup> International Energy Agency <https://www.iea.org/reports/world-energy-outlook-2022/outlook-for-electricity> accessed 26 June 2023.

<sup>43</sup> International Energy Agency <https://www.iea.org/reports/net-zero-by-2050> accessed 26 June 2023.

## Social sustainability: Managing capital of the human kind

IFM's infrastructure equity portfolio companies operate across 20 countries and support more than 65,000 jobs. The people employed in these jobs are central to our social sustainability approach.

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

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

Throughout these activities, we aim to leverage individual asset experiences, convene knowledge sharing opportunities across the portfolio and foster dialogue with asset stakeholders.

### SUSTAINABILITY IN ACTION

## Supporting the UN Principles for Responsible Investment Statement of Investor Commitment to Support a Just Transition on Climate Change

As a signatory to the UN Principles for Responsible Investment's<sup>44</sup> (UNPRI) Statement of Investor Commitment to Support a Just Transition on Climate Change since 2018 (UNPRI Statement on a Just Transition), we are committed to decarbonising the assets in IFM's infrastructure equity portfolio in a way that supports a just transition.

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

## Formalising engagement with industrial stakeholders – a sectoral approach

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

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

Following the signing of the inaugural Seaports Charter with the ACTU in FY22, in May 2023 we signed the Airports Charter with the ACTU. Operationalising the Seaport and Airport Charters is a key focus in FY24.

## Health and safety

Driving and improving the safety performance of portfolio companies continues to be a primary focus for IFM. Infrastructure asset operating environments typically involve interaction between a combination of large civil structures, transportation and operating equipment, and a range of people – workers, customers, suppliers, tenants, visitors, and community members.

We take an enterprise approach to best practice safety management that governs how we:

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

During FY23 the IFM infrastructure equity team continued to progress a range of multi-year occupational health and safety initiatives and programs.

## Safety roundtables

We have been running the safety roundtable program since 2019 in conjunction with global safety consultants. The roundtables aim to share and leverage knowledge among IFM's infrastructure equity portfolio assets about best practice safety management and solutions to mitigate occupational health and safety hazards.

<sup>44</sup> The Principles for Responsible Investment is a United Nations-supported international network of asset managers, asset owners and service providers working together to promote and implement six ESG principles. The PRI's annual assessment process scores and benchmarks signatories' responsible investment governance and processes against its principles and other signatories.

In FY23, we continued our roundtable series, hosting two sessions on the topics of contractor and subcontractor safety and risk management, and trench work hazards. The first session aimed to establish the responsibilities and interventions of different stakeholder groups across the contractor/subcontractor engagement lifecycle and demonstrate how to maintain effective collaboration and oversight across parties. The second aimed to communicate best practice risk management related to trenching/below-grade works, including frameworks and controls to minimise incidents, including where an operator may not have full control and ownership of a worksite (e.g. buried utilities).

### Infrastructure safety benchmarking

We continue to undertake the annual safety risk management performance benchmarking study. The study commenced in FY20 and was developed in partnership with global safety consultants to measure assets within IFM's infrastructure equity portfolio against a composite benchmark on overall employee and contractor safety performance.

The most recent analysis<sup>45</sup> reaffirms that assets in IFM's infrastructure equity portfolio continue to outperform representative benchmarks.<sup>46</sup> The lost time injury frequency rate (LTIFR, a key indicator used in the study) for employees and direct contractors was 55% better than comparable representative industry benchmarks for 2021 and 52% better for 2022.<sup>47</sup>



Pictured: Aqualla

## SUSTAINABILITY IN ACTION

### Advocating for best practice safety management at the board level

As active members of company boards and management committees, we seek to advocate for ongoing improvement in safety practice management, for example:

- Through the IFM-appointed board nominee, IFM advocated for Mersin International Port located in Türkiye to develop and execute a safety transformation programme with the aim of enhancing its safety approach and culture and, ultimately, improving safety outcomes. We supported an independent review of the port's existing safety approach, culture and practices, which was completed in late 2022. IFM has also advocated for a detailed multi-year roadmap aimed at implementing the recommendations of the review. As the roadmap for the next 12 to 24 months is being developed, some early initiatives have included setting up additional physical barriers to enable a clearer separation of pedestrians and moving vehicles on site; rolling out a regular shuttle bus service to minimise third party vehicles on site; and increasing the number and accessibility of facilities for third party truck drivers (e.g. washrooms, prayer rooms).
- IFM's nominee to the Veolia Energia Polska board advocated for improvement of health and safety (H&S) strategies, particularly the implementation of safety reviews and actions recommended by the external safety consultant engaged by IFM. These were incorporated in the company's Safety Strategy for the period 2021-2023, with 'striving for leadership in H&S' now an integral part of the company's strategy.

<sup>45</sup> Our most recent analysis aggregates data across IFM's infrastructure equity portfolio products. Data from one product has been aggregated for calendar year 2021 and 2022, another for FY22 and the other for calendar year 2022.

<sup>46</sup> Benchmarking study includes annual data from assets across IFM's infrastructure equity portfolio, averaged over five years (or since acquisition) and compared with appropriate benchmark averages. Benchmarks used include OSHA (Occupational Safety and Health Administration), EUROSTAT (European Commissions Safety Database) and Safe Work Australia.

<sup>47</sup> Includes annual data from assets across IFM's infrastructure equity portfolio, averaged over five years (or since acquisition) and compared with appropriate benchmark averages. Frequency rate is normalised as the number of lost time injuries occurring per 100 full time workers/200,000 hours worked.

## Inclusion and diversity

IFM's infrastructure equity team's approach to inclusion and diversity continues to focus on developing an understanding of where IFM's infrastructure equity portfolio assets are situated across a range of inclusion and diversity measures. This helps us to identify opportunities to advance their practices and enact sustainable improvements over the long term. One of the methods to inform our understanding is through an in-house-developed inclusion and diversity maturity assessment tool. We believe inclusion and diversity improvement plans need to be regionally and culturally relevant and reflective of an individual asset's location, sector, number of sites and employee demographics, as well as the community in which it operates.

An initiative supporting our inclusion and diversity-related efforts is our Australian Infrastructure First Nations Engagement Strategy for the Australian assets in IFM's infrastructure equity portfolio. This strategy and related activities were further developed in FY23, as outlined on page 40.

Through IFM's infrastructure equity portfolio company board appointments, we also have opportunities to play a governance role in promoting inclusion and diversity-related activities, as the example opposite seeks to demonstrate.



Airport Development Group Trainees, Australia

## SUSTAINABILITY IN ACTION

### Playing a governance role in supporting workforce gender diversity

IFM seeks to play a governance role in supporting portfolio company initiatives that aim to improve workforce gender diversity and promote economic inclusion in local communities. An example that aims to demonstrate this is our board role with Ausgrid, Australia's largest electricity distribution company, forming part of the IFM infrastructure equity portfolio.

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



## SUSTAINABILITY IN ACTION

## Australian Infrastructure First Nations Engagement strategy

In FY22 IFM's infrastructure equity team in Australia engaged First Nations consultancy firm 15 Times Better to conduct a desktop review of the approaches of IFM's infrastructure equity portfolio assets in Australia to First Nations engagement and assist in shaping a long-term, sustainable strategy. This engagement continued into FY23.

In February 2023 the IFM infrastructure equity team in Australia hosted a First Nations workshop at portfolio asset Melbourne Airport, which was attended by representatives from eight airport, seaport and energy portfolio assets. The workshop focused on gaining a deeper understanding of:

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

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

In the coming year, areas of focus include:

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

### Airport Development Group's First Nations Strategy: focusing on long-lasting benefits

Airport Development Group (ADG) is an example of an asset in IFM's infrastructure equity portfolio taking tangible actions as it pursues its First Nations strategy. ADG owns and manages Darwin, Alice Springs and Tennant Creek Airports, and it has a significant investment portfolio across hotels, property and utilities in the Northern Territory.

ADG has a solid foundation in actively engaging with the Indigenous communities in which it operates. In 2021 ADG established an Indigenous Advisory Committee (IAC). The committee comprises representatives from each of the areas in which they operate. ADG consults regularly with the IAC in relation to the development and delivery of its Indigenous Engagement Strategy and related policies and programs, focusing on areas with long-lasting benefits: education, employment, procurement and tourism.

### Education – ADG Indigenous Training Academy

Based at ADG's Mercure and Novotel Hotel Resort complex, the ADG Indigenous Training Academy was established in 2022 to deliver nationally-recognised Certificate III qualifications in the hospitality and tourism sector. The first cohort of eight students qualified for the Academy in April 2022, with another 13 students entering the Indigenous Training Academy in March 2023. Training options have extended to include job opportunities within the airport group. The Indigenous Training Academy is led by ADG's Indigenous Training Academy Manager and supported by an Indigenous Mentoring Program.

