2024 Annual Sustainability Report

Reporting period: 1 July 2023 – 30 June 2024

Contents

Acknowledgement of Country

IFM acknowledges the Traditional Custodians of Country throughout Australia and recognises their continuing connections to lands, waters and communities. We pay our respect to Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today. IFM is committed to reducing the retirement savings wealth gap between First Nations and non-First Nations Australians.

First Nations readers should be aware that this document may contain images or names of people who have since passed away.

Glossary

asset classes	Refers to the sum of our infrastructure equity portfolio, our listed equities portfolio, our debt investments portfolio and our private equity portfolio (see Our capabilities | IFM Investors for further details). References to "products" within an asset class refers to specific types of funds and/or managed accounts IFM manages or advises in such asset class, with a "product" being one such fund and/or managed account. References to "mandates" within an asset class refers to specific agreements with individual clients. References to a "team" in the context of an asset class refers to the IFM team specifically supporting that asset class, with the term "investment teams" referring to the relevant teams across asset classes.
debt investments portfolio	See: Debt Investments | IFM Investors. Our debt investments portfolio includes global infrastructure debt products, diversified credit products and treasury services.
greenhouse gas (GHG)	As defined by the Intergovernmental Panel on Climate Change 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. Carbon dioxide (CO_2), nitrous oxide (N_2O), methane (CH_4) and ozone (O_3) are the primary greenhouse gases in the Earth's atmosphere. Humanmade GHGs include sulphur hexafluoride (SF_6), hydrofluorocarbons (HFCs), chlorofluorocarbons (CFCs) and perfluorocarbons (PFCs); several of these are also O_3-depleting.
IFM	"IFM", "IFM Group", "we" and "our" refer to IFM Investors Pty Ltd (see https://www.ifminvestors.com/en-au/about-us/) and its subsidiary undertakings. IFM Investors Pty Ltd acts in a capacity as a diversified portfolio advisor 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.
infrastructure equity portfolio	See: Infrastructure | IFM Investors
listed equities portfolio	See: Listed Equities | IFM Investors. Our listed equities portfolio undertakes a variety of strategies including both active and passive strategies. Active strategies seek to achieve higher returns than an index by carefully selecting stocks with specific characteristics. This involves monitoring markets and economic trends, as well as research and expertise, in order to identify opportunities to capitalise. Stocks are frequently traded and held on a short-term basis. Passive strategies are designed to replicate market performance by matching the same weights of an index. Typically, through these passive strategies, the listed equities portfolio buys and holds stocks over a long-term horizon resulting in minimal trading, lower risk and fees.
portfolio company / companies	Refers to a public or private company where IFM holds an equity investment. This excludes debt investments.
private equity portfolio	See: Private Equity | IFM Investors.
Purpose	IFM's purpose is to invest, protect and grow the long-term retirement savings of working people.

scope 1, 2 and 3 emissions	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.[1]
stewardship	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.
sustainable business	Refers to IFM's sustainable investing activities combined with IFM's overarching organisational approach to sustainability across key areas of risk management, and value building practices and activities (encompassing the integration of sustainability considerations, stewardship, collaboration and advocacy, transparency and reporting and corporate sustainability).
sustainability considerations	Considerations that relate to society and the environment, such as climate change, worker safety and labour rights. These considerations, 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. Our assessment of relevant sustainability considerations and the approach we take varies across asset classes, tenure of holding and degree of influence we have. References to "sustainability opportunities", "sustainability risks" and "sustainability impacts" shall be construed as opportunities and risks associated with such sustainability considerations (as applicable). Our definition and use of "sustainability considerations" and "sustainability risks" differs from, and is not intended to refer to, the technical definitions of "sustainability factors" and "sustainability risks" in Article 2, points (24) and (22) respectively under the European Union's Sustainable Finance Disclosure Regulation (SFDR) or other applicable regulations.
sustainable investing	Refers to IFM's approach to integrating sustainability considerations 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 investing approach is tailored to asset classes, tenure of holding and degree of influence we have as owners. Our definition of "sustainable investing" 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) or other applicable regulations.
social and environmental boundaries / planetary boundaries	Refers to the frameworks[2] that identify 12 social foundations and 9 environmental critical earth system boundaries within which humanity can continue to develop and thrive. The social foundations are internationally agreed minimum social standards and established through the United Nations Sustainable Development Goals.[3]

[1] Where the actual data on the electricity purchased is unavailable (i.e. market- based scope 2 emissions) we use estimations based on the average consumption in the location where the asset or company is located (i.e.: location-based scope 2 emissions).

[2] See https://www.stockholmresilience.org/research/research-news/2023-09-13-all-planetary-boundaries-mapped-out-for-the-first-time-six-of-nine-crossed.html for further details.

[3] See: Sustainable Development Goals: 17 Goals to Transform our World | United Nations

Important Notes

This report provides activity updates for the 1 July 2023 – 30 June 2024 financial year (FY24) unless otherwise stated.

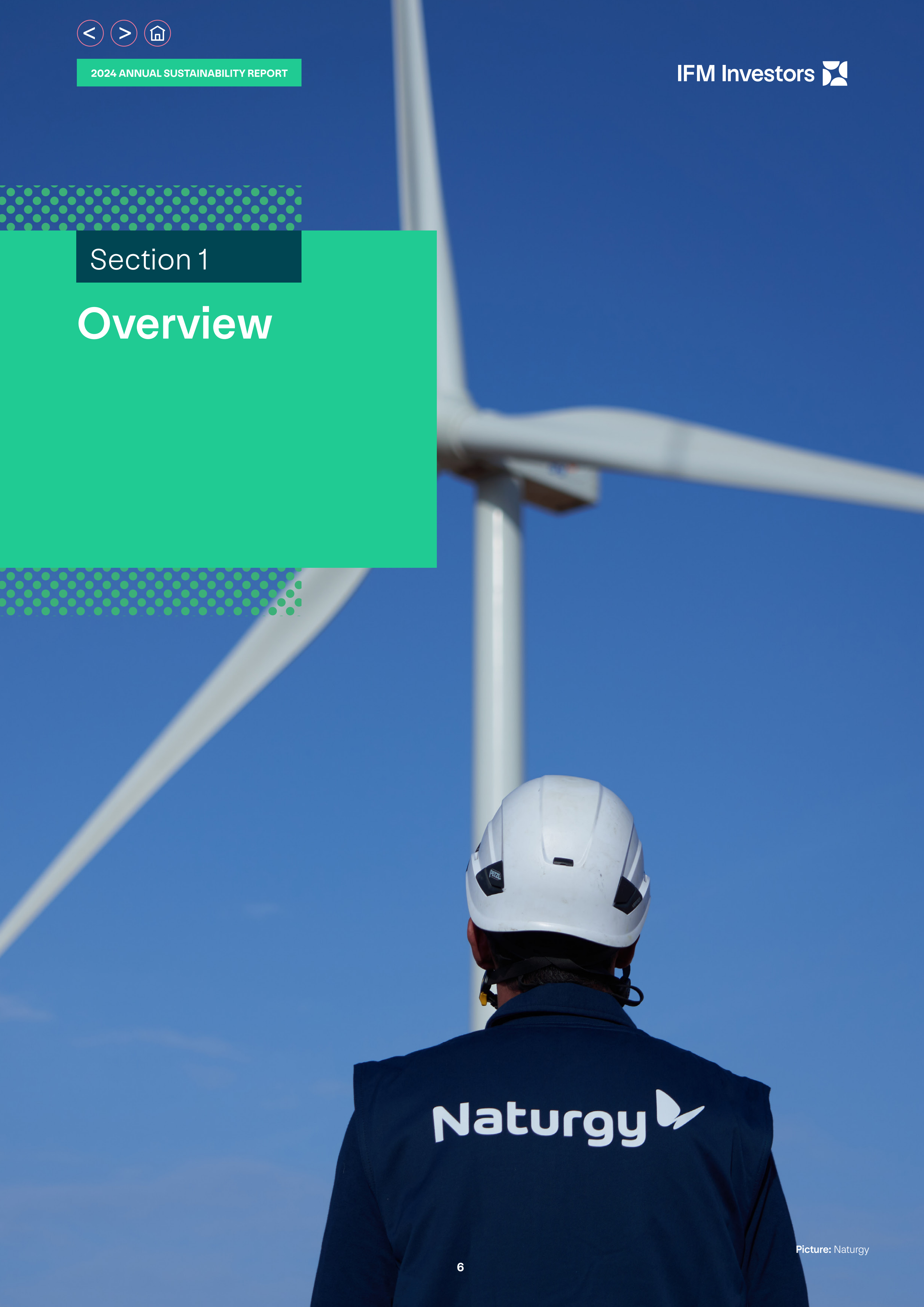
This is the first year IFM is producing a single Annual Sustainability Report. The report combines a number of our existing group level sustainability reporting, which have multiple areas of overlap. These are our UK Stewardship Code Report, Climate Change Report and our Sustainable Business Report. By moving to one combined Annual Sustainability Report, covering our stewardship, sustainable business and group level climate change reporting, we aim to provide an integrated view of IFM's approach, activities and outcomes across sustainability considerations.

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. Such uncertainties and risks include (amongst others), and by way of example only, matters such as (i) evolving sustainability-related metrics and methodologies; (ii) data challenges (e.g. availability, accuracy, verifiability and data gaps); and (iii) new and evolving regulatory requirements imposed by relevant jurisdictions and policy changes. 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 all of the important disclosures and disclaimers in Appendix 3 of this report.

Section 1

Overview



Picture: Naturgy

Cath Bowtell
Chair, IFM Group Board

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

Note from the Board

We are pleased to present IFM's Sustainability Report for FY24. This report provides a detailed update on our sustainability-related actions and their impact for our clients, owners and wider society.

In a year marked by modest economic growth and persistent inflation, we are proud of the performance we have delivered for our clients.

Our organisation continued to grow during FY24. Our funds under management grew 1.8% to USD 145.8 billion, the number of clients we serve grew 7.8% to 717, and the IFM team now comprises 850 staff[4] across 13 offices globally,[5] each of whom contribute to delivering on our Purpose: to invest, protect, and grow the long-term retirement savings of working people.

This report provides an overview of IFM's organisation-wide approach to sustainability, including our approach to sustainable investing which guides our efforts to maximise long-term risk-adjusted returns for our clients and owners. We remain focused on the role we can play in addressing the broader economic and social environments that affect the long-term stability of the systems in which we invest and operate. We see significant opportunity to work collaboratively with investors, governments and civil society to have an impact on policy development and market practices that can support the health of these broader systems and deliver long-term value for our clients.

We extend our gratitude to our clients and owners for their continued support and collaboration.

[4] Full time equivalent.
[5] Figures stated as at 30 June 2024 as compared to 30 June 2023.

David Neal
Chief Executive

Message from our Chief Executive

FY24 was a breakthrough year in many ways for IFM's sustainability-related practices.

Throughout the year we refined our sustainable investing approach, through which we aim to deliver long-term value for our clients, in doing so recognising that this can create sustainable benefits for the economy, the environment and society. Our updated Sustainable Investing Guidelines[6] detail our seven focus themes which cover both environmental and social issues, and the principles which underpin them. These themes and principles support 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.

We believe the case studies throughout this report exemplify our dedication to our sustainable investing approach across our asset classes. Highlights from the year include our partnership with GrainCorp on the creation of a Sustainable Aviation Fuel supply chain in Australia, our partnership with industry superannuation funds to explore opportunities to invest in social and affordable housing at scale, and our Memorandum of Understanding with the UK Government.[7]

Over the last 12 months we also refreshed our core values. What we value says a lot about our conduct and drives it. Our values guide the decisions we make, how we work and the culture we continue to build together. We now have four values: Prioritise Client Outcomes, Achieve Together, Value Everyone, and Embrace Growth.

These values guide our behaviours and actions to deliver on our Purpose, by placing clients, our people and communities we operate in at the heart of what we do.

This report not only provides details on our investment approach but also on how we as a business address sustainability considerations and the commitments we have made with regards to our corporate operations. We are excited by opportunities to lead businesses across our asset classes by example and to demonstrate our sustainable business approach across our geographies of operation.

This report also provides details of how we meet the twelve principles of the UK Stewardship Code under the four broad areas of: purpose and governance, investment approach, engagement and exercising rights and responsibilities. We support the aims of the UK Stewardship Code[8] to promote transparency and accountability in the market and enhance stewardship outcomes across all asset classes to help improve long-term returns to clients and beneficiaries.

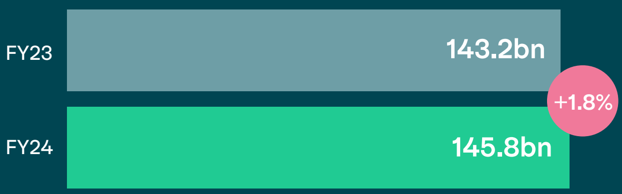
Additionally, this report aims to provide transparency about our approach to managing climate change, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Thank you to our colleagues for the great efforts this year, and to our clients and partners for their continued support and advocacy.

