



One purpose. Shared prosperity.

IFM Investors' Responsible Investment Charter



Opening statement from Brett Himbury and Chris Newton

IFM Investors has a long and proud history of focusing on investors and delivering superior net returns. Thinking, behaving and investing responsibly underpins this approach, but as we continue to grow, it is vital we take stock, assess, evaluate and reaffirm these beliefs and principles.

We are therefore proud to share with you IFM Investors' Responsible Investment Charter, which brings together approaches and beliefs long applied by our investment teams across the globe.

The Charter is designed to allow investors to drill down into how we manage investor capital, highlighting our core investment beliefs and showing how these inform our day-to-day activities.

Having such clearly defined beliefs is not simply important for us when weighing up investment decisions, but also for investors and their beneficiaries around the world. While IFM Investors' purpose has always been shared prosperity, there is now, more than ever, a demand to make sure that capital is used to strengthen our society, not weaken it.

In short, investors expect IFM Investors to deliver great financial returns – but not at the expense of the community, environment or market integrity. This Charter embodies these beliefs.

Looking across the business, these beliefs can already be seen in action: through the backing of renewable projects to supply airports with clean energy; by our overwhelming support for the election of female board members to ensure diverse boards representative of the communities they serve; and by ensuring the companies we own pay a fair wage and respect workers' rights.

The only, and best, way for us to serve the community as a whole, our clients and their beneficiaries, is to be an advocate for responsible capitalism, to champion responsible growth and ensure everyone behaves honestly and ethically.

At IFM Investors we have one purpose.
Shared prosperity.



Brett Himbury
Chief Executive
IFM Investors



Chris Newton
Executive Director, Responsible Investment
IFM Investors

IFM Investors' Responsible Investment Charter

IFM Investors has an important responsibility when it comes to the way we invest on behalf of our clients, and millions of working people around the world.

We understand the role we play to help provide safe, secure and sustainable retirement incomes for working people around the globe.

We are focused on providing great financial returns over the long term, and making sure that we do this in a way that is responsible, respectful and ethical.

We understand that all our investments across asset classes and geographies have unique attributes, so we assess and manage each with a flexible approach – whilst always keeping these principles central to our notion of risk and return.

Our shareholders, like us, are focused on managing the retirement funds of many millions of working people. We share a common set of values with our investors, who equally expect us to uphold these in our investment decisions.

Responsible investment

Responsible investment considerations are embedded in our decision-making processes and benchmarked against global best practice, as our research and experience tells us that well-governed companies make for better long-term investments.

Our approach to responsible investment is closely aligned to the United Nations Global Compact, which enjoys global consensus and supports a set of core principles in human rights, labour standards, environment and governance.

We have been a signatory to the United Nations supported Principles for Responsible Investment since 2008 and adhere to our own Environmental, Social and Governance (ESG) Policy. We are also a member of the Carbon Disclosure Project and the Investor Group on Climate Change.

What we value

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



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



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



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



The behaviours that underpin our performance

To convert our beliefs into tangible actions and outcomes, our investment philosophy is underpinned by six pillars which guide our investment activities and corporate behaviour.



Pillar 1:

We take a long term view



Pillar 2:

We take an agile approach



Pillar 3:

We align our goals



Pillar 4:

We are an informed investor



Pillar 5:

We act as a steward



Pillar 6:

We act transparently



Pillar 1:

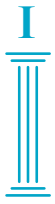
We take a long term view

We review opportunities in decades, not quarters. We act in the best long-term interests of our clients and their beneficiaries.

Our performance goals

Our investment decisions are based on maximising the mid to long-term return on our investments across all asset classes.

Regardless of the asset class, we do not invest in high risk, and highly speculative investments chasing windfall returns. Our decisions are about outperforming the market over the longer term.



Pillar 2:

We take an agile approach

We take a leadership role, and don't just follow the market. We observe trends on the horizon in science and technology and adapt our approach to emergent risks and opportunities.

Our performance goals

We actively research future trends in science and technology that could impact the market and returns on investment.

We continually look to leading individuals and organisations who work with emergent technologies and ideas that can shape the way our assets operate over the long term.

We use this insight to inform our investment decisions across all asset classes, looking for emerging opportunities or potential market disruptions.



Pillar 3:

We align our goals

We seek to understand our clients' goals and objectives and make sure our financial, and environmental, social and governance (ESG) benchmarks are fully aligned to (or with) their needs.

Our performance goals

We work closely with clients to agree on the mandate for their investments, ensuring we understand their requirements and that they, in turn, are aware of the principles and values that drive IFM Investors' investment decisions.