### Tourism – new villas dedicated to locals

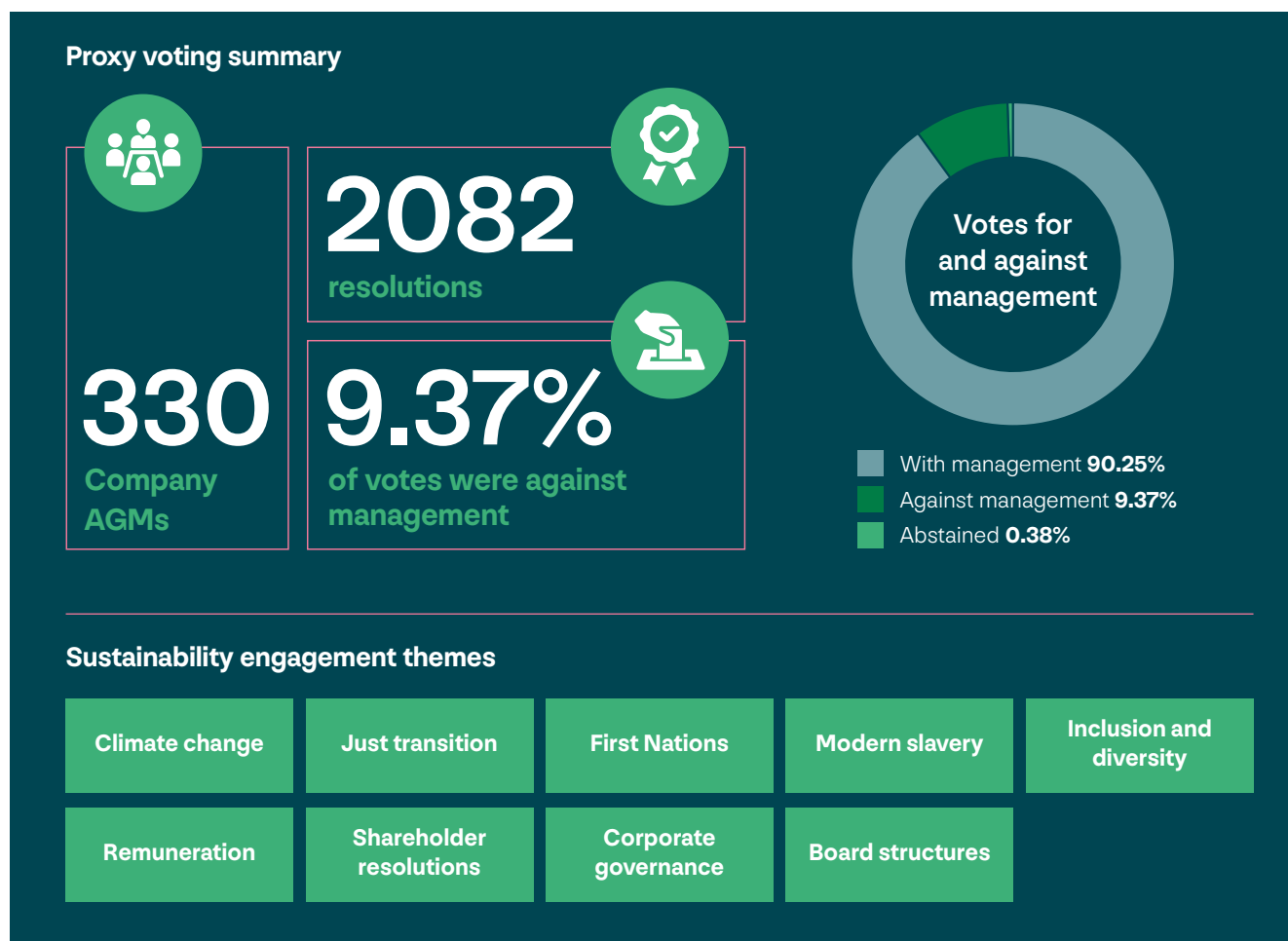
ADG's Darwin Airport is a key gateway for international visitors to enter Australia and a perfect setting to showcase First Nations culture and history. In the first half of FY23, ADG painted a cultural mural on their 41-meter-high disused water tower located at the entry to the Mercure Airport Resort creating a prominent landmark, welcoming people to Larrakia country. In January 2023, ADG announced that the 'Darwin Digeridoo' tower, as it is locally known, received a silver award for best entrance mural in the 2022 Australian Street Art awards.

In FY23, as part of its Mercure Darwin Airport Resort renovation, ADG honoured eight high-achieving Territorians who have made outstanding contributions to the preservation and celebration of Indigenous culture by naming new premium villas after them. A story of each honouree is displayed in the villa dedicated to them. A smoking ceremony to open the villas was held and attended by ADG and IFM representatives, honourees and their family members. A total of 14 villas have now been named in this way.



## Australian Listed Equities – Summary of FY23 engagement and voting activities

Our approach to managing IFM's listed equities portfolio involves direct and indirect company engagement and the exercising of our voting rights.



We regularly report on our Australian Listed Equities engagement and voting activities. Please visit [www.ifminvestors.com](http://www.ifminvestors.com) to learn more. Our ESG Policy guides our activities, which are also informed by the Australian Asset Owner Stewardship Code. Our approach was also part of our successful 2023 submission to become a signatory to the UK Stewardship Code.

Our voting decisions are informed by:

- Engagement with companies, which we do directly and as a member of collaborative initiatives (See page 49 for examples of collaborative engagement initiatives);
- Internal and external research; and
- Proxy advice that we receive from two different sources.

In FY23, we leveraged our size and shareholder influence in relation to a range of sustainability themes, including board structures and

compensation practices within companies in IFM's listed equities portfolio. Other key engagement themes were climate change and gender diversity.

### Aligning remuneration outcomes to drive company performance

We believe remuneration outcomes should be consistent with company performance and shareholder experience. In FY23, almost 30% of our votes against management in the IFM listed equities portfolio related to remuneration. While we were pleased to see some of the larger Australian companies show leadership regarding remuneration during this period, we voted against several remuneration resolutions, such as insufficient hurdles for bonus payments, bonus payments not linking to performance objectives, altering the metrics used for performance assessment to benefit management and rewarding management for poor company performance.

We voted against NRW Holding's remuneration report at its November 2022 AGM as we were concerned with the use of the Earnings Per Share metric in the incentive structure that did not reflect any return on capital considerations. We were also concerned that a gearing metric is not suitable as part of the incentive structure, as it should be part of the ongoing managerial responsibilities of the executive team.

During the period we met with NRW Holdings to discuss management performance metrics in more detail, including metrics for measuring management performance against our expectations. We were pleased that the company was receptive to our feedback. We will continue to engage with NRW on outstanding issues in future engagements.

### Board diversity informs voting decisions

In FY23, we supported an update to the Australian Council of Superannuation Investors' (ACSI) gender diversity policy. For companies in the ASX 300 Index, we expect a minimum of 30% of board positions to be occupied by females. If the 30% expectation is not met, this will inform our voting decision. On two occasions during FY23, we voted against directors in circumstances where the 30% expectation was not met. In one instance, we voted against the managing director in circumstances where there was only one female director on the board. On the other, we voted against an independent chair in circumstances where there was only one female director. We formally communicated our rationale and expectations to these companies in both instances.

### Woodside Energy's Say on Climate

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

Despite engagement with Woodside over several years regarding its decarbonisation strategy and the clear call from shareholders at its 2022 AGM to act, we were disappointed that the company's updated climate plans in February 2023 did not include any material adjustment. With the company's current capital allocation program heavily skewed towards new fossil fuel projects and low emission reduction targets, we believe Woodside needs a more all-encompassing climate transition plan. Furthermore, Woodside did not offer shareholders a 'Say on Climate' vote at the FY23 AGM despite the lack of progress.

IFM formed a view that following numerous engagements with Woodside management, formal letters to the company and voting against its climate plan at last year's AGM, we needed some form of escalation to express our dissatisfaction with its climate strategy.

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

We look forward to engaging with the company and further communicating our expectations on this important topic.



Pictured: Brisbane Airport

## Private Equity: Integrating sustainability factors for value creation

We incorporate sustainability factor considerations into the stewardship approach for IFM's private equity portfolio investments in order to manage risk and to support value-creation opportunities. We believe that to fulfil these opportunities there needs to be an alignment of purpose, strategy and actions at the investment team and portfolio company levels.

### A purposeful foundation

When considering a new investment, we are keen to understand what the business stands for and its reason for existence beyond profit, i.e. its purpose. A clearly articulated purpose at the centre of a company's culture can have tremendous power to drive engagement, attract and retain talent, and inspire discretionary effort.

In December 2022, IFM's private equity portfolio completed the acquisition of PRP Diagnostic Imaging, a medical diagnostic imaging provider in Australia. The business's purpose is, 'Improving patient outcomes and quality of care through access to high quality diagnostic imaging services.' Management is working to build this purpose into business strategy and workplace culture. We expect that it will be central to underpinning efforts to build further engagement with stakeholders and to facilitate long-term business growth.