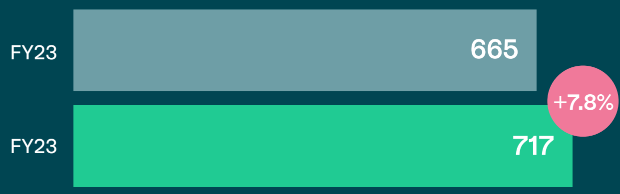
[6] The Sustainable Investing Guidelines can be found on our website: Governance and reporting | IFM Investors and at Appendix 2 to this report.
[7] See here for further details: IFM Investor signs MoU with UK government, intends to invest £10 billion in UK by 2027 | IFM Investors
[8] UK Stewardship Code (frc.org.uk)

The year at a glance[9]

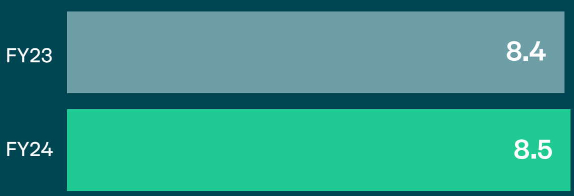
Funds under management (USD)



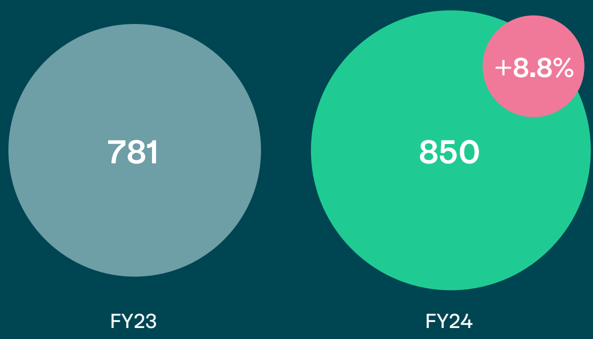
Growth in global clients



Investor Satisfaction Questionnaire (ISQ)



Growth in staff numbers[10]



[9] Figures as at 30 June 2023 and 30 June 2024 respectively.
[10] Full time equivalent.

Section 2

About IFM

About IFM

Owned by pension funds. Inspired by their members. Investing in what matters. Our Purpose is to invest, protect and grow the long-term retirement savings of working people.

The interests of working people are at the heart of our heritage and our Purpose. Our 710+ clients collectively manage the retirement savings of more than 120 million people[11] around the world – everyday people like nurses, teachers, 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.

IFM acts in its capacity as a diversified portfolio advisor or manager for investments across our infrastructure equity, debt investments, 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.

Large institutional asset managers like IFM can be regarded as universal owners, as our portfolios cover a broad cross-section of the economy. This means we are exposed to systemic risks that affect the entire economic system, which have the potential to result in lower investment returns over the long-term. We believe universal owners have a role in identifying and helping tackle systemic risks. We seek to do so by applying our overall sustainable investing approach including integrating sustainability considerations within our investment processes.

Our sustainable investing approach integrates sustainability considerations with investment processes in a manner we believe benefits our clients and their beneficiaries. We aim to engage with our investments in order to help manage sustainability risks and pursue opportunities to maximise their net performance while minimising our portfolios' investment risk. This reflects our broader sustainable business approach which considers sustainability on an organisation-wide basis across key areas of risk management and value building practices and activities as further detailed below and throughout this report.

As a signatory to the United Nations-supported Principles for Responsible Investment (PRI)[12] and the UK Stewardship Code, we seek to actively engage on sustainability considerations with the companies in which we invest, noting that the level of engagement and our approach is tailored depending on the asset class, type of investment and the level of governance rights.

We remain focused on the role we can play in addressing the issues that affect the long-term stability of the broader systems in which we invest and operate. We see our collaborative engagement and policy advocacy activities as key opportunities to do this.

We believe that cultivating a unifying and purpose-aligned culture across our organisation is a key factor to our success.

Trusted with the retirement savings of more than 120 million people worldwide, we're using what makes us different to make a difference.

120+ million
(the number of working people whose retirement savings are managed by our clients and owners)

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

17
Industry superannuation fund owners

710+
institutional investors

[11] As at 30 June 2024.

[12] 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 principles for responsible investment incorporating Environmental, Social, and Governance (ESG) issues into investment practice. What are the Principles for Responsible Investment? | PRI Web Page | PRI (unpri.org)

Our Purpose and approach to sustainability

Our Purpose is to invest, protect and grow the long-term retirement savings of working people.
Our values set out below, together with our Purpose, guide our people and our work.[13]

Prioritise Client Outcomes

We are trusted partners, making the delivery of superior and sustainable outcomes for clients and their beneficiaries our priority.

Achieve Together

We work together as One IFM - collaborating to get things done and make a lasting, positive difference.

Value Everyone

We all play our part in shaping an environment that's inclusive, caring and respectful of one another.

Embrace Growth

We are curious and agile, always learning and thinking of ways to evolve to deliver long-term value.

We believe these values align with our Purpose and help us to navigate economic ups and downs, build the long-term prosperity of our portfolio assets and support our actions to assist the communities in which we operate. By focusing on our core values, we seek to demonstrate leadership in the workplace and promote a fairer, safer and more inclusive environment, which we believe can lead to better long-term outcomes for our clients.

Our values also inform our actions across IFM's five strategic sustainability pillars – Clients and Owners, Investments, Workers and Communities, Policy and Markets Ecosystem and Our Colleagues and Operations.

Strategic sustainability pillars

Clients and Owners

Be a TRUSTED PARTNER for our clients and owners, aligned to their sustainability priorities.

Investments

Seek to maximise long term RETURNS by delivering value and effecting positive REAL-WORLD CHANGE via sustainable investing.

Workers and Communities

Strive to ensure our assets have STRONG RELATIONSHIPS with their workforces and with local communities.

Policy and Markets Ecosystem

Advocate for regulatory, policy and financial services systems to be fit to ADDRESS THE SYSTEMIC SUSTAINABILITY RISKS relevant to us today and tomorrow.

Our Colleagues and Operations

Be a LEADER BY EXAMPLE to the assets we hold.

[13] In March 2024 we transitioned to four core values from our previous five cultural foundations and behaviours which were in place in FY23. These cultural foundations and behaviours were: Prioritise investors, Achieve excellence, Respect each other, Inspire innovation and Lead by example. Further information on our four core values can be found here: https://www.ifminvestors.com/about-us/our-purpose/.

Financial highlights

USD 145.8 billion funds under management across four asset classes

infrastructure equity portfolio

USD 73.6bn

Targeting core infrastructure, with interests in 41 portfolio companies operating across 20 countries. globally.

debt investments portfolio

USD 32.9bn

We are a specialist credit, infrastructure debt, core bond and cash manager.

Includes global infrastructure debt products, diversified credit products and treasury services.

listed equities portfolio

USD 38.7bn

Includes global listed equities across an extensive range of active, indexed and smart beta options.

private equity portfolio

USD 0.6bn

With direct holdings represented by investments in Australia in service sectors targeting technology, healthcare and business services.

Funds under management (FUM) split by asset class

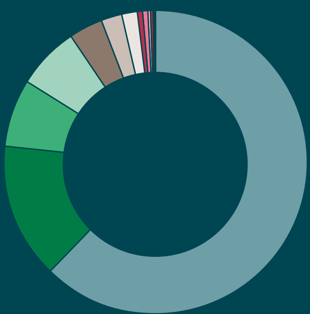
- Infrastructure equity **50.5%**
- Listed equities **26.5%**
- Debt investments **22.6%**
- Private equity **0.4%**

FUM geographical split[15]

- Asia Pacific **49%**
- Americas **34%**
- Europe, Middle East and Africa **17%**

Reflecting our heritage, pension funds constitute a significant proportion of our client base. We are continuing to broaden our client base with investors that are seeking to maximise long-term risk-adjusted returns. This includes sovereign wealth funds, endowments and charities, insurers, and private wealth clients, amongst others.

Percent of FUM by client type



- Superannuation **62.5%**
- Public Pension Fund **14.4%**
- Insurance Company **7.0%**
- Corporate **6.7%**
- Taft Hartley/ Multi Employer **3.7%**
- Government **2.2%**
- Asset Manager **1.7%**
- Foundation **0.5%**
- Endowment **0.5%**
- Institutional Private Wealth **0.4%**
- Other[16] **0.4%**

Percent of FUM by client geographical location

- Asia Pacific **68.4%**
- Americas **23.2%**
- Europe, Middle East and Africa **8.3%**

[14] All figures in this graphic are as at 30 June 2024 and may not sum due to rounding.

[15] Data is based on location of the headquarters of the asset or company invested in for our private equity and infrastructure equity portfolio assets and for our infrastructure debt and listed equities portfolio assets it is based on the country of issue of the relevant security. The chart excludes cash and derivative investments. The infrastructure equity data by location is valued as at 31 December 2023, rather than as at 30 June 2024.

[16] Includes client categories: Bank, Aggregator, Investment Consultant

Section 3

Sustainable investing

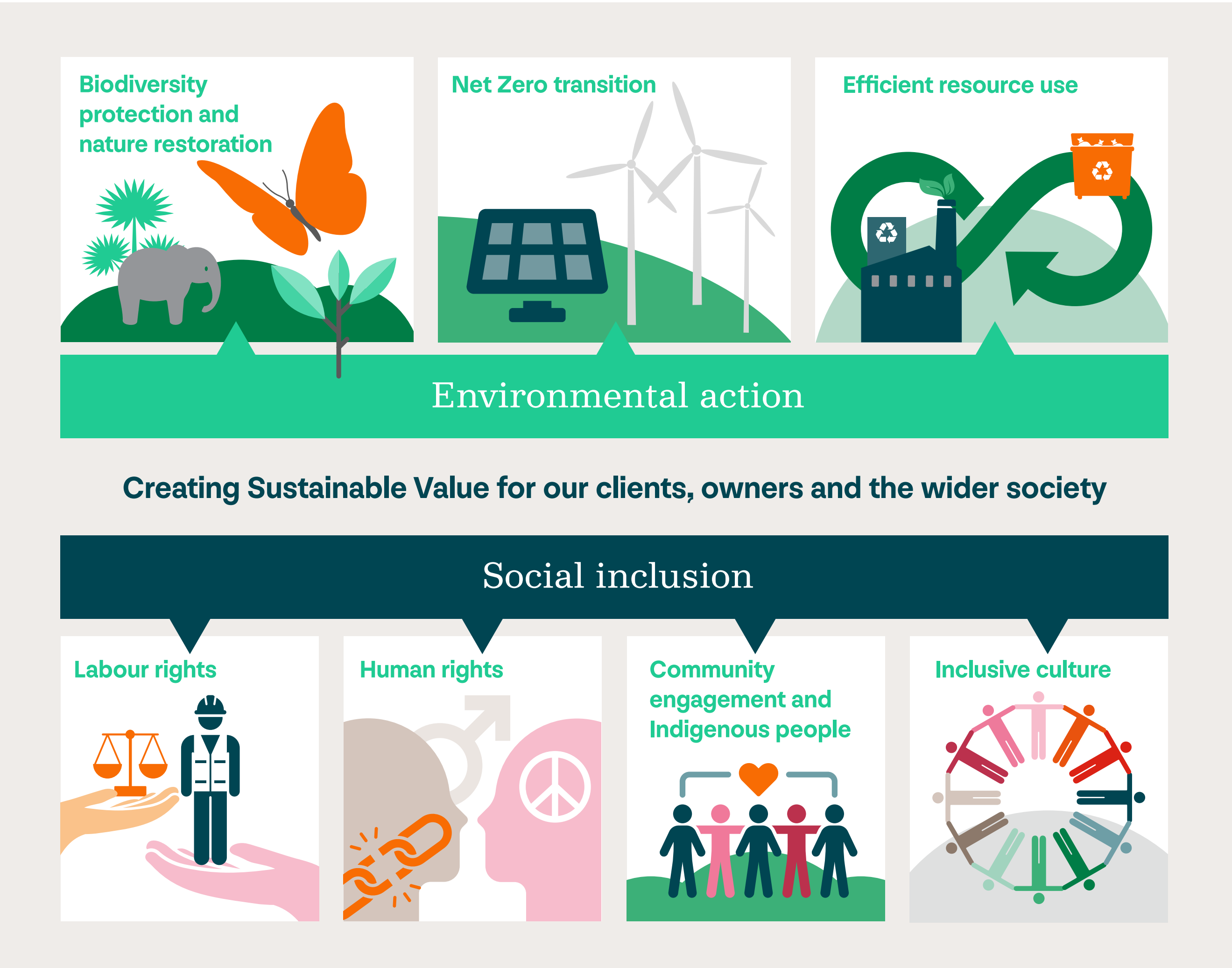
Picture: Ausgrid

Our sustainable investing approach

Our sustainable investing approach guides our efforts to maximise risk-adjusted returns over the long-term for our clients and owners.

We have seven sustainable investing focus themes covering both environmental and social issues. We developed principles to underpin these seven themes, which are covered in detail in IFM's Sustainable Investing Guidelines[17] created and published during FY24. These principles serve as a framework to help us make investment decisions to maximise returns over the long-term and manage risks for our clients. We aim to apply these principles across asset classes where practicable. The implementation process is ongoing, with some areas more advanced than others. We intend to update these principles at least annually.