We actively educate our clients on the ESG implications of their investments which helps to facilitate better investment decisions.

Where our core values and ESG principles cannot be aligned with a potential client's requirements, we will not do business with them.



Pillar 4:

We are an informed investor

We get to know an asset well before we invest, thoroughly understanding the potential financial returns and, where material, ESG risks and opportunities.

Our performance goals

Our decision-making process for investing is based on a thorough due diligence process which includes clear ESG guidelines and requirements.

These ESG guidelines allow us to form a view on how these factors impact long-term performance and value.

We access global experts where needed, actively collaborate with global organisations and within global frameworks, such as the United Nations Sustainable Development Goals.

All investment analysts are required to undertake learning and development programs to build their ESG awareness and technical analysis skills.



Pillar 5:

We act as a steward

We own assets on behalf of our clients, embedding ESG principles without compromising long-term returns.

Our performance goals

We embed ESG principles into the investments we make on behalf of our clients and their members.

We actively monitor emerging ESG themes that will enhance value and mitigate risks.

We regularly engage with a company's management and board of directors to create a dialogue about achieving specific ESG outcomes.

We use our vote as a shareholder to push for great ESG outcomes. Where a company fails to comply with IFM Investors' ESG policy over time, we oppose the re-election of certain directors or vote for alternative director with whom we share a common view.

We collaborate with like-minded investors, governments and third-party organisations.



Pillar 6:

We act transparently

We are open and transparent with our investors, community and staff, not just when things go right but also when problems occur.

Our performance goals

We disclose information beyond our regulatory requirements through annual reports to our shareholders, market updates and sustainability briefings on ESG issues.

We actively inform our investors, stakeholders and staff of any information or circumstances which affect the investment portfolios we manage.

We report openly to our shareholders and staff on our performance metrics – both relating to financial and ESG performance.





Defining our responsibilities and delivering business success

IFM Investors has one overarching purpose. That is to enhance the prosperity of our investors, ensuring their money works in their best interest, no one else's. However, this purpose is defined by eight core principles the organisation believes are fundamental to achieving long term, sustainable returns.



Principle 1:

Good ESG management is a sign of a disciplined organisation



Principle 2:

Confidence in the financial system is paramount



Principle 3:

Diversity drives better performance



Principle 4:

Climate change is real, and we all have a shared responsibility



Principle 5:

The best results come from aligned incentives



Principle 6:

It is possible to profit without exploiting others



Principle 7:

Value is derived from assessing all elements of an investment



Principle 8:

Measuring outcomes will drive value



Principle 1:

Good ESG management is a sign of a disciplined organisation

We believe organisations that embrace environmental, social and governance (ESG) principles are taking a more comprehensive view of their responsibilities, and so we use these to assess the full range of risks and opportunities across the life of our investments.

Our performance goals

With significant, long term investments, we develop a clear understanding of the approach the company or project takes to material ESG factors such as safety, pollution, labour rights and governance issues.

We actively engage and advocate around ESG factors on our exchange-listed investments.

For our unlisted assets we identify material ESG factors and have appropriate benchmark measures, and set performance targets based on comparable peers, in an effort to outperform the market in relation to ESG.

We take a long-term view of the potential ESG impact of any asset we invest in, and where there are substantial ESG risks, we set up clear plans with management to improve ESG performance and reporting. Where ESG risks are judged to be too great, we do not invest, and subject to confidentiality, we inform our investors and stakeholders of the reasons why we have made this decision.

The level of influence often is a direct correlation to the size of the shareholding – so we proactively work with other shareholders and proxy advisers to exert pressure on companies to respond to certain ESG issues.

In our own right, as a large shareholder, we meet with company management on a one-on-one basis to raise specific ESG concerns and work with them to find solutions.

We are entitled to one vote for every share with regards to the election and re-election of the board of directors and we exercise this to effect better ESG outcomes.



Principle 2:

Confidence in the financial system is paramount

We believe in the importance of protecting and enhancing the integrity of the financial system. So not only will we always act with absolute integrity, we will call out bad behaviour where it occurs to deliver greater transparency and accountability.

Our performance goals

We operate to the highest possible legal and ethical standards. We use our thorough due diligence process to ensure that we only partner with, and invest in companies / assets, that share our commitment to the highest possible legal and ethical standards.

If we identify bad behaviour, either within our company, or at the companies we work with, we do not hesitate in calling out this behaviour and reporting it to the appropriate regulator.

We maintain and actively promote internally an IFM Group Whistleblower policy which gives our people the confidence to voice concerns or escalate serious matters on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment.