### Linking sustainability objectives and business strategy

We believe that the IFM investment team and the relevant portfolio company board have to take responsibility for sustainability objectives to be able to achieve long-term risk-adjusted investment returns in a sustainable way. Without this top-down drive, good intentions within portfolio companies may be sidelined by other priorities. We articulate sustainability-linked objectives and deliverables in our investment strategies. Portfolio company management teams are then responsible for integrating these goals into company strategy and planning processes with associated tracking and reporting (with the investment team's support).

During FY23, we continued working with the management team at My Plan Manager<sup>48</sup> (MPM) to deliver on the company's purpose and sustainability agenda. Focus areas included:

- GHG emissions reduction strategy: the company switched to 100% green energy and moved offices to a higher sustainability rated building.<sup>49</sup>
- Enhanced governance: the company obtained ISO27001 certification for information security.<sup>50</sup>
- Advancing inclusion and diversity: the company's diversity metrics improved through a range of new and ongoing programs and initiatives to attract and retain a diverse workforce. This included progress on its employee disability action plan, including the installation of accessibility improvements such as automatic doors and braille signage, as well as specialised voice-to-text and text-reader software for employees who need this support.

IFM's role at MPM was to set sustainability as a priority at the board level and with a shareholding of ~80% we were able to encourage management to drive a sustainability agenda. As part of this we set the objective for MPM to become a carbon neutral business and to drive down gross emissions, with management reporting their progress and action plan to the board once a year. The board ensured that governance and reporting was in place across technology transformation, risk management and sustainability improvements. The MPM team implemented these improvements, with IFM team members guiding and/or connecting management to appropriate external resources when needed.

#### SUSTAINABILITY IN ACTION

### Executive and Value Creation Network

In managing investments in IFM's private equity portfolio, we draw on the support of the Executive and Value Creation Network we established. The network is a group of senior industry executives with sector and functional expertise who provide tangible strategic and operating insights, as well as access to their extensive networks. Members of this network work alongside the IFM Private Equity team to support the design and execution of the transformative value creation blueprint devised for each portfolio company.

<sup>48</sup> My Plan Manager is Australia's largest National Disability Insurance Scheme plan manager forming part of IFM's private equity portfolio at 30 June 2023. In December 2023, the sale of IFM's private equity portfolio company My Plan Manager was completed.

<sup>49</sup> As measured by NABERS is a national building sustainability rating initiative managed by the NSW Government on behalf of the Federal, State and Territory governments of Australia.

<sup>50</sup> ISO27001 is the international best practice standard for information security.



## Driving action

Intent alone does not yield results. Defining and measuring a baseline for sustainability-related metrics is important to help drive action. We aim to do this within the first year of ownership for all of IFM's private equity portfolio companies across a suite of sustainability metrics that directly measure progress towards purpose and goals. An example of this is measuring the baseline of a company's gross scope 1, 2 and 3 emissions and measuring the impact of initiatives that seek to reduce these emissions.

Another example relates to driving action to help ensure robust cyber security management. In FY23 we put in place a common framework to assess the maturity of cybersecurity management during due diligence for investment opportunities for IFM's private equity portfolio. Post-acquisition, the framework aims to enable a consistent view of cyber risk and performance that is benchmarked to best practice and can be used by management teams and boards to focus improvement efforts and determine risk tolerance. The framework covers eight key dimensions and more than 30 capabilities. We aim to work with IFM's private equity portfolio companies to conduct independent audits and update improvement plans annually.

## SUSTAINABILITY IN ACTION

### Climate Active certification

For the second consecutive year, IFM's private equity portfolio companies achieved Climate Active carbon neutral certification for portfolio emissions from Climate Active.<sup>51</sup> This certification applies to the FY22 scope 1, 2 and 3 emissions, as applicable, of companies in the portfolio as at 30 June 2022, which were Payapps, My Plan Manager and Render Networks.<sup>52</sup> The FY23 certification process commenced in early FY24 for the aforementioned portfolio companies.<sup>53</sup>

In addition to working with portfolio companies to undertake this process, we also plan to continue supporting their efforts to reduce emissions.



<sup>51</sup> Climate Active is a partnership between the Australian Government and Australian businesses to encourage voluntary climate action. Climate Active certification is awarded to businesses that have reached a state of carbon neutrality - based on an agreed emissions boundary for a specific certification type. The Climate Active certification process for IFM's private equity portfolio companies assessed scope 1, 2 and 3 emissions that each entity generated in FY22, as applicable.

<sup>52</sup> IFM's private equity portfolio companies Payapps and My Plan Manager generate scope 2 and 3 emissions. Render Networks generates scope 1, 2, and 3 emissions. Further details of the certification can be found in the Climate Active Public Disclosure Statement for each portfolio company: Payapps ([Payapps | Climate Active](#)); My Plan Manager ([My Plan Manager | Climate Active](#)); and Render Networks ([Render | Climate Active](#))

<sup>53</sup> PRP Diagnostics Imaging (acquired December 2022) and Smart Urban Properties Australia (acquired in July 2023) have also commenced work to baseline scope 1, 2 and 3 emissions.



## Advocacy and collaboration



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

## Advocating for public policy that supports economies and communities

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

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

### Global advocacy activity

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

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

### Regional advocacy activity

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

#### Australia

##### Improving long-term superannuation performance

IFM participated in the Australian Government's review of Your Future, Your Super (YFYS) measures undertaken in late 2022. We participated in the Government's YFYS Technical Working Group and made written submissions to the review. The superannuation performance test administered by the Australian Prudential Regulation Authority assesses products and seeks to ensure poorly performing products are not offered to new members. IFM's submissions made recommendations for addressing systemic risks such as climate change in the design of the performance test and putting the focus of the test on portfolio implementation rather than portfolio construction. In releasing updated regulations for the August

2023 performance test, the Australian Government said it will continue to explore and consult on further changes that improve the sophistication of the test to scrutinise underperformance across superannuation products.

### Advocating for a just transition

IFM supported advocacy efforts for the creation of a federal net zero authority, including those led by the ACTU. The Net Zero Economy Agency, as it is currently called, was established by the Australian Government with the aim of supporting workers in emissions-intensive sectors to:

- access new employment, skills and support as the net zero transformation continues;
- coordinate programs and policies across government to support transition and new industry development; and
- help facilitate investor engagement with net zero transformation opportunities.

### Treasurer's Investor Roundtables

IFM participated in the first Treasurer's Investor Roundtable on housing in November 2022. Alongside a number of industry superannuation funds, we supported the National Housing Accord, which seeks to address the supply and affordability of housing. IFM is exploring the opportunities and challenges regarding institutional investment in social and affordable housing, including key worker housing and how to deliver scale and long-term risk adjusted returns.

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

#### United States

##### Closing the infrastructure gap

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

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

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

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

### United Kingdom and Europe

#### An increasing focus on managing capital of the human kind

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

Chaired by IFM's Chief Strategy Officer, Luba Nikulina, and co-chaired by IFM's Global Head of Sustainable Investment Maria Nazarova-Doyle, the Taskforce convenes market practitioners across the investment industry, including pension funds, insurers, relevant NGOs and observers from government departments and regulators.<sup>54</sup>

The expectation is for the Taskforce to leverage the experience of establishing voluntary and mandatory incentives for pension climate reporting which have led to a significant improvement in the way climate considerations are incorporated in pensions fund decision making. In addition to producing guidance for trustees, the Taskforce will also look to publish recommendations for policymakers to help improve the consideration of social factors in investment.

The Taskforce also presented to a cross-party group of Members of the UK Parliament about its work, with an open consultation with the industry running during October and November 2023. The final report on its work is due in early 2024.

#### Engaging on legislation and regulations

In the European Union the implementation of the 'Green Deal' across multiple pieces of legislation and regulation continues. In FY23, IFM sought to contribute its views where relevant, for example in relation to the Corporate Sustainability Due Diligence Directive (CSDDD), where an IFM representative met with representatives of the unit within the Directorate-General for Justice and Consumers that is leading the legislation development. IFM representatives also participated in the Institutional Investors Group on Climate Change policy committee work in relation to the CSDDD and SFDR.

#### Focusing on financing and regulatory structures to drive the energy transition

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

In FY23 IFM participated in a number of conversations and public forums between infrastructure investors and governments around the world. Later in the 2023 calendar year we also signed a Memorandum of Understanding with the UK Department for Business and Trade as part of our intention to invest £10 billion in the United Kingdom by 2027; participated in COP28 to share our perspective on how infrastructure investors can contribute to global temperature goals; and partnered with major Australian profit-to-member pension funds to publish a policy blueprint to facilitate superannuation investment into energy transition.