Our sustainable investing approach forms a key part of our overarching global growth strategy. Under our growth strategy, we aspire to become a truly global, diversified private markets investment firm with a proud Australian heritage, while continuing to deliver on our Purpose. We recognise the need for an approach 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 developments, such as the transition to a low carbon economy, present to IFM and our clients as we pursue our Purpose.



[17] Available on IFM's website: Governance and reporting | IFM Investors and as Appendix 2 to this report.

Net Zero transition	We believe that climate change and the transition to net zero presents significant risks and opportunities that can alter the risk return profile of the assets in which our portfolios are invested in. Where appropriate, we seek to integrate these considerations into our investment processes so we can continue to deliver strong risk-adjusted returns for our clients.
Efficient use of resources	With a growing global population and increasing consumption rates, we believe the risk of breaching planetary boundaries in key environmental systems is high and rising and that this necessitates better management of finite resources and a focus on circular economic activity. Where appropriate and depending on our level of influence, we will seek to use our position to encourage portfolio companies to consider, disclose, and manage risks and opportunities regarding efficient resource use, reducing waste, and adopting a circular approach to their products and operations.
Biodiversity protection and nature restoration	We believe that there is a need and an opportunity to contribute positively towards biodiversity protection and nature restoration. We believe the current rate of nature degradation is not sustainable, and there is a need to reduce the adverse impacts on nature where practicable and a need to increase the positive interactions between investment and nature conservation and/or restoration.
Human rights	We seek to conduct our business in a manner that respects the human rights and dignity of all people. We expect the same from our portfolio companies. We strive to support international efforts to promote and protect human rights, including opposition to all forms of slavery and human trafficking.
Labour rights	We aim to conduct our business in a manner that respects labour rights and we expect the companies in which our portfolios invest to do so as well. Our Purpose puts working people at the heart of our activities, and this includes demonstrating workplace leadership, with a focus on promoting fair and safe conduct.
Inclusive workplace culture	IFM believes that strong, diverse, equitable and inclusive cultures are a value driver for companies in which our portfolios invest and that a lack of diversity can lead to poor company performance. Respect and support of diversity and inclusion and avoiding discrimination in the workplace is therefore one of our focus areas.
Community engagement and Indigenous people	We believe in supporting collaborative engagement with communities to create positive and mutually beneficial outcomes. We recognise that engaging local communities can be an important part of companies maintaining their standing and reputation locally.

During FY24 we reviewed our sustainable investment strategy, Environmental, Social and Governance (ESG) Policy, and Responsible Investment Charter, replacing these with IFM's Sustainable Investing Guidelines to continue to further refine and define our sustainable investing approach.

The principles in IFM's Sustainable Investing Guidelines guide us in making investment decisions which aim to maximise returns and manage risks for our clients. As part of this approach, we seek to identify, understand and manage a broad range of sustainability risks and opportunities that can materially impact the value of our investments. Our sustainable investing approach varies across asset classes, as outlined in further detail below, and is based on considerations such as the holding period and the degree of influence we have.

The review was undertaken by our Sustainable Investment team, with input from our investment teams, Risk and Compliance and other teams, seeking to ensure alignment with our wider asset management approach and that we meet the needs of our clients and owners.

Client mandates and certain indirect investments (such as derivatives) are not subject to IFM's Sustainable Investing Guidelines[18] and our sustainable investing approach as summarised in this report may not apply to all these mandates and investments.

We use a combination of the following to seek to ensure we implement our principles and minimise risk for our clients and owners:

- Integration of sustainability considerations throughout the investment process
- Engagement and voting (where relevant) at an asset level
- Collaboration and engagement at an industry or national level
- Transparency and reporting

Sustainable investing integration

The integration of sustainability considerations into IFM's investment management processes supports us in:

- Identifying, understanding and managing sustainable investing risks and opportunities that can affect investment value and returns in the short, medium and long term (i.e. focusing on how sustainability considerations impact our investments); and
- Understanding the potential impacts and consequences of our investments on external environmental and social considerations (i.e. focusing on how our investments impact sustainability considerations externally), given the potential of such impacts to become risks and opportunities.

We recognise that adverse impacts from investment decisions may be wide-ranging and could pose future risks to our investments. For this reason, we seek to engage, promote and improve the overall awareness of these potential impacts including among our portfolio companies. We do this by collaborating and consulting with a diverse range of key stakeholders.

We consider the impact of sustainability considerations in our pre-and post-investment processes for our infrastructure equity, debt investments, listed equities and private equity portfolios, as appropriate, noting our approach differs across the different asset classes and depends on the nature of the investment. This assessment helps us to identify and manage a broader set of risks with a view to protecting and maintaining the long-term value of our portfolios. Investment teams across asset classes also work closely with our Sustainable Investment team to help ensure that our practices align with IFM's Sustainable Investing Guidelines.

We also believe that through our approach, as a participant in financial markets, we have the potential to contribute positively to the overall sustainability of those markets.

[18] With respect to client mandates, certain listed equity mandates could be subject to the voting and engagement sections of the Sustainable Investing Guidelines based on the specific client agreements.

Issue prioritisation

The issues we choose to pursue and act on will depend on the asset, company and/or sector and our level of influence. However, we prioritise our seven sustainability focus themes as we believe these apply across many assets and geographies.

Separate to our sustainability focus themes, we use several criteria to prioritise companies for our stewardship activities, namely:

- The size of our investment or the size of the asset, portfolio company and/or property;
- The materiality of sustainability considerations on financial and/or operational performance; and
- Significant issue exposures identified through our due diligence and monitoring process, particularly where there appears to be a lack of adequate controls.

Investment time horizons

Investment time horizons vary by asset, strategy and by client, from relatively short term for certain investment strategies, such as cash and bond funds within treasury services, to medium and longer-term, for other strategies, such as private debt, private equity and infrastructure equity. Our various strategies are intended to meet the differing needs of our owners, clients and beneficiaries. IFM aims to develop and manage investment strategies that generate attractive risk-adjusted returns and meet the preferences of our clients.

Our infrastructure equity portfolio investment strategy centres on the long-term ownership and active asset management of core infrastructure investments (e.g. utilities, ports, airports and toll roads) with long-term, stable cashflows. We believe open-ended fund structures best-suit this investment strategy in long-term infrastructure investment. For example, our longest held assets Brisbane[19] and Perth[20] Airports have been within our infrastructure equity portfolio for over 25 years.

Stewardship, engagement and voting

Stewardship

Stewardship is the 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.

IFM believes that effective stewardship, incorporating company engagement and exercising voting rights (where applicable and appropriate, and in line with client mandates), can lead to better company performance with a wide range of benefits for our portfolios.

Our overarching approach to addressing sustainability considerations with the companies in which our portfolios invest is established at the IFM or investment advisor level, and then we seek to tailor our stewardship practices to match the needs of specific asset classes and strategies, considering the nature and tenure of holdings and the degree of influence we have.

Engagement

Where we believe it is appropriate, we seek to engage in direct dialogue with the entities where we invest our clients' funds. We conduct this engagement either on our own or in collaboration with others.

Through this engagement, IFM seeks to:

- Build strong relationships that facilitate the transfer and flow of important sustainability data;
- Deepen our understanding of how a company / issuer / asset manages sustainability considerations;
- Influence positive change in sustainability-related practices, processes and behaviours regarding company / issuer / asset specific issues and broader industry, sector or thematic issues, where appropriate; and
- Escalate issues of concern where relevant.

[19] For further details see: https://www.ifminvestors.com/capabilities/infrastructure/our-portfolio/brisbane-airport/

[20] For further details see: https://www.ifminvestors.com/capabilities/infrastructure/our-portfolio/perth-airport/

Engagements and initiatives can be bottom-up at the asset or portfolio company level or top-down where the focus is on a particular theme, such as safety in the workplace. These engagements are an important opportunity for IFM to have influence, as well as an important source of information for the investment teams to improve their knowledge of the portfolio companies.

Engagement with issuers and investments in our portfolios is a core element of our stewardship activities. When issues related to an investment's risks or returns are under discussion, we seek to actively use our position with the aim of positively influencing corporate behaviour and driving a greater strategic understanding of sustainability considerations, risks and opportunities.

We work with portfolio companies to collect data about their sustainability-related performance and practices and to encourage continuous improvement in reporting capabilities. This data informs our asset management approach and the creation of organisation-wide sustainability strategies.

Engagement escalation

Through our due diligence processes, we seek to identify sustainability considerations at the individual company and/ or sector levels that we may prioritise for engagement and escalation in our stewardship activities.

This approach reflects our different asset classes and strategies, as well as the geographic locations and jurisdictions in which we invest, the materiality of the relevant sustainability consideration, the initial period of engagement, and whether initial engagement efforts were direct, collaborative or via a service provider.

Voting

IFM has developed proxy voting guidelines which we apply in relation to votes on Australian listed equities' portfolio investments. For international listed equities' portfolio investments, we seek to apply voting guidelines through an internationally recognised provider, Glass Lewis.

During FY24, IFM commenced a review of our proxy voting guidelines with an updated version expected to be adopted in FY25.

Advocacy and collaboration

Public policy and regulation are important contributors to portfolio risk adjusted returns. We seek to engage in policy advocacy as part of our contribution to the management of systemic risks, as well as where there is another appropriate link to our business or client interests. We aim to engage the broader investment market and stakeholder groups to share learnings on systemic sustainability risks which have the potential to affect long-term returns for our clients. We seek to achieve this by working closely with our clients and owners to build collective solutions that meet their needs in domestic and global private markets, and by engaging proactively in public affairs to support asset teams and the wider business where appropriate.

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 Purpose. 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 seek to drive change and promote sustainability-related practices in pursuit of our Purpose.

Transparency and reporting

To earn and maintain the trust of our owners, our clients, our people and our other stakeholders, we seek to uphold principles of transparency including through supporting the application of sustainability reporting frameworks. In addition to this report, we provide our clients, owners and other stakeholders with a range of reporting, thought leadership and insights that aim to provide transparency about our approach, practices and outcomes. See Section 7 for further details on our approach.

Implementing our sustainable investing approach

IFM's investment teams integrate sustainability considerations within investment decision-making processes and seek to engage with companies and/or borrowers to understand the materiality of sustainability considerations to investments both during investment due diligence and as part of post-acquisition asset management plans and annual asset reviews, where appropriate. The investment teams are responsible for the implementation of data collection, risk management and roll out of sustainability initiatives. Where applicable this involves working with our portfolio companies or borrowers to collect data about their sustainability performance and practices.

Each investment team tailors its sustainable investing approach to match its specific strategy, the tenure of holdings and our degree of influence as outlined in further detail in the following pages.

The interaction between the Sustainable Investment team and the investment teams during the investment process is illustrated below.

Integrating sustainability considerations throughout the investment process

To help ensure a comprehensive assessment of risks and opportunities, we incorporate a range of sustainability considerations in our investment analyses and decision-making processes as applicable to each asset class.

Sustainable Investment team involvement

Investable universe	**How we connect to global investment opportunities**	We are connected to global investment opportunities via broad relationships with global investor institutions, investment banks and advisors. Investment teams identify investable assets, informed by intelligence provided by the SI team about emerging areas of sustainability risks, opportunities and impacts.
Initial analysis	**Identification of relevant sustainability considerations**	Over the course of pre-investment analysis investment teams identify key sustainability considerations for investment opportunities to inform the investment decision. Where appropriate and applicable, screening overlays are applied to help ensure alignment with IFM's Sustainable Investing Guidelines.[21]
Due diligence	**Assessment of opportunities and risks, including mitigation measures, in relation to sustainability considerations**	The Sustainable Investment team and investment teams work together on assessment of sustainability considerations, applying any pre-existing asset class specific due diligence toolkits. This forms part of our overall assessment of investment risks. The Sustainable Investment team provides support and serves as a sounding board and peer reviewer, when applicable. Investment teams may also draw on external party analytical tools and research, as required. Where appropriate, investment teams seek to identify and incorporate mitigants for any identified risk.
Investment decision	**Investment decisions based on robust analysis**	A final analysis of relevant sustainability considerations is prepared by the investment team and included in investment committee papers. The Sustainable Investment team provides support where required during this process. Sustainability considerations are identified in order to support the investment team's objective of making investment decisions which are aligned with our clients' mandates and with our Purpose.
Ongoing stewardship	**Monitoring of sustainability risks and opportunities**	Where practicable, sustainability risks and opportunities across our portfolios are monitored by investment teams with the support of the investment team sustainability specialists and/or the Sustainable Investment team, in efforts to protect and enhance value. Where appropriate, IFM engages with portfolio company or borrower management teams to seek to influence activities and decisions that may impact investment value and returns.

[21] IFM does not stipulate screening and exclusions at a firm-wide policy level. Investment teams apply them, as relevant, in response to individual investor mandates and in accordance with IFM's Sustainable Investing Guidelines.

Sustainable investing specialists

We have integrated sustainable investing specialists within both our infrastructure equity and debt investments portfolio teams, providing tailored expertise for each asset class.

Defined responsibilities

Our Sustainable Investment team and asset class sustainable investing specialists have clearly defined responsibilities as they work together throughout the investment process as illustrated above.