Protecting investors' interests

IFM Investors opposes the re-election of Board members where a company has not acted in the interest of its ultimate owners.

In 2015, a listed company's decision to raise significant capital from a single shareholder diluted the size of the stake held by other investors. In an effort to hold the firm's board to account, IFM Investors opposed the re-election of several board members and declined to back its remuneration report.



Principle 3:

Diversity drives better performance

We recognise the value of ensuring a diversity of views, cultures and opinions in the way we assess investments and make decisions.

Our performance goals

Where we invest in a company, we actively encourage better diversity policies.

We monitor the quality of investments against clearly defined diversity beliefs and goals.

We have a clearly articulated diversity strategy which outlines our commitment to increasing diversity within the company and sets clear, ambitious targets for us to work towards.

The value of culture and attitude

When we invest in companies we examine their employment policies to ensure they adhere to fair work regulations and do not discriminate.

In businesses heavily reliant on people – such as in service companies – a focus of our due diligence is the staff culture, attitude and values.

In this light we have examined workforce (both employees and subcontractors) engagement surveys, to better understand key elements of the culture, along with other relevant workforce data such as recruitment, retention and renewal with a view to look at opportunities for improvement and deliver long term value.

We are active participants in the Australian Council of Superannuation Investors' long term engagement program on increasing the representation of women on ASX200 Boards to at least 30% by 2017. Further we are signatories to the 30% Club, a global movement to improve the balance of company boards to have greater female representation.



Principle 4:

Climate change is real, and we all have a shared responsibility

We believe that for markets to grow and prosper over the long term, we must properly take into consideration the impact our investments have upon climate change.

Our performance goals

Our due diligence processes include clear carbon benchmarking components and we manage our unlisted investments to reduce carbon footprints.

We do not avoid assets with ESG exposures, but rather actively integrate ESG into our ownership approach. We seek to understand the percentage reduction opportunity in carbon emissions for our given assets, not simply the total carbon exposure of our portfolio.

In 2017, we will produce, and publish, a carbon footprint of all investments in which we have a significant exposure, or over which we yield significant influence.

We have measurement and reporting platforms internally so we can better monitor, manage, measure and report on emergent ESG themes.

We avoid investments that have no clear path to sustainability in the future, or where we cannot engage with the major producers of carbon. Unsustainable investments are unlikely to deliver stable long-term returns. And we exit investments where there are material ESG risks that cannot be addressed through active management.

Better carbon outputs, better financial performance

Veolia Energia Polska, in which IFM Investors has owned a stake since 2006, converted two coal-fired cogeneration boilers in Łódź and Poznań into bubbling fluidised bed ('BFB') biomass boilers between 2010 and 2011.

Biomass was selected as it significantly reduces carbon emissions, and because the technology is cost effective enough to compete with traditional fossil fuels. Additionally, biomass is supported by the Polish energy policy via a support scheme. The conversion was completed ahead of time, with both boilers operational since 2012. This resulted in:

- An annual 10% carbon reduction for the company
- Fifteen per cent of the fuel mix coming from clean sources following the conversion
- The prevention of 260,000 (metric) tons of carbon emissions a year
- Benefits for the regional economy, as boiler biomass is sourced from within 200km of the site

We monitor opportunities to replace coal-fired boilers with greener technologies on a continuous basis.

This transition will happen progressively, mirroring regulatory incentives set by the Polish energy policy.

Our approach to addressing climate change

For all of our infrastructure investments around the world, we take a proactive approach to identifying our carbon-related risks and opportunities. At present, there are three phases to our climate change response for infrastructure.

1. **Short-term:** Transparency and benchmarking of the carbon emission intensity of our infrastructure investments. This is an ongoing program of measurement, and engaging management to define reduction strategies and annually monitor progress
2. **Medium-term:** Technical review of operational processes for all assets, in order to improve efficiency of existing technologies
3. **Long-term:** Consideration of research & development opportunities to explore innovative low-carbon technologies for IFM Investors' assets



Principle 5:

The best results come from aligned incentives

The best long-term financial results come when stakeholders have shared interest and value in the outcome. We work hard to achieve this by ensuring alignment between investors, and the incentives for our employees and asset management activities.

Our performance goals

We have a track record of shareholders co-investing in our assets.

We will not accept structures in which a distortion of incentives occurs – for example we will not work inside structures that reward IFM Investors before it rewards our investors.

Our own employee incentive arrangements are deliberately structured to encourage positive behavioural change to support the key ESG objectives of the business.