<sup>54</sup> These Chair and Co-chair roles with the Taskforce are in addition to their roles at IFM. Maria Nazarova-Doyle joined IFM in September 2023.

## Sustainable business-related memberships and affiliations

We are signatories to or members of a number of organisations and initiatives promoting responsible and sustainable business principles globally. We aim to be part of collective efforts that seek to drive actions that put these principles into practice and provide transparency about them. We seek to do this via our participation in working and consultation groups, signatory reporting, and collaborative engagements alongside our owners, clients and peers.

### Organisations and initiatives we engage with:



### Our participation in collaborative initiatives during FY23 included the following:

#### Climate Action 100+

IFM is a signatory to Climate Action 100+ (CA100+), an investor-led initiative that focuses on encouraging the world's largest corporate GHG emitters to take necessary action on Climate Change.<sup>55</sup> IFM's participation in this initiative involves engaging with several of Australia's highest GHG-emitting publicly listed companies. The CA100+ benchmark provides a consistent framework of 11 categories that guide our discussions with companies that aim to encourage improvements in their decarbonisation strategies.

#### Australian Council of Superannuation Investors

IFM is a full member of ACSI, which focuses on engaging with ASX 300 companies on a range of sustainability factors and associated risks and opportunities. An IFM representative sits on the ACSI Member Council. We subscribe to ACSI's engagement service and receive proxy voting advice, and we also

attend company engagements alongside ACSI. In FY23, we were members of several working groups that ACSI convened, including the Diversity other than Gender; Social Factors; and Rights & Cultural Heritage Risk Management working groups.

#### Collaborating to combat modern slavery

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

<sup>55</sup> [www.climateaction100.org](http://www.climateaction100.org)

### **CERES: Diving deep into issues facing the US finance industry**

As an active member of the CERES Investor Network, we participate in the initiative's Policy Working Group in the US. Comprising sustainable and responsible investment professionals from the financial services sector, the group meets monthly to deep dive into sustainability factors impacting the sector with a focus on state and federal government level activities. Updates and discussions led by the CERES team focus on a range of topics including:

- Legislation in Congress relating to Federal and State-level policies;
- Securities & Exchange Commission actions; and
- Global policies that may serve as a forecast for what the US can expect in the near term.

The Policy Working Group continues to follow developments in relation to anti-ESG pension investment bills that have come out of some US states. Policy Working Group discussions centre on how individual group members are managing the implications of these bills for their respective firms. The Policy Working Group provides an important forum for discussion, while also seeking to act as a vehicle through which action can be taken on behalf of industry.

### **Supporting development of an Australian sustainable finance taxonomy**

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

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

- Phase 1 - analysed taxonomy frameworks used in 13 other jurisdictions and developed recommendations on the design of an Australian taxonomy. IFM chaired the Steering Committee for this phase of the project.
- In April 2023, the Australian Government announced that it would make a significant funding contribution and take a program governance role to support continued development of the taxonomy.
- Phase 2 of the taxonomy development will be overseen by The Australian Council of Financial Regulators Climate Working Group, as part of its role in the government's sustainable finance strategy. This phase aims to build on phase 1 recommendations to develop a comprehensive taxonomy that is inter-operable with taxonomies being developed in other jurisdictions.



**The Australian Government's involvement in the taxonomy initiative and ASFI's work is necessary for an effective taxonomy and signals its continued focus on strengthening climate policy. I expect common standards for sustainable activities to support greater market certainty and investment in Australia's energy transition."**

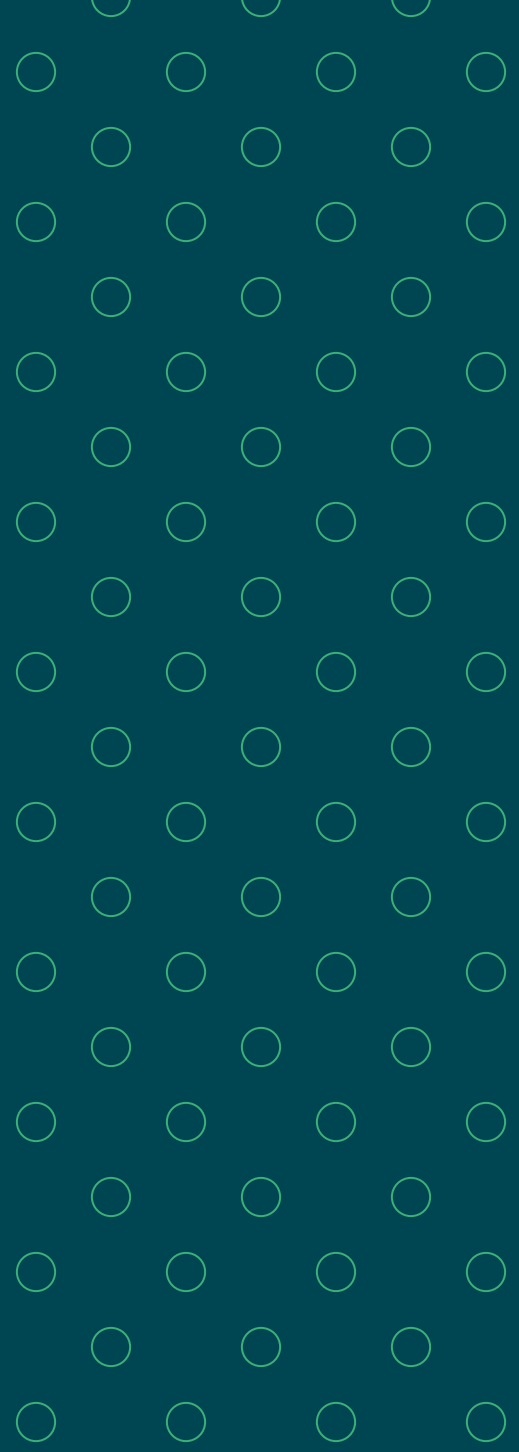
**Zachary May**

Executive Director, Policy and Strategy





# Transparency and reporting



We encourage and support the uptake of sustainable business reporting frameworks, and we provide our clients with a range of communications and thought leadership that aim to provide transparency about our sustainable business approach, practices and outcomes.

## Responding to a rapidly evolving reporting landscape

The area of sustainability reporting and disclosure is rapidly evolving, and we recognise the important role it plays in supporting the resilience and stability of financial markets over the long term. During FY23 we implemented regulatory disclosure requirements to comply with SFDR, while also deepening our understanding of existing and emerging voluntary and mandatory reporting frameworks.

### European Union's SFDR

In addition to our SFDR Working Group finalising the IFM SFDR Policy, the IFM infrastructure equity team operationalised processes to address SFDR reporting requirements.

Key elements of the SFDR work program in FY23 included:

- **Policy and processes:** A specific IFM SFDR Policy was agreed in a cross-functional working group. This included agreement on the definition of "Good Governance" as well as setting "Do No Significant Harm" thresholds for IFM. Additional SFDR processes for IFM's infrastructure equity portfolio were operationalised for 1 January

2023 to support compliance with SFDR and IFM employees supporting the infrastructure asset class received training on the newly operationalised processes.

- **Data collection:** To support policy and processes outlined above, the IFM infrastructure equity team worked with an advisor to customise a data collection tool to meet SFDR requirements. The team used the tool to collect data from portfolio assets, performing quality assurance and clarifying data points as necessary. Where data was not available from assets, IFM developed estimates.
- **Data processing:** The IFM infrastructure equity team performed the "Good Governance" tests and considered "Principal Adverse Indicators" (PAI) for all infrastructure equity investments.
- **Disclosures:** Data collected at IFM's infrastructure equity portfolio asset level was aggregated at the asset manager level. These disclosures were released to clients in line with the regulatory reporting deadline, following a cross functional review.



### UK Stewardship Code 2020

As testament to our stewardship approach and activities, IFM became a signatory to the UK Stewardship Code in August 2023, following a successful submission in April 2023 for FY22. Read our submission [here](#) and learn more in the stewardship section of this Report from page 30.



### GRESB<sup>56</sup>

IFM's GRESB submission for 2023 marked our third consecutive year of participation in the assessment process. The 2023 submission included three additional companies within IFM's infrastructure equity portfolio with the aggregate assets under management represented in the submission also increasing.

2023 submissions were made by two of three products in IFM's infrastructure equity portfolio. The average proportion of assets under management across these two products increased to 69% in 2023 from 59% in 2022.

<sup>56</sup> 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. GRESB Members are able to access our portfolio Management Scores and Asset Scores for portfolio companies that have exited the 'first 12 months' grace period.

Signatory of:



## United Nations-supported Principles for Responsible Investment

Since 2008, IFM has been a signatory to the UN-supported PRI<sup>57</sup>, an international network of asset managers, asset owners and service providers, working together to promote and implement six principles for responsible investment. Our sustainable business approach is informed by the UN-supported PRI. We participate in the UN-supported PRI's annual assessment process, which benchmarks our responsible governance, investment and stewardship approach against the six principles and, importantly, our signatory peers around the globe.