The Sustainable Investment team is tasked with developing IFM's overarching firm-wide sustainable investing approach and related policies and organisational guidelines, which are implemented by teams in each asset class as appropriate. The asset class sustainable investing specialists are responsible for operationalisation of these group-wide policies and, where required, they develop asset class specific sustainability procedures, standards, guidelines and work instructions.

Such implementation is supported by the Sustainable Investment team's expertise on sustainability considerations that may be applied to investment screening, analysis and due diligence.

The primary responsibility within IFM for developing and implementing sustainability-related asset-level activities is held by the asset class investment teams.

With respect to reporting, metrics and data, asset class investment teams are responsible for managing asset and portfolio-specific data, where available. The Sustainable Investment team collaborates with the asset class investment teams to collate this data for external client and regulatory reporting purposes.

Infrastructure equity investments

Our approach

For new infrastructure equity investments, we have a toolkit[22] and risk matrix to seek to ensure we incorporate sustainability considerations in the due diligence process, as appropriate and in line with client mandates. While the toolkit and risk matrix have been regularly updated[23] since their initial creation more than a decade ago, the 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.

Our infrastructure equity portfolio team works with the Sustainable Investment team on a collaborative basis to regularly update the toolkit to seek to ensure that this remains an effective tool.

For our existing infrastructure equity portfolio, we strive to work collaboratively with management teams and other stakeholders to support sustainable investing initiatives and business practices, with a view to preserving and enhancing the value of these businesses. We believe this helps to build 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 companies across a number of areas including strategy, capital structure, industrial relations, risk management frameworks, capital expenditure and executive selection and remuneration.

The effectiveness of our stewardship relies on a number of governance features in our team which support the management of our infrastructure equity portfolio:

- Board directors: Where applicable we appoint directors to investee company boards (and board committees) who we consider are suitably qualified. We believe board diversity supports building and maintaining a viable, profitable and efficient company over the long-term and in turn also seek to contribute positively to the diversity of boards through our appointments. We regularly undertake activities which seek to improve the knowledge of our directors so they can perform more effectively in their roles. Where necessary, we will look externally to find the right nominee director. IFM has policies and procedures regarding the appointment of investee company directors which seek to reinforce good governance.

- IFM investment teams: Each board director appointed to an investee company is supported by a team of investment professionals which monitors and analyses asset information and performance, often contained in board reports, and provides investee company directors with research on support and insights into the investment.

- Asset Management Specialist Team (AMST): The AMST consists of approximately 30 investment professionals (as of 30 June 2024) who support the broader investment team's asset management and governance activities and who lend their skills to investment teams or portfolio companies to address a specific initiative. For example, the AMST team has worked closely with some portfolio assets to undertake deep dive health and safety reviews where hazards were known to be high. The AMST develops an annual asset management and sustainability plan which contains portfolio-wide initiatives and asset management initiatives which are unique for each asset. The plan's progress is monitored regularly throughout the year.

[22] The toolkit was completed and implemented from October 2023.

[23] Minor updates were completed in 2024 to address user feedback. We intend to annually assess required updates as part of our operational business as usual activities.

How we engage

We aim to identify and define material sustainability considerations that inform our asset management activities through the following processes:

Post acquisition planning – an asset specific plan is developed and implemented, usually focused on the first-year post-acquisition, reviewing sustainability considerations as well as risk, regulatory, return and capital expenditure plans. This planning process focuses on improvement planning post-acquisition across a range of activity areas.

Post-acquisition asset reviews – typically between six to 12 months after an asset is acquired, a formal report is prepared for IFM's Investment Committee and Board Investment Committee (if applicable) outlining changes and progress and identifying new issues or changes to planned initiatives.

Regular valuation and reporting process – IFM reviews each investment's performance on a quarterly basis, through our quarterly valuation and reporting processes. While not the primary objective, assessing sustainability risks and opportunities is an important component of this process.

Formal asset reviews – Reviews are performed by our investment team on an annual basis, as part of our ongoing asset management program. The identification and analysis of sustainability considerations, as well as risks and opportunities, identified as material are documented as part of this process. In certain circumstances, IFM investment professionals will be seconded to portfolio assets when specialist skills are required. The asset reviews are then shared with the IFM Investment Committee so that the committee is able to apply the learnings gained through operations to future acquisitions it might evaluate. The asset reviews are only one aspect of a number of internal asset management activities undertaken on an annual basis as part of our ongoing asset management process across the infrastructure equity portfolio. Examples of these activities include periodic operational updates, review of annual budgets/business plans, annual planning and quarterly asset management initiative reviews.

Engagement relating to sustainability considerations is implemented through IFM's asset management framework, which is focused on developing and executing tailored asset management strategies for each portfolio company. The framework has three key objectives:

1. **To Protect** – seek to manage risks and deliver expected returns by promoting minimum standards for key management practices.
2. **To Enhance** – seek to achieve superior returns from individual portfolio assets by challenging asset-level management teams to achieve 'best-in-class' performance.
3. **To Exceed** – seek to deliver competitive performance from individual portfolio assets by leveraging our global strengths in synergies, scale and relationships.

Our teams engage directly with portfolio company management teams and IFM appointed representatives on investee company boards, where they exist. This helps the team to maintain an understanding of sustainability risks and mitigation programs and initiatives.

Engagement escalation with our infrastructure equity portfolio companies is determined on a case-by-case basis. IFM prefers to support and work with the companies in our infrastructure equity portfolio in partnership, as opposed to undertaking formal escalation, and our level of involvement will depend on the particular circumstances and issue.

CASE STUDY

ERG repowering of wind farms

Rationale

ERG plans to upgrade wind farm assets currently equipped with relatively obsolete technologies for the latest generation turbines – a technique called "repowering" with the potential to multiply generating capacity, increase electricity production, plant efficiency and to leverage the quality of the most productive sites.

Revenues of repowered wind farms would be secured through incentive auctions or through long-term Power Purchase Agreements. For ERG, repowering is seen as an innovative way to maximise the benefit of technological advancement and make its asset base more efficient whilst seeking to contribute to decarbonisation targets set within the European Union.

IFM action

Through our board engagement and capital expenditure support, ERG completed two onshore wind repowering projects in Italy in 2023 (Partinico-Monreale and Camporeale – see the below table for details), doubling production through the installation of state-of-the-art Vestas turbines. These newer and larger units can capture a wider wind blow spectrum and improve the asset's efficiency and load factors. It is equivalent to organic capital expenditure on the existing asset base and hence provides lower execution risk due to:

- Absence of new land acquisition (already secured);
- Pre-existing connection to the network;
- No further development costs incurred;
- Less complex permitting relative to building a new wind farm; and
- Strong foundation with local communities, given they are familiar with the assets' presence and have experienced positive externalities related to wind farms.

Outcomes

Repowering existing wind farms can also be carried out with the efficient use and re-use of materials. There is an active market for the resale of decommissioned wind turbines, either whole or as parts for maintenance, while the masts are suitable for recycling. At Partinico-Monreale and Camporeale wind farms, 100% of the existing wind turbines and masts have been recycled or sold for re-use. Please find more details of recycling potential here.

REPOWERING ERG'S WIND FARMS

	PARTINICO-MONREALE		CAMPOREALE	
	Pre-repowering	Post-repowering	Pre-repowering	Post-repowering
Turbines:	19 units	10 units	24 units	12 units
Capacity:	16 MW	42 MW	20 MW	50 MW
Production:	27 GWh	94 GWh	31 GWh	86 GWh

Monitoring and assessing effectiveness

Due to the direct nature of their investments, our infrastructure equity portfolio stewardship activities are monitored and tracked directly by our investment and asset management teams, and/or via the IFM appointed directors on the investee company board.

Material risks which are identified during due diligence are fed into asset management plans for risk assessments and monitoring. Portfolio assets are reviewed at least on an annual basis and portfolio and asset priorities and plans are updated frequently, depending on the level of progress.

Data and information relating to our infrastructure equity portfolio is maintained in data systems managed by the investment team. This information is reviewed in collaboration with the AMST to help ensure data consistency and quality. We do not currently engage external auditors for sustainability data, however some of the portfolios' larger assets do undertake independent external verification of sustainability-related indicators.

CASE STUDY

Operationalising engagement with industrial stakeholders

Rationale

Engaging with key stakeholders at the sectoral, national and global levels helps us understand our obligations and manage risks and opportunities. We aim to promote fair, safe, and inclusive workplaces, and protect workers' rights during transitions like automation and global energy shifts. We believe effective workforce management is crucial for both worker fairness and business effectiveness during and after transitions.

IFM action

In 2019, we signed a Memorandum of Understanding (MoU) with the International Trade Union Confederation (ITUC) to respect labour rights. This MoU emphasises our commitment to social dialogue with labour unions.

Since signing the MoU with the ITUC, sectoral charters for Seaports (2022) and Airports (2023) have been developed with the Australian Council of Trade Unions (ACTU) and applicable unions, demonstrating our objective to implement the MOU. These charters aim to facilitate mutually beneficial engagement between IFM and the ACTU, as well as identify priority areas for focus, including workers' rights, protecting human rights, safety and industry transitions such as automation.

Through these charters, we emphasise our support for:

- Regular and structured engagement with the relevant unions;
- Ensuring that our appointed directors on asset boards understand labour relations and workplace issues;
- Identifying the key issues for engagement for workers, including health and safety, workplace changes such as automation, protection of human rights and inclusion and diversity; and
- Ensuring that workers at assets can exercise their internationally recognised rights to union membership and collective bargaining, in accordance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

In FY24, these charters were fully operationalised, with meetings held with unions for each of the charters. Two meetings were held in FY24 (one for each charter), with further meetings planned in FY25.

Outcome

We believe the meetings held with unions for each of the charters have been important for identifying areas of multi-stakeholder collaboration including safety, modern slavery and the development of minimum standards for cleaning contracting. We expect these standards to be finalised in FY25.

“With our heritage and our ownership, labour rights and the decent treatment of the people who work in our assets is core to who we are” – **Cath Bowtell, IFM Chair**[24]

CASE STUDY

Socially sustainable workplaces

Rationale

Workplaces today face significant social risks due to megatrends such as rapid industry and occupational shifts, workforce transitions, climate change and the rise of artificial intelligence. We believe that fostering socially sustainable workplaces is crucial to mitigating these risks and capitalising on opportunities.

We believe social connection in the workplace not only promotes wellbeing but also boosts workplace productivity. A socially sustainable workplace seeks to enhance its skill base while reinforcing the social fabric that binds it as a social entity. It also takes steps to control the tendency towards work intensification that compromises skill development and ultimately impacts quality of service. Social capital metrics for assessing and driving change in this area are, however, limited.

IFM action

To seek to address this, our infrastructure equity portfolio team began collaborating with academics from the University of Sydney Business School and the Faculty of Medicine and Health in 2022 to develop metrics to define socially sustainable infrastructure workplaces. The project is mapping the impact of megatrends, such as artificial intelligence and climate change on infrastructure workplaces. The aim of this work is to aid investment and asset management decisions.

Alongside tracking these metrics, we conducted a social risk mapping project applying a risk assessment framework to help identify and understand social risks across our infrastructure equity portfolio companies. This involved both a bottom-up asset-level analysis of social risks, and a top-down identification of certain systemic and sectoral risks. We believe this positions us well to understand and focus on material risks and to implement portfolio-wide and asset management initiatives to manage them.

Outcome

We believe our continued collaboration with the University of Sydney and developing an approach to measuring social sustainability at our infrastructure equity portfolio companies will allow us to strive to systematically prioritise, identify and respond to risks more effectively.

CASE STUDY

Value creation through inclusion and diversity

Rationale

We believe that strong, diverse, equitable and inclusive cultures are a value driver for companies in which our portfolios invest and that a lack of diversity can lead to poor company performance.

In addition to this a number of infrastructure equity portfolio companies operate in industries where there are challenges for recruitment of appropriate workers. We therefore believe it is important to support our infrastructure equity portfolio companies to become employers of choice.

IFM action

In FY24, we engaged the Wharton Business School, University of Pennsylvania, as a specialist advisor on inclusion and diversity for our infrastructure equity portfolio.

The Wharton Business School facilitated a number of discussions with IFM executives and hosted roundtables with a number of our assets to discuss topics such as fighting bias in hiring, why diversity contributes to the bottom line and value creation, and how to begin understanding the challenges and opportunities our assets may be facing in this regard.

Outcome

The roundtables have facilitated learning and sharing of knowledge between attendees. As we move into FY25 we intend to build on the engagement with the Wharton Business School with a view to identifying opportunities to help our infrastructure equity portfolio companies remain employers of choice.

The collaborations with the Wharton and University of Sydney Business Schools reflect a commitment to evidence-based approaches to understanding and improving the long-term social sustainability of infrastructure workplaces. We believe these collaborations with the universities can play an important role in rigorously challenging our thinking and enhancing our strategies.