A key element of all employees' performance assessments is a cultural component which integrates ESG factors into their incentive arrangement. This includes adherence to IFM Investors Codes of Conduct, values as well as generally displaying ethical behaviour in everything they do.

Shared incentives deliver shared value

At IFM Investors, we know how we go about our business is as important as the result. Therefore, IFM Investors takes the time to understand the values and objectives of our clients, a process that often results in co-investments and collaborations which can produce positive financial returns and enhance ESG outcomes.

Working with one of our Australian-based clients – VisionSuper – IFM Investors developed a Low Carbon Index approach that allows the client to marry financial returns and reduce its exposure to climate change risks.



Principle 6:

It is possible to profit without exploiting others

We believe in the concept of a fair return. That is why we work hard to respect the principles of collective bargaining, the role of union representation, workplace safety, fair remuneration and equal opportunity in our investment and management decisions.

Our performance goals

We believe that each workplace and each worker deserves the right to be heard either as an individual, or as part of a group.

We focus on what upholds human rights and gives workers a safe place to work.

We conduct our business in accordance with the OECD Guidelines for Multinational Enterprises as it relates to human rights, and run periodic reviews against these guidelines.

When we invest in an asset, or make a significant investment in a company, our due diligence process specifically includes an assessment against the GRI G3 Human Rights Performance Indicators.

Through this process we examine what is best practice and identify areas in which we can improve and add value to the business and ultimately create long term economic value for our investors.

Where we hold a significant stake in an asset, we engage directly with company management on ESG issues. As a large shareholder, we meet with company management on a one-on-one basis to raise specific ESG concerns and work with them to find solutions.

As a smaller shareholder, we are entitled to one vote for every share with regards to the election and re-election of the board of directors and we exercise this to effect better ESG outcomes.

Working collectively for the greater good

IFM Investors always looks for opportunities to work alongside likeminded organisations. In 2017 we led an engagement program alongside the Carbon Disclosure Project (CDP) with ASX-listed companies.

The program was focused on achieving a greater level of transparency around carbon emissions from each company. By leveraging the collective shareholding of CDP members, IFM Investors is able to have a greater influence on the Boards and management of these listed companies.



Principle 7:

Value is derived from assessing all elements of an investment

We know that sustained value comes when we continuously look for ways to improve the operation of an investment. However, we also understand these decisions can have wide-ranging implications, so we only make them when all impacts on investors and stakeholders are fully understood and addressed.

Our performance goals

We take a long term view of our investments, and our decision-making process.

IFM Investors will exit investments when an appropriate commercial outcome is achieved or there are material ESG risks that cannot be addressed through active management.

When we analyse whether to invest in unlisted assets, we consider whether the ESG consideration has a material financial impact.

And if it does, we investigate whether we should adjust the discount rate, adjust the forecast, and/or develop a mitigation plan. In many cases, we seek independent advice to gauge the financial impact of a significant ESG risk.

We take time to understand the variety of stakeholders attached to each investment, and when working at the Board level, we understand the implications of our decisions on a wide variety of stakeholders.



Principle 8:

Measuring outcomes will drive value

We balance great financial returns with ESG objectives for ourselves, and our investments.

Our performance goals

We have clear, measurable ESG targets for our investment due diligence processes, and for our own performance.

Our ESG due diligence criteria clearly documents investment risk and opportunities.

The business reports publicly on the ESG “value” of each investment class.

Quantifying the benefits

IFM Investors believes that the long term value of our assets and investments is inextricably linked to their long term social value.

It is important to us that we make a net positive contribution to society, so therefore we need to take a wider perspective when making investment decisions.

IFM Investors constantly looks at new ways to extract ESG themes to drive higher returns. To this end we are creating a tool to measure active Total Value Creation.

This will allow us to measure, quantify and report on IFM Investors' net contribution to an asset over the life of the investment.



One purpose. Shared prosperity.

IFM Investors is a global fund manager with over A\$80 billion* in assets under management across infrastructure, debt, equities and private equity. Established over twenty years ago and owned by 28 major pension funds, our interests are deeply aligned with those of our investors and our unwavering focus is on maximising investor returns. We take a farsighted view of the future and can invest unencumbered by shareholder conflict of interest because our ownership model is unlike any other financial institution. We have a strong focus on investor returns, with a genuine commitment to enhancing the productive capacity of companies, communities and countries in a sustainable, long-term manner. IFM Investors has offices in seven locations – Melbourne, New York, London, Sydney, Tokyo, Berlin and Hong Kong.

*as at 31 March 2017

www.ifminvestors.com

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