Our 2021 assessment scores are summarised in the table below. We believe our above-median scores in each assessment module listed reflect our ongoing commitment to integrating sustainability factors into our sustainable investment approach. You can access our full 2021 Assessment Report [here](#).

We made our 2023 submission<sup>58</sup> in August 2023 and will publish the results of this submission in future reporting.

Module	Median score	IFM score
<b>IFM Investors - Firm</b>		
Investment & Stewardship Policy	60%	87%
<b>IFM Investors - Asset Classes</b>		
Direct – Infrastructure Equity	77%	100%
Direct – Listed equity – Passive - incorporation	35%	62%
Direct – Listed equity – Active quantitative – incorporation	65%	79%
Direct – Listed equity – Active fundamental – incorporation	71%	74%
Direct – Listed equity – Passive – voting	57%	65%
Direct – Listed equity – Active quantitative voting	61%	65%
Direct – Listed equity – Active fundamental voting	54%	65%
Direct – Fixed Income – Corporate Bonds	62%	94%
Direct – Fixed income – Private Debt	67%	84%
Direct – Fixed income – SSA	50%	68%
Direct – Private Equity	66%	96%

<sup>57</sup> UN-supported PRI refers to the Principles for Responsible Investment, which is a United Nations-supported international network of investors working together to implement six aspirational principles which define what a responsible investment approach requires. Investors are assessed and benchmarked against peers on an annual basis and scored out of 100, across multiple assessment modules.

<sup>58</sup> There was no reporting window in 2022: <https://www.unpri.org/reporting-and-assessment/reporting-framework-pilot-next-steps-for-signatories/8159.article>



### Responsible Investment Association of Australia

IFM is a member of the Responsible Investment Association of Australia, which produces an annual Benchmark Report of Australian investment managers that apply a responsible investment approach.

The 2022 report details the Australian responsible investment market for the 12 months ending 31 December 2022 and compares these results with the broader Australian financial market.

The classification of responsible investment practices used in the report is based on the seven approaches for responsible investment used by the Global Sustainable Investment Alliance, including ESG integration and corporate engagement.

The research universe of the 2022 report comprised 272 investment managers, representing AU\$3.31 trillion in assets under management. Of these, 54 were classified as Responsible Investment Leaders, which the report defines as 'a responsible investor that demonstrates an exceptional ability to deliver on its responsible investment promises', and with a score in the top 20% of scores on the Responsible Investment Scorecard.<sup>59</sup>

For the seventh consecutive year, IFM maintained its place in the Responsible Investment Leaders group.

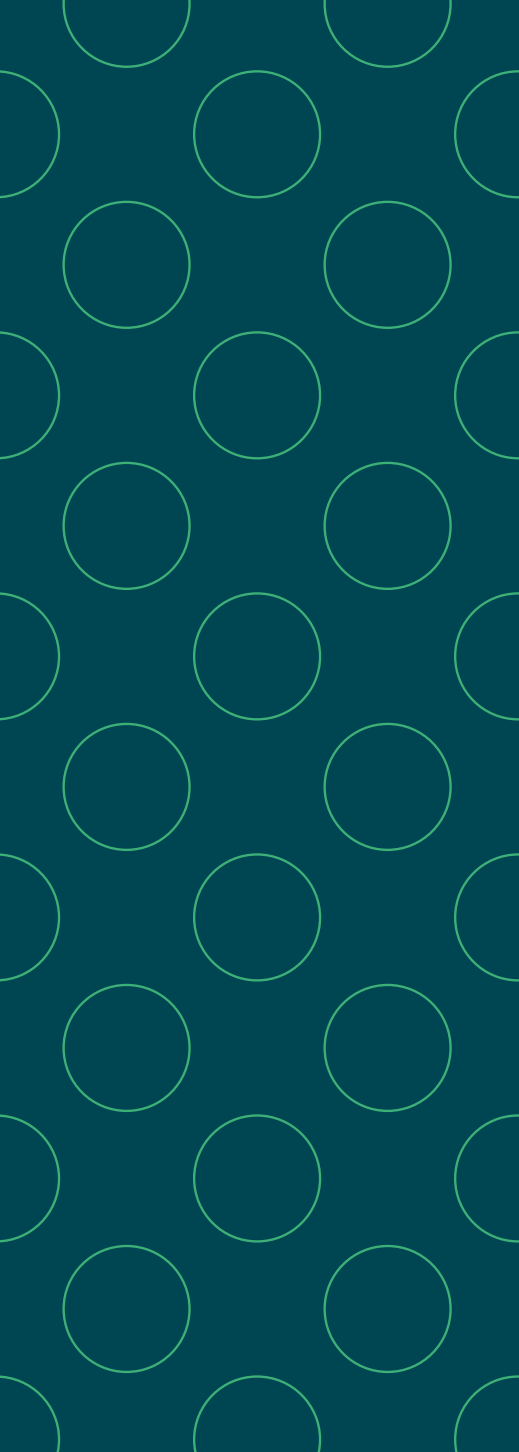


<sup>59</sup> Further details about this benchmarking research definitions, methodology and findings are available here: [https://responsibleinvestment.org/wp-content/uploads/2023/09/RIAA\\_benchmark\\_report\\_australia\\_2023-1.pdf](https://responsibleinvestment.org/wp-content/uploads/2023/09/RIAA_benchmark_report_australia_2023-1.pdf)






# Corporate sustainability




Corporate sustainability is about our corporate operational practices and activities, which are central to our ability to attract and retain our people, manage business risk and contribute to the long-term resilience of the communities in which we operate.

## Sustainable corporate practices


We aim to bring the principles guiding our sustainable business approach into our organisational activities. We believe our corporate practices provide us with further opportunities to build stakeholder trust and contribute to the strength of the broader systems of which we are a part. We define these practices across three key areas:



Fostering an engaging, safe and inclusive workplace for our people.



Operational programs, practices and systems.



Contributing to the resilience of communities in which we operate.



### Fostering an engaging, safe and inclusive workplace for our people

We are focused on creating a workplace that is inclusive, accountable and collaborative, as we believe this is a great foundation for supporting our people to make a meaningful contribution and develop their career, while feeling supported for who they are and what they bring to their team and IFM more broadly.

In FY23 we continued to focus on refining our hybrid working model and practices to support the development of our global team – which grew 15% during FY23 to 780 people on a full-time equivalent basis – and integrating our Inclusion and Diversity strategy.

#### Hybrid working

In FY21 we developed a flexible hybrid working model that aims to make the most of the benefits of both in-office and remote working. Integrating and refining our approach was an important initiative in FY22 and continued to be one in FY23.

Our hybrid working model has been designed to maintain in-person connection and collaboration. It recognises that flexibility may look different depending on the role and team, and it aims to support our people with the flexibility they need to help manage responsibilities in their personal life, including family and carer responsibilities.

We have encouraged discussions within teams about what works well and any adjustments required to the working cadence so that our hybrid working approach is supporting our people, culture and achievement of our individual team, business unit and firm-wide business goals. We have been monitoring our hybrid working model and encouraging our people to provide feedback to understand and continue improving their experience.

#### SUSTAINABILITY IN ACTION

### Flexible working at IFM

In addition to the flexibility that our hybrid working model affords, our people have the opportunity to work with their manager to establish individual flexible working arrangements, which can be on an informal ad-hoc basis or made on a formal basis for an agreed period of time. The flexible work arrangements we offer our people include:

- Change in hours of work;
- Change in work pattern and
- Change in location (working from home, working from an alternative location on a temporary or occasional basis.)

### Building a learning culture

In FY23 we implemented a range of programs, tools and resources that aimed to cultivate a learning culture at IFM based on the following principles:

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

We hosted events for our people to support their understanding of a learning culture and we increased communications to expand awareness of learning opportunities.



**IFM Mentoring Program:** In FY23 we identified 40 mentor-mentee matches who met regularly over six months to share knowledge and experience.

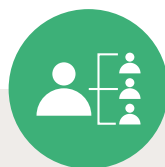
### Strengthening leadership capabilities

As our organisation continued to grow in a dynamic and changing environment in FY23, supporting the leadership capabilities of our people was an important focus area.

Throughout the year we introduced a range of leadership development frameworks and programs that aligned with IFM's strategic priorities, including:



**Leader Loops:** A monthly gathering over a four-month period where leaders could share their leadership experiences and broaden their perspectives through a community of peers. The inaugural program ran from March to June in 2023 with 24 leaders participating from our offices globally.



**Leading People at IFM:** Our Leading People at IFM framework was designed to build the capability of our people leaders to support and develop their people. It is based on our 70:20:10 learning model, with 70% of leader support to come from on-the-job experience, 20% to be gained from exposure and learning from others and 10% through formal learning programs. A dedicated Leading People at IFM hub on our intranet provides information on the processes, tools and resources to help support our people leaders through key stages of the employee lifecycle.