[24] Hear more from IFM's Chair, Cath Bowtell, here: Managing Social Risks in Unlisted Infrastructure | IFM Investors

Listed equities

Our approach

IFM's listed equities portfolio has several different investment processes and portfolio construction methodologies, with the majority of these being determined by the contents of Investment Management Agreements (IMAs) between IFM and our clients. These range from purely passive investment strategies where the goal is replicating the performance of an index, to low tracking error approaches where the portfolio holds securities based on a specific investment criterion, with the goal to deliver a return that closely tracks an index. In addition, we manage active long-only and active long-short mandates. Our overall approach is to partner with clients with a view to understanding their requirements and working together to develop an investment approach that seeks to satisfy their requirements. As a result, engagement and voting are important tools used to integrate sustainability considerations in the asset class, as appropriate and where they are in line with our client mandates.

Our engagement activity in our listed equities portfolio primarily focuses on Australia, as the majority of our listed equities portfolio products are invested in Australian listed companies. We engage directly with Australian companies or through collaboration with other investors, primarily via the Australian Council of Superannuation Investors (ACSI), as outlined below.

We manage all our voting on Australian listed companies in-house and consider and deliberate on all resolutions pertaining to the top 20 companies (by market capitalisation), all 'Say on climate' resolutions, resolutions that we designate as being contentious, and on all shareholder proposed resolutions. Our voting decisions are informed by our company engagement activities, internal and external research, and we also consider proxy advice received from ACSI and Glass Lewis. Our voting decisions are governed by our Proxy Voting and Engagement Committee (the role of which is outlined in Section 7).

We also participate in several thematic engagement initiatives alongside other major Australian shareholders through industry collaborations such as Climate Action 100+.[25] Our team managing our active Australian strategies within our listed equities portfolio also engage directly with portfolio companies' management on business strategy and performance.

Our listed equities portfolio does not have a designated investment team located outside Australia, so our international engagement and voting efforts in support of our listed equities portfolio are limited. For our listed equities portfolio companies outside Australia, we use the advice from international proxy advisor Glass Lewis. At all times, our clients are able to advise us of their individual voting position for the portfolios we manage that are under an individual client mandate.

How we engage

Our listed equities portfolio engagements aim to reinforce our expectation for companies to strategically recognise and manage all material risks and opportunities to help protect and enhance long-term shareholder value.

Our engagement activities for Australian investments in our listed equities portfolio include:

- Direct company engagement by our team managing the active strategies within our listed equities portfolio via attendance at company briefings and meetings with management. The objective of these engagements is to understand business strategy and future direction, as well as financial performance, valuations and resilience. Identification and discussion of sustainability considerations the investment team view as material is a feature of many company meetings.

- Direct one-on-one company engagement by our Sustainable Investment team, which is generally focused on issues IFM considers to be material, follow ups from prior engagement requests or issues arising from the previous proxy voting season. These meetings will also typically include representatives from our listed equities portfolio team.

- Collaborative engagements are sought where we believe there is benefit to engaging collectively with other investors, rather than (or in addition to) individually with a company, on an issue that a broad range of investors are concerned about. An example is IFM's participation in the Climate Action 100+ initiative. We believe that the power of collective engagement based on independent decision-making elevates issues and can signify to companies that the issues raised are important to a broad cohort of investors. We also draw on insights

[25] https://www.climateaction100.org/

and benchmarking provided by the broader network of investors. We engage with priority companies periodically as part of an engagement plan that is developed by the lead investor and agreed by the other participating investors.

- As members of ACSI, IFM representatives attend a number of the engagement meetings that ACSI conducts with ASX 300 companies. ACSI engages on IFM's – and other members' - behalf and communicates identified sustainable investing issues to these companies. IFM collaborates with other members in setting ACSI's engagement priorities at the start of each year as well as in the period when ACSI's governance guidelines, which set out ACSI members' expectations about the governance practices of the companies in which they invest, are being updated. Should IFM be unable to attend these engagements, ACSI makes its representation on our behalf. We believe engagements via ACSI are an important element of IFM's company engagement approach. ACSI members represent a significant proportion of the pension fund industry in Australia and the expectations ACSI communicates to companies are largely aligned with IFM's, given IFM's involvement in setting and updating the ACSI governance guidelines. Importantly, when ACSI engages on our behalf, it represents all of our listed equities portfolio holdings in Australia and there is no differentiation between active or passive strategies. We see this as a key benefit to our membership of ACSI.

Information about our stewardship activities with regards to our listed equities portfolio in Australia is also publicly available on the stewardship page of our website.[26]

The outcome of engagement in our listed equities portfolio is challenging to measure due to the long-term nature of engagements. We do not necessarily think in terms of success or failure, but rather we view our engagement as a continuum of ongoing interactions with the companies in which we invest to understand how they can evolve responsibly and be as successful as possible. We recognise that positive outcomes are not necessarily due only to IFM's specific efforts and, usually, are the result of a number of driving forces contributing to the outcome. However, IFM places importance on ongoing engagement as a key pillar in our ownership approach for the portfolio.

CASE STUDY

Voting against MA Financial Group's remuneration report

Rationale

Remuneration concerns shaped a number of our engagements with companies in which the listed equities portfolio was invested in during FY24, including with MA Financial Group, a global alternative asset manager. We were concerned with the board's use of discretion in determining executive short-term incentive (STI) awards for FY23 given the extent by which the corporate financial objectives, being Earnings per Share (EPS) and Return on Equity, were missed by the company. The estimated impact of the use of such discretion was an additional AUD 1 million in annual bonuses to disclosed executives. Furthermore, we had concerns around the long-term incentive (LTI) award based on EPS as a single performance metric.

IFM action

We have previously written to the MA Financial Group board in FY23 over remuneration concerns. IFM voted against MA Financial Group's remuneration report at the March 2024 Annual General Meeting (AGM) which received an overall vote against of ~24%. We subsequently met with members of the company's board to discuss remuneration with a view to further understanding their use of discretion. Specifically, we had concerns that the performance hurdles may not be fit for purpose given upwards discretion and could create a disincentive for management to hit those targets if they know that they can miss them but still be compensated.

Outcome

The company was receptive to our points and acknowledged that discretion should be modified and more formulaic. Regarding the LTI, the company took on notice our suggestion that a return on capital measure be included as a second performance metric. We intend to continue to discuss the return on capital measure in future engagements with MA Financial Group.

[26] https://www.ifminvestors.com/en-au/capabilities/listed-equities/stewardship/

CASE STUDY

Engagement on safety

Rationale

One of our portfolio companies, Perenti Ltd (Perenti), is a mining services company with over 11,000 employees and operations in over ten countries. During 2023 the company announced two fatalities at the Dugald River Underground Mine in Queensland and in February 2024 announced a fatality at the Mana Mine in Burkina Faso. This took the tally to eight fatalities in the last five years.

Perenti's governance and safety strategy has been a continued engagement focus for us over several years. In 2023 we voted against the remuneration report and the re-election of two directors, including the Chair. We took these positions as we felt there was insufficient board oversight and accountability for the persistence of inadequate safety performance, and we communicated this to Perenti in a formal letter after the AGM.

IFM action

Following the announcement of a fatality in February this year, we met with Perenti in March and May to discuss the nature of the incident(s), implementation of safety at sites, the culture of the company and intended steps to remediation.

Perenti stated that its primary safety objective is no adverse or life-changing events, and accepted it has not achieved this objective. We spoke about the industry as a whole and the dangers that exist, as well as the cultural differences and language barriers in some of the regions where the company operates. The 'checkmate' safety procedure that was recently introduced was also discussed, including the status of the training on this procedure for relevant staff and how the most recent fatality occurred despite the procedure being in place. Perenti noted that there was some work to do to ensure that safety procedures are always followed.

Outcome

We expect Perenti will continue to seek to ensure all staff have adequate training as a priority and understand Perenti is also deploying innovative (and in some cases) technology-based tools to further assist staff in risk identification and mitigation when on site.

We will continue to monitor the company's disclosures on safety, and we intend to meet with Perenti during FY25 to discuss the improvement of safety procedures and to assess whether the steps which have been taken have been effective.

Proxy voting

For our listed equities portfolio, our ownership rights are executed via our proxy voting program – as described below.

We believe exercising our voting rights is important to encouraging action on the issues we think are material to long-term investor value.

IFM reviews and votes on behalf of some of our Australian listed equity portfolios' clients. All Australian clients of our listed equities portfolio receive IFM recommendations, however they generally execute their own voting based upon their individual policies and procedures. In FY24, IFM voted on approximately 21% of our Australian listed equities portfolio.

Proxy Voting and Engagement Committee (PEC)

IFM's PEC is responsible for the oversight and implementation of proxy voting and engagement activity for our Australian listed equities portfolio companies. The role of the PEC is outlined in Section 7.

IFM Listed Equities Voting Guidelines

During FY24, IFM commenced a review of the proxy voting guidelines which we apply in relation to votes on Australian listed equities' portfolio investments. An updated version of these guidelines is expected to be adopted in FY25.

Voting process

ACSI and Glass Lewis proxy advice is an input to the decision-making process. IFM has, on numerous occasions, voted against proxy advisor recommendations where the PEC has considered it appropriate to do so.

The PEC executes votes in the following order of priority:

- In accordance with client directives and/or instructions;
- The IFM view of the resolution, which occurs following an evaluation of the proxy advice received; and
- Where there is no recommendation from ACSI, we will review guidance from other proxy advisors and make a final voting decision based on the principles contained within the ACSI Governance Guidelines and IFM's own voting guidelines.

Prior to casting votes, a pre-voting report is prepared and issued to all clients of our Australian listed equities portfolio and to relevant internal stakeholders. The pre-voting report contains the vote decision and rationale for the decision when we recommend a vote contrary to the recommendation provided by the relevant company. The pre-voting report provides clients with an opportunity to review IFM's decision and inform us of an alternative voting preference for an individual mandate, if they so choose. Pre-voting reports are issued only to clients of our listed equities portfolio and are not publicly available because our listed equities portfolio products are not public-facing.

Following the issue of the pre-voting report, proxy votes are lodged online via the Glass Lewis 'Viewpoint' online platform. This platform provides relevant teams and users with visibility of shareholdings in individual client mandates where we have voting authority, as well as the wider portfolio. Glass Lewis receives regular holdings files from our clients custodians which are automatically uploaded into the platform. During the daily upload process, a reconciliation is performed within the system to match ballots and verify holdings to ensure details are accurate. Glass Lewis will flag any issues such as unrecognised holdings, missing shares or incorrect data with the relevant custodian for investigation in the first instance. IFM is contacted if any escalation is needed. For monitoring purposes, Glass Lewis distributes weekly reports to selected IFM users which detail all votes officially cast over the prior week. This provides assurance that votes have been executed correctly and within the set deadlines. The platform also allows us to download a report at any time which displays the number of shares held and the number of votes cast for any company historically.

IFM does not undertake any stock lending directly for our listed equities portfolio clients. Some of our clients do engage in stock lending, and in this situation, they instruct their custodians to manage the stock lending program for them.

Voting terms

Voting terms and authorities for individual mandates are agreed with the client and outlined in the relevant IMA. Clients can give IFM delegated authority to vote on their behalf via a mandated arrangement. In some cases, a client may request an alternative position to what IFM has proposed, in which case IFM is able to cast this individual vote where delegated authority is in place. Only shares where IFM has been granted the right to vote on behalf of a client will appear in the Viewpoint platform.

In terms of any listed equities pooled funds, IFM, as trustee, would have full power to exercise its voting rights and do so in-line with our own voting guidelines. As at 30 June 2024, IFM does not have any listed equities pooled funds.