**Advanced Lead UP:** An accelerated leadership development experience was designed and delivered by INSEAD for 22 high-potential, seasoned executives to develop critical leadership capabilities, build an enterprise mindset and manage and lead a transformational agenda within our global business.

### Inclusion and diversity at IFM

We are committed to providing a workplace where all employees are valued and recognised for their unique qualities, backgrounds and perspectives. This commitment is underpinned by our Inclusion and Diversity strategy.

We believe our approach to inclusion and diversity makes a valuable contribution to creating a unified and purpose-aligned culture across the organisation.

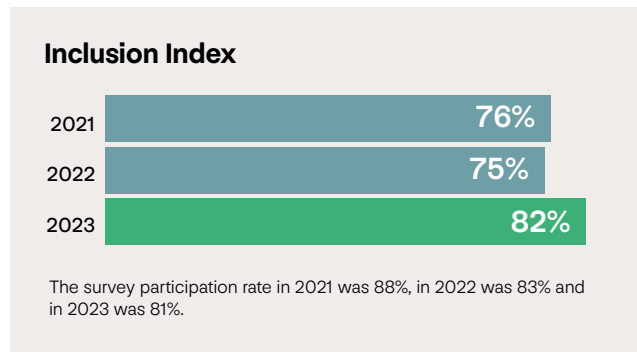
### IFM's Inclusion Index<sup>60</sup>

Since 2021, our Inclusion Index has been part of our enterprise employee engagement survey and aims to help us track and measure the inclusive experience of our people over time. The results of the 2023 survey indicated an overall Inclusion Index positive response score of 82%, which is seven points up from our 2022 score and 2% above the Kincentric Global Diversified Financials benchmark average.<sup>61</sup>

<sup>60</sup> The Inclusion Index is part of our enterprise engagement survey. It comprises the same set of questions each year that seek the views and experience of our people as it relates to inclusion at IFM.

<sup>61</sup> Kincentric is IFM's enterprise employee engagement survey platform provider. The Global Diversified Financials benchmark comprises other global financial services organisations that measure inclusion as part of their Kincentric employee engagement survey.

We believe this response score indicates that our people feel IFM values inclusion and diversity, and that our efforts to foster a work environment that supports diverse perspectives and ways of thinking are having an impact.



### FY23 Inclusion and Diversity update

During FY23 we have continued to integrate our Inclusion and Diversity strategy, which is currently defined by five pillars or focus areas, as illustrated in Figure 4. FY23 activity highlights are outlined below.

- With a view to contributing to our objective to build a more gender diverse succession pipeline, our inaugural Women in Leadership Scholarship program awarded scholarships to five senior IFM women identified as future executive leaders. The program aims to support participants to invest in building their leadership capabilities.
- Our inaugural Breakthrough Leadership program took place with 20 aspiring leaders who are a diverse representation of our global business and the communities we operate in. The nine-month long program aims to build key leadership capabilities, while also helping to build a more diverse pipeline of future IFM leaders.
- We believe that data is crucial to informing how we evolve our efforts to further integrate inclusion and diversity into our corporate practices and decision making. In February 2023 we commenced a data capture initiative asking our people to disclose diversity-related data, voluntarily and confidentially. Effective from July 2023, this had been rolled out globally. As we better understand the makeup of our workforce, we believe we will be better equipped to develop longer term plans that aim to achieve our inclusion and diversity aspirations.
- With the aim of building cultural capability and supporting an inclusive mindset, we held a series of 'Embedding Inclusion' training programs for our people globally. The training aimed to raise awareness of unconscious bias and identify ways to thoughtfully mitigate bias to help support a diverse, inclusive and equitable workplace for our people.
- We continued to welcome interns from the Australian Career Trackers program and US-based Prep-for-Prep to support employment pathways for Indigenous students and students of colour, respectively.
- Our UK office welcomed a group of high school students who were exploring careers in business. The day-long session was organised with the Social Mobility Business Partnership Program, a volunteer-led charity that pairs various kinds of organisations with students from low-income backgrounds.
- We awarded our inaugural IFM Investors Pinnacle Foundation Scholarship. The scholarship is a three-year partnership with The Pinnacle Foundation to support young LGBTIQ+ Australians to undertake fulltime tertiary studies. The scholarship recipient spoke at our inaugural 'Picnic 4 Pinnacle' fundraising event in support of The Pinnacle Foundation.
- Our Mental Health First Aid Officer training continued and at the end of FY23 we had 28 Mental Health First Aid Officers trained across our Melbourne, Sydney, London and New York offices.
- We submitted our report to the Workplace Gender Equality Agency (WGEA) in Australia for the 2022-23 reporting year.<sup>62</sup> Reporting covers our organisation's policies, strategies, and actions on gender equality, with the aim to improve gender equity and close the gender pay gap. The report can be accessed [here](#).
- Our three regional employee-led Inclusion and Diversity Forums continue to reflect voices across the business and sponsor key 'days of significance' observed globally and region by region. In FY23 we marked several days of significance through internal speaker events and campaigns, including, International Day of Persons with Disabilities, 16 Days of Activism against Gender-Based Violence, International Women's Day, International Day for the Elimination of Racial Discrimination, Mental Health Awareness Month and Pride Month.
- In early 2023 we were awarded Family Inclusive Workplace certification for our Australian operations by Parents at Work and UNICEF Australia.

<sup>62</sup> The WGEA reporting year is from 1 April to 31 March.



FIGURE 4

**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 Inclusion and Diversity Strategy.
- Ability**  
IFM is committed to creating equal opportunity and workforce diversity so people of all ages and abilities can be productive and active participants in our workplace and society.
- LGBTQI+**  
We will celebrate our LGBTQI+ community members and provide for a workplace free of discrimination, harassment and stigma based on sexual orientation or gender identity.
- Gender**  
Building on the success of the ‘attract, develop, retain’ actions of our previous I&D strategy, this pillar will extend building our pipeline of female talent and future women leaders.

**Gender diversity**

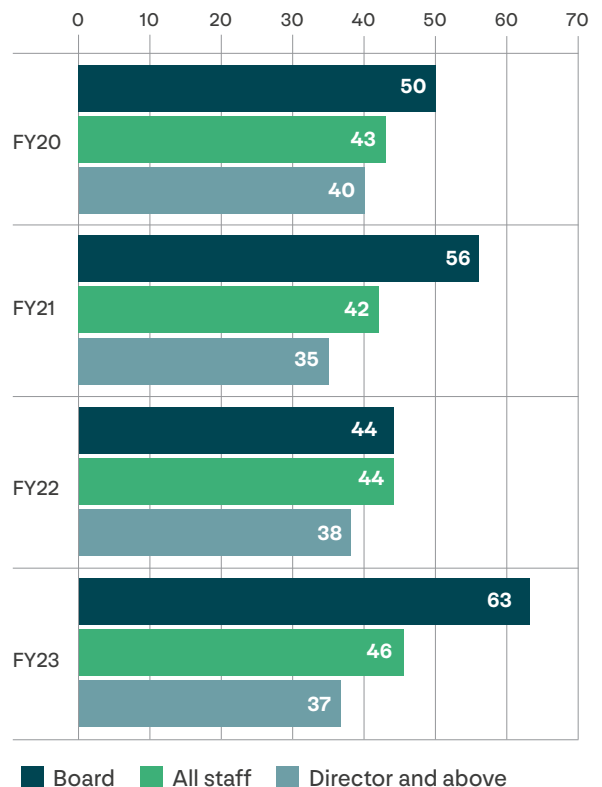
In FY23 we continued seeking to progress towards our IFM organisational goal of no more than 55% of any one gender at both the all-employee level and at the director and above level by 2026.

This was supported by the continued pursuit of individual business unit-level gender diversity goals across the organisation. Business unit-level goals recognise that each business unit has a different starting point, in terms of gender diversity, as well as different commercial challenges. Business units have tailored strategies that incorporate enabling drivers to support the pursuit of their individual gender diversity goals, which relate to the attraction, retention and development of diverse talent. Business units are required to provide periodic progress updates to the IFM Board.

An example of an action that aims to support a more gender balanced talent pipeline is the IFM Investors Infrastructure Scholarship Program. The program, in partnership with Australian Universities, RMIT and Monash, offers two female finance and or engineering students access to an AU\$20,000 scholarship and the opportunity for a paid internship in the IFM infrastructure equity team in Melbourne.

FIGURE 5

**Female representation (%) at IFM**



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

## SUSTAINABILITY IN ACTION

## Corporate First Nations Strategy

In FY22 we partnered with 15 Times Better – a First Nations-owned and led business specialising in identifying, evaluating and improving First Nations impact – to start developing a Corporate First Nations Strategy. This work continued into FY23.

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

Data has shown that First Nations people retire with about half the savings of non-First Nations Australians and have shorter life expectancies that restrict access to retirement savings.<sup>63</sup> We plan to work with stakeholders to identify how IFM can contribute to closing this gap.

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

- Establishing an internal governance structure to support strategy execution, including the engagement of external First Nations specialists, 15 Times Better.
- Building our internal understanding of the alignment between our industry ecosystem and First Nations peoples through cultural learning and industry-specific education, including the engagement of leading cultural capability educator John Briggs Consultancy and other providers to deliver tailored cultural learning sessions we've made available to all Australian employees in FY24.

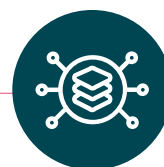
- Establishing a partnership with a First Nations financial wellbeing organisation to help facilitate a collective response to addressing the retirement savings gap.

We believe our Corporate First Nations Strategy is the beginning of a longer journey towards IFM making a contribution to addressing the inequality experienced by Indigenous Peoples. This inaugural strategy focuses on Australia and we are looking to extend and tailor it to our global operations over the longer term.



Picture: Darwin Airport: The water tower at the entrance to Airport Hotel has been painted to honour the local Indigenous people. Prominent indigenous artist, Tony Lee has painted the tower with Larrakia dreamtime stories. The 'Darwin Digeridoo' was Silver Winner in the 2022 Australian Street Art Awards.

<sup>63</sup> <https://www.bloomberg.com/news/articles/2022-06-09/australia-s-indigenous-people-fall-behind-on-retirement-funds>



## Operational programs, practices and systems

Through our operational programs, practices and systems, we aim to operate in a way that is compliant and transparent as we seek to manage risk and earn and maintain the trust of our people, owners, clients and other stakeholders.

### Managing our global corporate operational emissions<sup>64</sup>

In FY23 we applied for and obtained certification for our FY22 emissions generated by our global operational activities under the Australian Government's Climate Active carbon neutral certification scheme.<sup>65</sup> Our FY22 emissions totalled 11,272 tCO<sub>2</sub>e, 10,974 tCO<sub>2</sub>e or 97% of which were scope 3, with the balance of 298 tCO<sub>2</sub>e or 3% being scope 2. IFM does not generate scope 1 emissions.<sup>66</sup>


Climate Active is a partnership between the Australian Government and Australian businesses that aims to encourage voluntary climate action, including measuring, reducing and offsetting carbon emissions.

As part of the Climate Active certification process, we purchased carbon offsets<sup>67</sup> from projects located in Australia, Cambodia, Brazil and Mexico. Selection of projects was informed by various considerations including project co-benefits that extend beyond greenhouse gas emissions mitigation, for example, projects that support local job creation and biodiversity protection.<sup>69</sup>

As part of the Climate Active certification process, we developed ten operational emission targets, which we aim to achieve by 30 June 2024. We have categorised these ten targets into three groups: scope 2 and 3 emission reduction actions (some of which are listed below), actions to improve data collection and actions relating to engaging with suppliers to encourage and assess their net zero targets.

### Actions that aim to reduce our global operational scope 2 and 3 emissions:

- Transition all IFM Australian offices to purchasing 100% renewable energy by mid-2023 – we achieved this goal ahead of schedule in January 2023.
- Include base building energy efficiency ratings (such as Green Star) and procurement of renewables in the selection criteria for future IFM office tenancies.
- Revise IFM's procurement approach to request supplier emissions reporting and require consideration of emissions reduction targets (including science-based aligned<sup>69</sup> or validated) as part of the supplier selection criteria.
- Set near-term, science-based aligned scope 3 emissions reduction targets in 2024.<sup>70</sup>
- Encourage IFM employees to undertake alternative modes of transport by aiming to ensure IFM offices with more than 50 full-time employees have access to end-of-trip facilities, such as bike and scooter storage and showering and changing facilities. When evaluating new IFM office leases, we will incorporate end-of-trip facilities as a selection criterion.

 **We're proud to be Climate Active-certified and part of a growing network of businesses and not-for-profit organisations who are taking practical steps to reduce emissions.**

**Rena Pulido**

Head of Sustainable Investment, Australia

<sup>64</sup> This Report contains climate-related and other forward-looking statements and metrics which are not, and should not be considered to be guarantees, predictions or forecasts of future climate-related outcomes, financial performance or share prices. The statements are subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of IFM. Readers are cautioned not to place undue reliance on such statements in light of the significant uncertainty in climate and sustainability-related metrics and modelling that limit the extent to which they are useful for decision-making, and the many underlying risks and assumptions may cause actual outcomes to differ materially. While IFM has prepared the information in this Report based on its current knowledge, understanding and in good faith, it reserves the right to change its views in the future.

<sup>65</sup> Certification was obtained pursuant to the *Climate Active Carbon Neutral Standard for Organisations*, under which IFM's operational emissions (scope 1, 2 and 3 emissions) were reported.

<sup>66</sup> See details in IFM's Climate Active Public Disclosure Statement: Guidance - Organisations - Public Disclosure Statement ([climateactive.org.au](https://climateactive.org.au)).

<sup>67</sup> Offset unit types included Australian Carbon Credit Units (ACCUs), Gold Standard (GS)/Certified Emissions Reductions (CERs), Verified Carbon Standard (VCS)/Social Carbon (SC), and Verified Carbon Standard (VCS). Further details about type and number of units purchased are available in our Climate Active Public Disclosure Statement <https://www.ifminvestors.com/siteassets/shared-media/pdfs/esg-governance/climate-active-pds/ifm-climate-active-pds.pdf>

<sup>68</sup> Details about co-benefits relating to projects from which IFM purchased credits can be found in our Climate Active Public Disclosure Statement <https://www.ifminvestors.com/siteassets/shared-media/pdfs/esg-governance/climate-active-pds/ifm-climate-active-pds.pdf>

<sup>69</sup> The Science Based Targets initiative (SBTi) considers GHG emissions reduction targets 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement, limiting global warming to 1.5°C above pre-industrial levels. Targets can either voluntarily align with the SBTi guidance or be formally validated by the SBTi.

<sup>70</sup> See previous footnote for definition of 'science-based'.

### Governance in procurement and operations

During FY23 we worked on evolving our procurement approach including drafting of a new methodology, tools and templates. In FY24 we are continuing the implementation of this approach across the organisation globally.

Our updated approach aims to centralise governance in procurement and operations to help establish global consistency in our practices. It also aims to encompass the standards we expect of our suppliers, as well as guidance for our people on supplier management.

Our updated approach also aims to establish the principles and procedures that underpin procurement activities at IFM. The principles reflect the standards IFM expects of its suppliers in relation to sustainability factors, for example in relation to labour standards and worker safety, and the procedures provide the methodology for applying the principles.

We also commenced preparation of a Supplier Code of Conduct that aims to support an understanding of IFM's expectations among existing and prospective suppliers and our people. Modern slavery is referenced in the code as it supports a guiding principle around IFM's commitment to human rights.

To date, our work to update our procurement approach has also involved analysing our spend categories and associated suppliers. We believe this analysis will support us to target areas where people are vulnerable to modern slavery and human trafficking. For example, we have undertaken deep dive due diligence targeting our supplier partners in corporate travel, encompassing:

- supplier interviews and requests to complete questionnaires;
- reviews of supplier policies and training programs;
- discussions to ascertain supplier effectiveness in identifying and addressing issues; and
- discussion about what appropriate actions look like.

These have been two-way conversations, with IFM highlighting gaps in suppliers' approaches, and suppliers offering insights about where we could improve our risk identification and governance approach.

### A culture of strong governance and legal oversight

Our experienced legal team works alongside our board, trustees, investment professionals and the wider organisation with the aim of meeting IFM's legal obligations while ensuring the interests of our clients remain central.

The IFM legal team works across the organisation and throughout the investment lifecycle, from product design and fund establishment, through to investment, asset management and divestment. The team provides detailed advice to decision makers in relation to governance, our fiduciary and contractual obligations to clients and the operation and management of IFM's funds, investment products and assets.

In FY23 the team provided a program of training to stakeholders across the organisation, including in relation to IFM's duties and obligations, developments in cyber risk, anti-bribery and corruption, ESG and greenwashing enforcement risk.

The calibre of our legal team in Australia has been recognised with Australian national awards, including In-House Legal Team of the Year 2023 (Australian Law Awards), Banking and Financial Services Team of the Year 2023 (Australasian Law Awards), Infrastructure Team of the Year 2022 (Australian Law Awards) and Banking and Finance Team of the Year 2022 (Australian Law Awards).



Pictured: Aleatica



### **A solid operational foundation to support future growth**

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

We have also developed a data warehouse platform with enhanced data models and data integrity processes. Our ongoing focus is to maintain an effective investment data management framework and processes, drive increased automation, and enhance our data insights and analytics capabilities.