Voting summary statistics for FY24

FY24 Australian listed equities portfolio engagement and voting summary

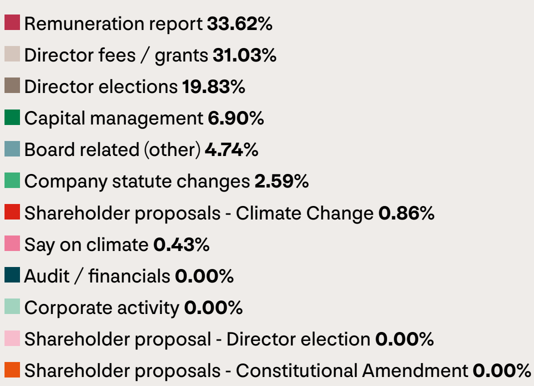
324
AGMs

1923
resolutions

232 equivalent to **12.06%**
votes were against management

Category	With Management	Against Management	Abstain	Sum
Audit / financials	60	0	0	60
Board related (other)	47	11	0	58
Capital management	122	16	11	149
Company statute changes	26	6	0	32
Corporate activity	65	0	0	65
Director elections	707	46	0	753
Director fees / grants	362	72	0	434
Remuneration	260	78	0	338
Say on climate	2	1	0	3
Shareholder proposals – Director Election	23	0	0	23
Shareholder proposals - Constitutional Amendment	4	0	0	4
Shareholder proposals – Climate Change	2	2	0	4
Total	1680	232	11	1923

VOTES AGAINST MANAGEMENT



FY24 international listed equities portfolio engagement and voting summary

3019
AGMs

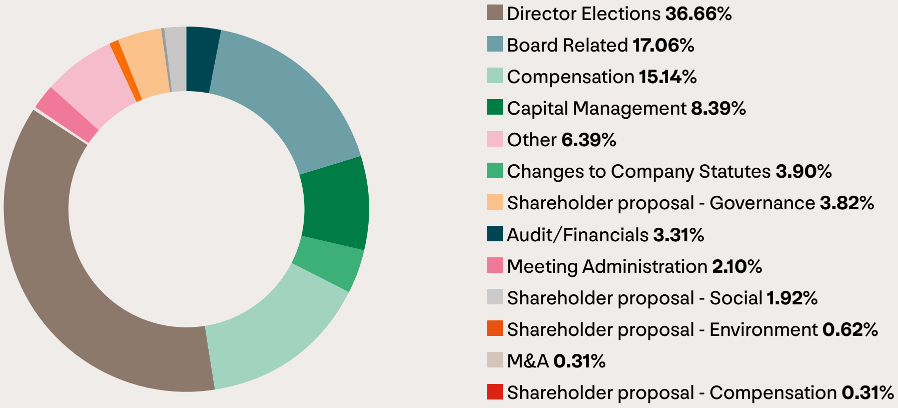
35,649
resolutions

3,898 equivalent to **10.93%**
votes were against management

Category	With Management	Against Management	Abstain	Sum
Audit/Financials	5282	129	70	5480
Board Related*	3699	665	81	4445
Capital Management	2120	327	9	2456
Changes to Company Statutes	1544	152	24	1719
Compensation	3274	590	57	3920
Director Elections	13182	1429	149	14760
M&A	337	12	0	349
Meeting Administration	894	82	32	1007
Other	465	249	2	715
SHP**: Compensation	78	12	0	90
SHP: Environment	135	24	0	159
SHP: Governance	128	149	2	279
SHP: Miscellaneous	9	6	0	15
SHP: Social	181	75	0	255
Total	31325	3898	426	35649

*excludes Director Elections
**SHP: shareholder proposal

VOTES AGAINST MANAGEMENT



100% of eligible votes were cast in FY24 and the number of votes on which we abstained is shown in the table above. All IFM voting decisions can be searched and viewed from our website at: IFM Investors Listed Equities – Proxy Voting Activity (glasslewis.com)

Monitoring and assessing effectiveness

We record IFM's direct engagements with listed Australian companies in our listed equities portfolio and track them in a third-party online platform which can be accessed by our listed equities portfolio team and our Sustainable Investment team. This enables a form of peer review and information sharing which helps to ensure we are focusing our engagement efforts in the right areas.

Engagement undertaken by ACSI on behalf of members is stored and tracked in a central ACSI member platform. Representatives from our Sustainable Investment team often attend engagement meetings convened by ACSI for members which allows IFM a level of scrutiny and direct involvement.

Details of all ACSI engagement meetings are recorded within the member platform. The platform enables detailed tracking on the number of engagements, method of engagement, level within the organisation at which the engagement occurred, topics discussed, detailed summaries of discussions (together with observations of progress) and publicly available materials/statements.

In addition to tracking engagement progress and voting outcomes, we also meet regularly with ACSI as well as proxy advisor Glass Lewis to discuss market issues and trends as well as significant events.

IFM's internal audit process (undertaken by an external auditing firm) includes a review of our stewardship voting activity and records against the statistics reported and procedures described in internal and external documents.

Debt investments

Our approach

Given the nature of debt investments, our debt investments team places considerable emphasis on the due diligence stage of the investment process, where we have a more pronounced opportunity to engage and influence borrowers on sustainability-related matters.

During the due diligence process, our debt investments portfolio team seeks to ensure that risks deemed material to the investment decision have been assessed and addressed, with the diligence approach then tailored to the specific asset class and product. Across our infrastructure debt and diversified credit products, our credit analysis for each investment opportunity is documented in a Credit Assessment Memorandum, which contains a section summarising any material sustainability considerations. This assessment is underpinned by an underlying risk matrix and represents the documentary core of our sustainability analysis for opportunities across these products. For the infrastructure debt products, this matrix considers 18 discrete sustainability topics, (e.g. GHG emissions, resource scarcity and degradation, labour practices, community relations) that are individually assessed in an iterative review alongside the Sustainable Investment team where required for each new investment and presented during our Investment Committee process. Our diversified credit due diligence process also leverages our due diligence risk matrix, calibrated to the opportunity set across 16 discrete sustainability topics. We believe these matrices facilitate robust identification of sustainability risks and opportunities. Where issues are deemed particularly material or nuanced, we may also draw upon third party data or expert advice when making a credit assessment.

Across treasury services, we apply a rules-based approach that excludes certain exposures in addition to identifying sustainability risks and opportunities we consider to be material in the context of our overall objective of maximising long-term risk adjusted investor returns. Any material items are summarised and presented to the IFM Investment Committee as part of the formal decision-making process.

Transition risk

In parallel to our risk matrices, our processes for our infrastructure debt and diversified credit products have integrated transition risk frameworks into their respective diligence processes. Our infrastructure debt products team utilises the Cambridge Institute for Sustainability Leadership Transition Risk framework,[27] with our diversified credit team incorporating assumptions from this framework into its enhanced climate diligence framework which is tailored to the materiality of climate risk to the investment under consideration. Both frameworks leverage established third party scenarios in order to quantitatively assess assets in higher risk sectors for exposure to transition risks.

Picture: Aleatica

[27] For detail see: Climate risk | Cambridge Institute for Sustainability Leadership (CISL)

CASE STUDY

Sustainability linked loan – servicing vessels

Rationale

In certain investments, we have the opportunity to engage with borrowers on sustainability considerations to a greater extent. For example, investments designed as sustainability-linked loans provide the ability to encourage our borrowers to go beyond 'business as usual' in the interest of improving sustainability outcomes over the life of the investment.

IFM action

In FY24, we invested in a company providing safety services to offshore vessels in the North Sea. Prior to our investment over 90% of the borrower's revenue has been generated by services related to offshore oil & gas operations. Our investment incorporates margin ratchets linked to amplifying the renewable energy-related operations of the company going forward. Specifically, the debt financing provided is linked to increasing the firm's revenue from offshore wind in the UK as well as upholding the firm's safety credentials.

The sustainability–linked margin adjustment mechanism has three KPIs:

- Increase in revenue from offshore wind;
- Addition of vessels dedicated to offshore wind servicing; and
- Maintenance of injury rates lower than industry standards.

Outcomes

Offshore wind in the North Sea mandates bespoke servicing vessels, without which we believe the UK's wind energy generation targets would not be possible. We believe companies like the borrower play a pivotal role in decarbonising the UK economy, and by structuring the transaction as a sustainability-linked loan, we have the opportunity to help boost the firm's positive impact. Furthermore, we aim to foster the ability to engage through the lifecycle of the loan and influence the company's sustainability journey, seeking to enhance risk management in our portfolio by fortifying the borrower's resilience in a decarbonising economy.

How we engage

In general, debt investments tend to provide less scope to influence and drive impact than equity investments provide. As a result, we have sought to curate a robust pre-investment diligence approach that holistically evaluates the sustainability risk and opportunity profile of a given investment opportunity.

Nevertheless, there are certain instances in which we can seek to engage borrowers post-investment, such as areas in which a risk identified at the pre-investment diligence phase materialises or where a subsequent risk issue arises. Under these circumstances the basis of our engagement will typically be, first, to gain an understanding of the issue, its materiality, and its potential to impact credit risk; secondly, we seek to determine whether mitigation actions are required, to the extent these are available. Importantly, given we are not asset owners and our investment horizons are limited, available mitigation actions can be confined to engagement only and then, as a last resort, divestment.

With respect to the issuance of credit more broadly, we may work with syndicate participants and the borrower directly on sustainability considerations and lending controls, based on our independent assessment, to the extent that is practical and applicable. This can include:

- Assessing sustainability considerations in credit research;
- Engaging with management at the issuer, arranger, or sponsor to seek sustainability specific information, including sustainability criteria and/or reporting requirements in deal documentation;
- Seeking risk mitigation actions be taken to address specific issues; and
- Continuing to monitor progress of sustainability considerations post-investment.

IFM continues to strive to engage with industry players to progress sustainability considerations in the debt investments asset class via participating in discussion forums and seminars. An example of this is our involvement in the Infrastructure Debt ESG Covenant Package Working Group[28] alongside other asset managers. The objective of this initiative is to unify sustainability data collection by providing a consistent set of requirements as 'best practice' for borrowers when reporting to lenders, in pursuit of standardising and harmonising sustainability considerations in loan documentation.

Risk monitoring and assessing effectiveness
The Risk Monitoring and Valuation team within the debt investments portfolio team, reviews and monitors the asset performance including financials and covenant certification received from the issuers. As necessary, the team engages with the issuer's management via calls and when necessary face to face meetings and site visits.

The team engages with issuers post-investment as part of the ongoing monitoring of issuers from a credit perspective. If a particular issue occurs during the investment period, be it credit-specific and/or a sustainability-related issue, or if a previous known issue becomes more material, the team will engage with the issuer to seek more information and clarifications. Depending on the terms and obligations as detailed in the lending/credit agreements, the issuer may be required to report certain credit or sustainability-related information to IFM. Sustainability-related information examples, where applicable, include reporting of environmental incidents or regular workforce safety performance. Depending on how these reporting requirements are documented, failure to comply with these additional obligations may result in the triggering of review events.

CASE STUDY

Retirement living provider – risk monitoring

Rationale
Retirement living bears some inherent social-related risks given the vulnerable customer cohort and the nature of the services provided. These can manifest in the form of customer care outcomes, potentially detrimental commercial outcomes for residents and lack of transparent disclosures in commercial contracts.

We analysed an investment opportunity with a retirement living provider which was viewed as having strong credit credentials but inherent social risks which had the potential of impacting investment outcomes.

IFM action
Diligence was undertaken on the business' s track record in delivering care outcomes and regulatory compliance as well as the governance framework and the degree of oversight. Legal diligence was also undertaken on the contracts themselves, including the transparency of the contract disclosures and their commercial construct.

Whilst comfort to invest was reached over the track record, existing state of the products and contractual disclosures from diligence, for the investment team to advance the opportunity, the debt investments portfolio team identified that further oversight and controls were required to ensure ongoing visibility over certain issues and to continue to drive positive management behaviour.

Outcomes
As a result of the higher risk identified at the pre-investment stage, additional review events were built into the loan documentation, with a view to allowing us to conduct additional monitoring over the course of the investment life.

[28] https://giia.net/feedback-welcomed-on-new-esg-covenant-package/

Private equity

Our approach

Our private equity portfolio team seeks to integrate sustainability considerations into analysis pre- and post-acquisition of portfolio companies to help identify material risks and opportunities.

Our private equity portfolio team assesses sustainability risks and opportunities in the deal screening and due diligence stage, as appropriate. This assessment includes the application of the IDEA (IFM Deal Evaluation Assessment) framework, which is a proprietary scoring system that IFM uses to rank all deals that enter the assessment process for potential private equity portfolio investments. The IDEA framework aims to facilitate debate with a view to ensuring consistency with the investment strategy, identify focus areas for due diligence and enable discussion around portfolio construction. We also often meet with target company's management teams during due diligence to screen for sustainability risks and opportunities and explain IFM's strategy and intentions post-acquisition.

The private equity portfolio team also seeks to consistently apply a sustainability due diligence tool to identify potential sustainability risks and opportunities at the initial IFM Investment Committee meeting. The tool assesses a prospective investment opportunity according to a broad sub-set of sustainability-related criteria, which are considered as part of an IFM Investment Committee recommendation to conduct further due diligence or to decline the opportunity.

When a deal reaches the IFM Investment Committee, the team seeks to identify and clearly articulate the relevant portfolio company's key environmental or social objectives; discuss sustainability risks and propose incorporating mitigations into the first 100-day plan for the asset; along with setting up tracking of the first-year sustainability-related deliverables in the bi-annual portfolio review process.

How we engage

During the ownership phase, sustainability-related objectives are established as part of the value-creation plan for individual investments and the IFM team works in partnership with portfolio company boards to seek to advance and monitor outcomes and value. Topics include supporting emissions reduction plans; enhanced employee value propositions to support diversity; regular cybersecurity risk assessment; and consistency in our sustainability-related approach for new investments for our private equity portfolio.

We believe that the IFM investment team and the relevant portfolio company boards can drive forward sustainability-linked objectives to support achieving long-term risk-adjusted investment returns. We aim to articulate sustainability-linked objectives and deliverables in our investment strategies and seek to align them with the portfolio company's purpose and culture. Portfolio company management teams are then responsible for integrating these goals into company strategy and planning processes with associated tracking and reporting (with our private equity portfolio team's support). Through our ownership period we regularly review and refresh these objectives. We maintain a dashboard of sustainability-related metrics, which help to inform these objectives each year. We report on these metrics and performance against these objectives via our annual Private Equity Sustainable Investment Report distributed to our clients.

Reviews are generally conducted twice a year. The following measures are typically included in each bi-annual review:

- Carbon reduction: progress of carbon reduction initiatives;
- Employee engagement: employee engagement surveys conducted to identify any areas for improvement and track impact of any employee initiatives;
- Measurement of diversity and inclusion statistics within portfolio companies and Workplace Gender Equality Agency[29] compliance where applicable;
- Governance: Review of the implementation of policies (for example, employee leave, codes of conduct and corruption and whistle blower-related policies), business continuity and sustainability-related planning and board accountability; and
- External checks on disaster recovery plans and data protection practices including design and implementation of recovery simulation exercises.