With this foundation in place, we can shift our focus to further enhancing our operating model with the aim of ensuring it remains an optimal, scalable and efficient multi asset class model.

### **Risk and compliance update**

To support our global growth ambitions, we continued to invest in our enterprise risk management (ERM) framework during FY23. Our ERM framework refers to the various practices, policies and processes that comprise the collective risk management efforts of the organisation.

We have focused on continued enhancements to our ERM risk management practices and systems, with the aim of ensuring they remain flexible, scalable, data enabled and fit for purpose over the long term.

Key successes achieved in FY23 included the implementation of a new risk management system; the addition of specialist capability people to the global IFM Risk and Compliance team; further strengthening our policy governance framework; the operationalising of our regulatory change management process; and the rollout of a consolidated global compliance monitoring program.

Tools, methodologies and approaches have been developed within IFM, focusing on operational risks, while also accommodating for sustainability-related risk and compliance dimensions, which continue to evolve.

### **Managing and monitoring cyber resilience**

Our cybersecurity management approach focuses on protecting our people, business, identity, and informational assets from cyber threats. We aim to cultivate a cybersecurity-conscious culture to equip our personnel with the necessary skills to defend themselves and our organisation. We proactively monitor our operating environment, regularly assess vulnerabilities and strengthen our defence mechanisms.

Our people are essential in maintaining our cybersecurity defences and we prioritise their awareness through training programs and regular cyber updates.

### **Remuneration and reward structures**

IFM has a remuneration framework in place with remuneration and reward structures that are designed to attract, retain, and motivate the best people in a competitive global marketplace.

Our remuneration outcomes are aligned to our results for clients. Our performance-based remuneration is based primarily on whether our products exceed investor return benchmarks, net of all fees. Our reward approach is designed to incorporate and uphold IFM's Risk Management frameworks, including the consideration of sustainability-related risks.

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

Parts of IFM's remuneration structures are also tied to our aspiration to build an inclusive culture. We include gender diversity targets for senior management as part of their goals. In recent years, we have increased our focus on the demonstration of our cultural foundations for all employees when assessing overall performance.<sup>71</sup>

From FY24 onwards, an updated performance framework aims to better balance the "what" has been delivered with the "how" it has been delivered through an assessment of individuals' demonstration of these cultural foundations. The updated framework also includes a greater alignment of individual and company goals when determining overall performance and remuneration outcomes. This includes company-wide sustainability goals that apply to all IFM employees<sup>72</sup> remuneration outcomes in FY24, as outlined in the Chief Strategy Officer's note on page 11.

<sup>71</sup> As at FY23, IFM defined our cultural foundations as "Prioritise Investors", "Achieve Excellence", "Inspire Innovation", "Respect Each Other" and "Lead by Example".

<sup>72</sup> Excluding some IFM risk and financial control employees.



### Sustainability-related incentives in FY23

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

Illustrative examples of sustainability-related goals include:

- integrating sustainability factor process improvements;
- goals relating to company engagement;
- a measured improvement in sustainability-related disclosure and client communication;
- completion of annual responsible investment training;
- external investor annual survey ESG scores and feedback; and
- maintaining or improving relevant asset class scores in the annual UN-supported PRI assessment process, as outlined on page 54.

### Fair taxation

We recognise the importance of fair tax policies in economies and a just society. In this context, we seek to adopt effective governance over tax matters aimed at ensuring our tax processes, systems and controls are robust.

IFM's general approach to tax is governed by our Tax Principles statement, Tax Policy and Tax Risk Appetite statement, which states, "IFM has no appetite for deliberate or repeated failures to comply with the law". If differences of opinion arise in relation to the application of tax laws, IFM will seek to resolve these constructively and pro-actively.

For IFM, compliance includes seeking to apply appropriate foresight having regard to international tax developments and tax revenue authority practices when considering laws and regulations. We seek to establish and maintain open and constructive relationships with tax authorities. We also support global initiatives to improve corporate tax law and reduce tax avoidance and evasion.<sup>73</sup>



<sup>73</sup> Including the Organisation for Economic Co-operation and Development ("OECD") Base Erosion and Profit shifting ("BEPS") framework which 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.)



## Positively contributing to communities

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

### Community grants

Since its inception in 2019, the IFM Investors Infrastructure Community Grants Program has delivered just under AU\$1 million in funding to local communities in which some of IFM's infrastructure equity portfolio companies operate. The program aims to support positive social and or environmental outcomes by funding collaborative projects between assets in IFM's infrastructure equity portfolio and local community organisations.

In 2023, seven community partnerships in Australia, the United Kingdom, Spain, Mexico and Columbia will share in the latest round of grant funding from the program. Projects range from installing pollinator gardens in public schools in Mexico to regenerating local wetlands and creating employment pathways for Aboriginal Australians at Sydney Airport.



**As long-term investors in critical infrastructure assets across the world, we believe it's important we seek to support our portfolio companies where possible to build strong partnerships with the communities they operate in.**

**Kyle Mangini**

Global Head of Infrastructure

### Community grant funding helping at-risk women in Ecatepec, Mexico.

One of eight grant recipients from last year's program was from IFM's infrastructure equity portfolio asset and global transportation infrastructure operator Aleatica. The project was delivered in collaboration with community organisation Instituto para la Investigación de los Derechos Humanos y los Estudios de Género A.C (IIDHEG).<sup>74</sup> The project, carried out in 2022, was called 'Network of Women for the Prevention and Attention of Gender-Based Violence against Women in Ecatepec Municipality.'<sup>75</sup>

Through the project, Aleatica and IIDHEG identified and trained 27 "at-risk" women, including raising awareness of different human rights issues and training in basic and intermediate plumbing and accounting skills. Nearly 7,400 training hours were provided to the women and seven women decided to move forward with an additional 5,000+ hours of training in 2023, to learn advanced plumbing techniques and complete their advanced certification (having already been certified in intermediate plumbing).

As a result of the project, a cooperative was formed in October 2022 to raise awareness of violence against women and to increase women's economic empowerment.<sup>76</sup> A continuous communication mechanism was also established to inform, identify and refer women in situations of violence to the institutions responsible for care.

Aleatica has continued to work with the Network in 2023 to develop a business model that will generate economic income for the women members of the Network. We are proud of the Aleatica team and the leadership and vision it has shown in defining this important project.

<sup>74</sup> IIDHEG English translation: Institute for Human Rights Research and Gender Studies A.C.

<sup>75</sup> Ecatepec is a densely populated municipality in Mexico with a high rate of gender-based violence

<sup>76</sup> Called Red de mujeres en crecimiento (Network of Women in Growth).

### Disaster Relief

We recognise the opportunity to support communities impacted by disasters. Where a disaster has a profound impact on our business or operations, the communities in which IFM's infrastructure equity portfolio assets operate, or our people, our SI team will work with our internal IFM teams and portfolio assets to determine how best to respond.

In FY23 we established a global partnership with the Australian Red Cross, which incorporates a donation from IFM of AU\$300,000 per annum. Funds provided in FY23 assisted disaster relief efforts in New Zealand, Western Mongolia and Myanmar. An additional USD\$250,000 was donated to the Australian Red Cross to support the Türkiye-Syria Appeal.

We also supported our people to get behind fundraising during times of disaster. Over FY23, employee donations were made to support the communities impacted by the Türkiye-Syria earthquakes and the New Zealand cyclone, which was provided to the Australian and British Red Cross to support their relief efforts. In total, more than AU\$21,000 was provided to the Red Cross network, a combination of employee donations and IFM-matched giving.

### Supporting employment mobility for domestic violence victims

The Raven Collective in Australia provides a paid 10-week work program to women who have experienced domestic or family violence. The program supports women to engage in a practical working environment within a distribution setting, while also participating in training aimed at developing readiness to work skills.

In FY23 we provided funding to the Raven Collective to sponsor two women to find new employment and economic independence after leaving domestic violence situations.

### Matched fundraising and donations

At IFM we support community organisations through our matched fundraising and donation programs. This year we provided more than AU\$120,000 to community organisations such as Prep for Prep, Movember, Hope in a Suitcase, the Pinnacle Foundation and the Raven Collective.

### Volunteering

Each year IFM offers employees two days of paid community leave. Over FY23, more than 60 employees contributed 381 hours (or 50 days) to local communities, which is double the participation rate from the previous financial year. From planting trees at Melbourne airport, rescuing surplus food by cooking nutritious meals for people in need in Melbourne, and teaching third-grade school children in Brooklyn, NY, about money, business and entrepreneurship, to building a house in rural Cambodia, our people gave their time and skills to help make a positive difference in local communities.



### Workplace giving

In FY23 100 employees globally participated in our Workplace Giving program. This is an increase on the 85 employees who participated in the previous financial year. In total, employees contributed more than AU\$77,000 to community organisations – which was matched by IFM, in turn doubling the contribution.

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