Engagement escalation

Engagement escalation with our private equity portfolio assets is determined on a case-by-case basis, in the same way as our infrastructure equity portfolio companies are managed.

Monitoring and assessing effectiveness

The monitoring and assessment of our private equity portfolio companies follows the same approach as our infrastructure equity portfolio companies. This is due to the direct nature of the investment and our close working relationship with the assets.

[29] The Workplace Gender Equality Agency is an Australian government agency responsible for promoting and improving gender equality in Australian workplaces. https://www.wgea.gov.au/.

CASE STUDY

Novigi – Establishing enhanced governance

Rationale

Our private equity portfolio team seeks investments in and works with high growth, entrepreneurial businesses and aims to build businesses that are highly attractive to a range of buyers. Part of our approach when onboarding a new investment is to seek to apply good governance practices that support accelerated growth, nurture the culture of the business and support continuous improvement and innovation. This begins in the due diligence phase and then is an important part of the initial '100-day plan' which we apply to our private equity portfolio investments. By taking early action, we seek to establish sustainability considerations within part of the way the relevant company operates as part of our overall approach to seeking to maximise the relevant company's long-term returns.

IFM action

Novigi is an IT Services business delivering data and technology services primarily in the wealth management sector. Our private equity portfolio acquired a significant minority stake in Novigi in February 2024. Due diligence work identified opportunities and risks to address in the first hundred days and beyond, focused on strengthening cybersecurity maturity, building enhanced finance and reporting capability, and connecting diversity and emission reduction improvements to the business's overall culture. Upon investment, a new board and wider governance structure was established and in the first hundred days the company board ratified and implemented a governance plan based on four principles:

- **Transparency of performance and risks:** New finance and operations reporting, quarterly goals and the establishment of a risk register and cybersecurity audit process;
- **Engagement of clients:** Monthly client KPI reporting and a bi-annual satisfaction survey;
- **Enhancement of talent & culture:** A new talent review and succession planning process, bi-annual engagement surveys and a range of policies to improve and measure diversity, seeking to enhance business outcomes for the company; and
- **Measurement of external impact:** Baselining of emissions to be followed by an action plan to seek to achieve net zero, linking sustainable business activity to the company strategy and culture

Outcomes

We have worked with Novigi to develop a framework to measure and improve the company's approach to integration of sustainability considerations that is built into the overall governance structure and processes of the company, including the annual board calendar, as it continues to scale. We believe this provides the foundations for sustainability-related improvements through the life of the investment and cascades measurement, risk management and performance improvement throughout the company. As examples, diversity metrics have already shown an improvement and the business believes it is on track to achieve both SOC 2[30] and ISO 27001[31] cybersecurity certifications during FY25.

[30] Home Page | SOC2

[31] ISO/IEC 27001:2022 - Information security management systems

CASE STUDY

Smart Urban Properties Australia (SUPA) – Impact during first year of ownership (implementation of renewable energy initiatives)

Rationale

We believe that by investing in companies that have unrealised, actionable opportunities for decarbonisation and by aligning these companies' products, services and operations with the transition to a net zero economy, our private equity portfolio aligns with our Purpose and supports maximising long-term investor returns.

Following investment, we seek to work closely with assets in our private equity portfolio to support their sustainability-related objectives including emissions reductions. This can also extend to supporting portfolio companies in achieving decarbonisation within their broader ecosystems.

IFM action

In August 2023, our private equity portfolio completed an investment in SUPA, Australia's first integrated infrastructure services provider that owns and operates embedded energy, fibre and technology solutions for multi-dwelling properties in Australia.

Since investment, we have supported SUPA to:

- Complete a baseline measurement of its carbon emissions and to develop an internal emissions reduction strategy;
- Increase the level of energy procurement that is attributable to renewable energy sources and to also increase the number of environmental certificate purchases, allowing SUPA to expand the delivery of efficient and affordable energy solutions to end customers and projects; and
- Partner with other infrastructure providers and property investors to upgrade existing properties and deliver electric vehicle charging infrastructure.

Outcomes

One of SUPA's flagship projects is supporting Homes Victoria to deliver over 1,000 social, affordable, specialist disability and market rental housing apartments across Flemington, Brighton and Prahran.

SUPA's contribution to the project includes providing embedded electricity by supplying and funding advanced remote meters and centralised heat pumps for hot water services. SUPA intends to also provide on-site renewable energy generation by funding, installing and operating integrated solar PV systems.

IFM Investors

Section 4

Navigating market-wide risks

Our investment teams identify, analyse, measure and monitor risks in our portfolios, including market-wide and systemic risks through their risk identification processes during investment due diligence and asset management. Systemic risks related to economic, social and environmental matters are identified by multiple teams examining the range of inherent and operational risk factors particular to assets, companies, sectors, systems and regions. Systemic risks are challenging to manage as they require us to work with or influence external stakeholders to seek to make changes in the wider economy.

Risk management

A key aspect of our process is the early identification and detection of risks. IFM's Risk Management Framework and Strategy is designed to enhance our understanding of risks and it supports us to adapt our business and processes accordingly.

Some of the approaches that IFM is taking to identify and respond to market-wide and systemic risks, and help promote a well-functioning financial system include:

Conducting research and analysis

We utilise our in-house resources and occasionally work with third-party partners to conduct research and analysis to identify market-wide and systemic risks. This covers many areas, including (but not limited to) analysing economic data and trends, changes in government and central bank policies and key investment themes.

Participating in industry associations and networks

We participate in industry associations and networks that focus on systemic risk considerations such as climate change. Our involvement helps us to stay current on developments in the industry and to collaborate with other stakeholders on identifying and addressing systemic risks.

Engaging with companies and regulators

We engage with companies and regulators to gain insights into potential systemic risks. For example, we may ask companies about their exposure to certain risk considerations or engage with regulators through our industry bodies to understand potential changes to regulation and work with them to improve the regulatory landscape where possible.

Utilising specialised tools and services

There are a variety of tools and services available to help us identify, measure and monitor risks, market volatility and liquidity. For example, our proprietary infrastructure equity portfolio risk management system, InFRAME, enables us to analyse the underlying revenue streams that drive the performance of infrastructure assets. InFRAME synthesises risk profiling, scenario modelling and portfolio optimisation to help identify and achieve a target strategic asset allocation for our infrastructure equity portfolio.

Industry and peer collaboration

IFM participates in industry collaborations that seek to address systemic risks with potential to impact on the financial system. We aim to be part of collective efforts that seek to support actions that manage systemic risks and provide transparency about them.

We are signatories to or members of a number of organisations and initiatives promoting responsible and sustainable business principles globally. Examples of organisations or initiatives include:

Australian Council of Superannuation Investors (ACSI)	IFM is a full member of ACSI, which focuses on engaging with ASX 300 companies on a range of sustainability considerations and associated risks and opportunities. IFM is represented on the ACSI Member Council and the Board.[32] In FY24, we were members of several ACSI working groups, including the Diversity other than Gender Working Group, Social Factors Working Group, Climate Disclosures Working Group and the Working Group on Rights and Cultural Heritage Risk Management. **Diversity other than Gender Working Group** By 30 June 2024, the working group had completed research into diversity, including policy settings in both Australia and internationally, existing frameworks for diversity and inclusion, and the current state of diversity reporting in Australia. Following this research, the working group has also conducted interviews with companies, experts and regulators to understand the types of opportunities that might be useful in the Australian context. **Social Factors Working Group** Research has been undertaken in FY24 to focus on developing a framework outlining financially material workforce indicators that ACSI would like companies to disclose in relation to their workforces. **Climate Disclosures Working Group** The working group informed ACSI's work on mandatory climate-related financial disclosure legislation and the Australian Sustainability Reporting Standards, and this work was developed in the meetings and communicated in engagement with regulators during FY24. **Working Group on Rights and Cultural Heritage Risk Management** In February 2024, ACSI made a submission on the Federal Government's First Nations Clean Energy Strategy.[33] In March 2024, ACSI also made a submission to the Federal Government's consultation on offshore oil and gas regulatory approvals, which was focused on the requirements for companies to consult with affected stakeholders (including First Nations people). ACSI recommended the Australian Government embed requirements that align with international standards and principles, including free, prior and informed consent.
Australian Sustainable Finance Institute (ASFI)	IFM has been a member of 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. IFM is supporting ASFI's initiative to develop an Australian Sustainable Finance Taxonomy. IFM is a member of the ASFI and the Australian Government expert group established in FY24 to support the development of technical screening criteria, starting with three priority sectors: minerals, mining and metals; buildings; and electricity generation and storage.
CERES Investor Network	As an active member of the CERES Investor Network, we participate in the initiative's Policy Working Group in the US. In FY24, the Policy Working Group discussions centred on how group members have been managing the implications of anti-ESG bills for their respective firms.
Climate Action 100+ (CA100+)	IFM is a signatory to CA100+, an investor-led initiative that focuses on encouraging the world's largest corporate greenhouse gas emitters to take necessary action on climate change.[34] IFM's participation in this initiative involves engaging with several of Australia's highest greenhouse gas-emitting publicly listed companies. The CA100+ benchmark provides a consistent framework of 11 categories that guides our discussions with companies that aim to encourage improvements in their decarbonisation strategies.
FCLT Global	FCLT Global's mission is to focus capital on the long-term to support a sustainable and prosperous economy. IFM is a member of FCLT Global, with our CEO and one of the IFM Board members holding two FCLT Global Board seats. A number of our senior executives contribute to and attend its work programs and events, contributing practice experience, including at its summit. In FY24, IFM contributed a section to FCLT Global's Blue Book[35] and IFM's CEO participated in a podcast on long term investing.

[32] For further details see: https://acsi.org.au/about/board-member-council/

[33] First Nations Clean Energy Strategy | energy.gov.au

[34] For further details see: http://www.climateaction100.org/

[35] https://www.fcltglobal.org/wp-content/uploads/Blue_Book_2024_web.pdf

Principles of Responsible Investment (PRI)	IFM has been a signatory to the PRI since 2008 and representatives from IFM have participated in a number of collaborative engagements and investment practice committees over the years. In FY24, IFM participated in PRI's sovereign engagement working group, which brings together Australian and global investors to engage with different parts of the Australian Government to seek to better understand and influence the management of climate-related risks at the sovereign level. We also participated in workshops on system-level risks and attended a number of other events.
Institutional Investor Group on Climate Change (IIGCC)	IIGCC focuses on bringing the investment community together to help build a climate resilient future. We are active participants in the group's Policy Advocacy Group, providing analysis and information to support the IIGCC's engagement with policymakers on the transition to a low carbon economy and development of approaches for net zero alignment of investments. We also use the IIGCC's Net Zero Investment Framework to guide the development of climate action plans across our asset classes.
Investor Group on Climate Change (IGCC)	The IGCC is a collaboration of Australian and New Zealand investors focusing on the impact of climate change on the financial value of investments. The IGCC operates through several working groups which help shape its position on key issues through the collaborative effort of members. IFM has been an active participant on the IGCC's Policy & Advocacy Working Group, Investor Practice Working Group, and Corporate Engagement Working Group, providing input and developing positions and practices to support the transition to a low carbon economy including work specifically designed to inform the Australian Government's development of six first-ever sectoral decarbonisation plans.
Investors Against Slavery and Trafficking Asia-Pacific (IAST APAC)	Through IAST APAC, we have the opportunity to lead and support engagement with a number of ASX companies, including large retailers, where we discuss how these companies are locating, fixing and seeking to prevent human rights abuses in their supply chains as well as their own workforces. We continue to consider ways to expand our involvement in this initiative and other direct modern slavery focused engagements.
Net Zero Asset Managers Initiative (NZAMI)	IFM is one of NZAMI's 30 founding signatories and was one of Australia's first asset managers to sign up to it. We have been working with a growing number of co-signatories to share our infrastructure expertise and assisting NZAMI's aim of supporting the asset management industry to commit to net zero emissions by 2050 or sooner. In August 2024, we submitted our annual reporting update to the NZAMI. This provided an opportunity for IFM to demonstrate implementation and progress against our own NZAMI target. The information set out in the report will be publicly available.
Partnership for Carbon Accounting Financials (PCAF)	IFM signed a letter of commitment with PCAF in February 2022 and committed to disclosing certain financed emissions using jointly developed GHG accounting methodologies by February 2025.
Responsible Investor Association Australasia (RIAA)	RIAA champions responsible investing and a sustainable financial system in Australia and New Zealand. Representatives from IFM are members of its Human Rights, First Nations Peoples' Rights, and Nature working groups, which help inform our stewardship approach and may also feed into our due diligence process for new transactions.
UK Sustainable Investment and Finance Association (UKSIF)	Our Global Head of Sustainable Investment sits on UKSIF's Board, bringing the perspective of a long-term capital investor. In FY24, the focus has been on supporting the industry with the implementation of the new UK Sustainability Disclosure Requirements[36] and developing policy positions and recommendations across the key parts of the real economy (such as energy, housing and transport).
40:40 Vision	The 40:40 Vision[37] is an Australian initiative working towards gender balance in executive leadership across all ASX 200 companies by 2030. Our Chief Executive David Neal sits on the 40:40 Vision Steering Committee.

36 UK Sustainability Reporting Standards - GOV.UK (www.gov.uk)

37 For further details see here: https://www.hesta.com.au/4040vision

FY24 collaboration highlights

CASE STUDY

Super collaboration - Affordable housing Australia

Rationale

In 2022 the Australian Government agreed to a National Housing Accord (Accord)[38] with states and territories, local government, the construction sector, institutional investors and IFM. This Accord aims to deliver on public objectives, in part by enhancing the risk-return profile of institutional investments in affordable housing. The public objectives include that Australians have access to safe, stable and affordable housing, as well as better housing choices near work, schools and transport. The Accord also recognised that Australia, which had the world's third largest pool of capital in its superannuation system, required public policy intervention to make investments in affordable housing at scale in pursuit of stable returns over the long term for the benefit of members. Among the policy interventions advanced by the Accord is the Housing Australia Future Fund (HAFF), through which the Australian government subsidises the investment return outcome for qualifying projects.

We believe our participation in the Accord and engagement with the HAFF program not only is an opportunity to generate long-term risk-adjusted returns, but also can help address the need for affordable housing supply in Australia.

IFM action

We worked with four superannuation funds to collectively partner with Community Housing Providers (CHPs) to support an initial investment in social and affordable housing through the HAFF.

We have been working closely with these funds to explore opportunities to invest in social and affordable housing at scale to deliver appropriate long-term risk adjusted returns to their members.

Outcomes

Through an IFM-managed investment structure, we intend to seek to support applicants in the first round of the HAFF program, by providing long-term debt to CHPs. We believe this is an important component of the third-party capital required to achieve the Commonwealth Government's goal of delivering 40,000 new social and affordable rental homes in the HAFF's first five years.

[38] Delivering the National Housing Accord | Treasury.gov.au and National Housing Accord 2022 (treasury.gov.au)

CASE STUDY

Memorandum of Understanding with GrainCorp Limited (GrainCorp) on Sustainable Aviation Fuel (SAF)

Rationale

We manage investments in major airports in Australia and globally. We believe development and production of SAF is key to the decarbonisation of these assets and therefore the long-term risk adjusted returns of these assets.

Emissions from aviation currently account for approximately 2% of global energy- related emissions and are growing faster than other transport-related emissions.[39] Aviation emissions are predominantly caused by the combustion of kerosene-based jet fuel and are considered 'hard-to-abate' due to the energy density requirements of fuels for medium and long-haul aviation and the compatibility of existing airline fleets and refuelling infrastructure with alternate methods of propulsion.[40]

While it is likely that commercially mature hydrogen and electric solutions for short haul aviation will emerge, they are not anticipated to reach market until 2035 at the earliest and will require significant re-development of aircraft and airside refuelling infrastructure.[41] We believe that, ultimately, this positions SAF as the only reliable decarbonisation solution for medium and long-haul aviation out to 2050, which collectively account for c. 73% of aviation emissions.[42]

Aircraft emissions are considered scope 3 emissions for airports and account for at least c. 80% of an airport's total carbon footprint.[43] As an owner of airports and midstream infrastructure, our infrastructure equity portfolio considers mitigation of aircraft emissions through the use of SAF to be both an investment and decarbonisation opportunity.

Given the multiple airport holdings of our infrastructure equity portfolio in Australia which fall under an integrated regulatory environment, we made a strategic decision to focus on SAF in Australia in the first instance.

IFM action

In November 2023, we announced a memorandum of understanding with leading Australian agribusiness and processing company, GrainCorp. Together with GrainCorp, we have commenced a feasibility study on the creation of a SAF supply chain in Australia. Central to the study is the structuring of a long-term feedstock supply framework that is expected to see a wide range of feedstocks (including crop-based oils, bio-organics, wastes and residues) converted into SAF and other low-carbon fuels through large scale refining infrastructure. In working with GrainCorp, we are focused on seeking to build a long-term and sustainable pathway for contributing to the decarbonisation of Australian aviation.

Outcomes

We see the development of a SAF industry in Australia as critical for our Australian airport assets, who we expect to have the opportunity to benefit from a reduction in scope 3 emissions through airlines' use of SAF. More broadly, the Australian Government has signalled the decarbonisation, economic and security benefits of developing a SAF industry in Australia, and we view our work to date with GrainCorp as providing forward-thinking leadership to the nascent industry.

[39] IEA 2024, https://www.iea.org/energy-system/transport/aviation

[40] McKinsey 2023, https://www.mckinsey.com/industries/aerospace-and-defense/our-insights/decarbonizing-aviation-executing-on-net-zero-goals

[41] IATA 2019, https://www.iata.org/contentassets/d13875e9ed784f75bac90f000760e998/fact_sheet7-hydrogen-fact-sheet_072020.pdf

[42] ATAG 2021, https://aviationbenefits.org/media/167417/w2050_v2021_27sept_full.pdf, page 56

[43] https://aviationbenefits.org/media/167417/w2050_v2021_27sept_full.pdf, page 12

Engaging with government bodies and policymakers

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

During FY24, we continued 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, including through strengthening the financial systems in which we operate and reducing 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.

We have also continued to highlight the significant opportunity of mobilising superannuation and pension capital, for new infrastructure projects and, where practicable, for supporting the decarbonisation of existing infrastructure, while continuing to deliver reliable returns.

Regional advocacy activity

Australia

Improving long-term superannuation performance

IFM participated in the Australian Government's review of Your Future, Your Super (YFYS) measures[44] in the first calendar quarter of 2024. IFM had previously participated in the Government's YFYS Technical Working Group and made written submissions to earlier reviews. 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 sought to put the focus of the test on aspects of investment strategy and portfolio construction which we see as major contributors to long-term returns.

Low carbon liquid fuels

IFM participated in the Australian Government's consultation on the policy support for the development of a low carbon liquid fuels industry in Australia, which feeds into the Australian Government roadmap for a net zero transport sector.[45] We believe low carbon liquid fuels like SAF will have an important role in transition strategies, offering a decarbonisation pathway for many hard-to-abate sectors, such as aviation, shipping and heavy transport.

Treasurer's Investor Roundtables

IFM has participated in the Australian Treasurer's Investor Roundtables since inception. Working with our industry superannuation fund owners, we have advocated for a number of reforms to enhance long-term risk adjusted returns for superannuation funds while contributing to national priorities, such as the energy transition. In December 2023, the Treasurer announced an expansion of the Australian Government's support for a sustainable finance taxonomy, a process to consider reforms to the superannuation performance test to reduce the degree to which it may discourage investment in certain asset classes, and key principles on the development of sector decarbonisation plans.

[44] Review of Your Future, Your Super Measures | Treasury.gov.au

[45] Transport and Infrastructure Net Zero Consultation Roadmap | Department of Infrastructure, Transport, Regional Development, Communications and the Arts

CASE STUDY

Super-powering the energy transition: A policy blueprint to facilitate superannuation investment

Rationale

Australia faces significant climate-related risks as well as significant economic opportunities, thanks to its wind and solar resources, vast land mass, reserves of critical minerals and strong capital markets. We believe forward-looking policy action and coordination across the Australian economy will help reduce transition, technology and other risks faced by long-term institutional investors such as superannuation funds and help build a pipeline of investment opportunities with appropriate risk-return profiles.

IFM action

On 30 November 2023, IFM along with eight major profit-to-member super funds: AustralianSuper, Australian Retirement Trust, CareSuper, Cbus, HESTA, Hostplus, Rest Super and UniSuper, together managing a collective approximately AUD 1 trillion – released *Super-powering the energy transition: A policy blueprint to facilitate superannuation investment*.

We supported the development of the blueprint through research and engagement with investment teams and other stakeholders to help understand investment challenges in the Australian market and identify potential solutions.

The blueprint made a series of policy recommendations to Commonwealth and state governments that we believe could enable significant investment into Australia's energy transition while delivering strong risk-adjusted returns for working people's retirement savings.

These recommendations included fast-tracking planning, expanding transmission investment opportunities, extending revenue and regulatory support to a range of battery storage technologies and developing a local SAF industry.

Outcomes

We believe the blueprint was well received by the Australian Government as well as by civil society stakeholders, clients and industry bodies. Since its release we have continued to advocate for the recommendations, with a number of initiatives consistent with some of our recommendations having already been adopted, such as the Commonwealth Government's delivery of an expanded capacity investment scheme, the introduction of nationwide fuel efficiency standards to drive the uptake of electric vehicles and a May 2024 Budget allocation of AUD 18.5 million over four years to develop a certification scheme for SAFs and renewable diesel. The Commonwealth Government has also identified low carbon liquid fuels as one of five priority areas under its Future Made in Australia[46] agenda. The blueprint also has formed the basis for our advocacy settings on the development of a local SAF industry (see SAF case study).

United States

Closing the infrastructure gap

In FY24, we continued to advocate for legislation that we believe 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 engaged with the nation's governors, 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 are active members of policy organisations such as the National Governors Association (NGA) and industry groups such as the Global Infrastructure Investor Association[47] which afford IFM opportunities 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.

[46] https://treasury.gov.au/policy-topics/future-made-australia
[47] Welcome to GIIA | GIIA

CASE STUDY

Working with state governors to close the infrastructure gap

Rationale

As implementation of the Infrastructure Investment and Jobs Act began, the NGA played an important role in encouraging each of the nation's governors to appoint an 'infrastructure coordinator' focused on leveraging available federal financial resources and seeking to ensure they were put to use in project implementation. The NGA convenes these coordinators regionally for discussion and debate on progress in their respective states.

IFM action

As an engaged corporate partner of the NGA, we have had a presence at over half a dozen NGA-convened meetings with state officials to share best practices and discuss ways in which Public-Private-Partnerships (P3s) can be a creative solution to infrastructure financing challenges.

Outcomes

Our presence at the NGA convenings has supported us in securing several engagements from officials interested in the role public-private-partnerships can play in their state. While we see such P3 arrangements as complex and requiring effort that often transcends gubernatorial administrations, we believe we have solidified our place as a trusted partner to the US Government on infrastructure financing matters.

United Kingdom and Europe

Managing social considerations

Following the Department for Work and Pensions' consultation on consideration of social risks and opportunities by occupational pension schemes, the Taskforce on Social Factors was established in the UK in 2023 to help pension schemes address social factors in their investment decisions. Chaired by IFM's Chief Strategy Officer, Luba Nikulina, and co-chaired by IFM's Global Head of Sustainable Investment Maria Nazarova-Doyle,[48] in FY24 the Taskforce on Social Factors continued to develop guidance spearheaded by market practitioners across the investment industry, including pension funds, insurers, relevant membership associations and non-governmental organisations and observers from government departments and regulators.

The guidance aims to support UK pension scheme trustees to further integrate social considerations into their investment decisions and stewardship activities.

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 guidance and supporting materials were launched by the UK Pension Minister in March 2024.[49]

Engaging on legislation and regulations

IFM has participated in UK public policy debates as they pertain to the role of pension funds and pension funds' investments in contributing to economic growth. This has included responding to a number of consultations across the three major dimensions of the pension fund system: corporate Defined Benefit schemes, the Local Government Pension Scheme and corporate Defined Contribution (whether single-employer trust based, Group Personal Pensions or multi-employer Mastertrusts which serve the Automatic Enrolment market). Drawing on our Australian system expertise, we have argued for consolidation within each of these sectors to drive greater allocations to unlisted assets, suggested that the UK Government consider the case for setting up a collective pension funds-owned vehicle for unlisted investments, and argued that AE should be regulated like a utility to ensure those for whom the policy was intended to serve – low and middle income earners – get the best possible quality service. In addition to the consultation responses, we have made these arguments in meetings with government ministers and officials, and at industry/government events such as at the Mansion House Conference organised by the City of London Corporation (COLC) and in the Global Investment Futures Steering Group of the COLC.

IFM also chaired a discussion at the annual conference of the Global Infrastructure Investors Association with the Shadow Minister for the Cabinet Office, who has since assumed the role of Minister.

[48] These Chair and Co-chair roles with the Taskforce are voluntary positions in addition to their roles at IFM. Maria Nazarova-Doyle joined IFM in September 2023.

[49] For further details see: https://www.gov.uk/government/publications/considering-social-factors-in-pension-scheme-investments-a-guide-from-the-taskforce-on-social-factors

CASE STUDY

Memorandum of Understanding with the UK Government

Rationale

We believe partnerships between governments and long-term investors are necessary to unlock the potential of pension funds to invest to help mitigate system-level risks such as climate change. We opened an office in London in 2006 and are continuing to build our presence in the UK, including through our infrastructure equity and debt investments portfolios.

IFM action

In November 2023 we signed a Memorandum of Understanding (MoU) with the Government of the United Kingdom, announcing our intention to invest £10 billion in the UK by 2027. Supported by our major shareholders, the MoU is between IFM and the Department for Business and Trade of the Government of the UK.

The MoU intends to facilitate collaboration between IFM and UK Government departments to provide greater understanding of policy priorities and the ongoing development of the infrastructure and energy transition sectors.

Outcomes

We believe the MoU signed during FY24 will assist in driving our investment in the UK across large-scale infrastructure and energy transition projects by working with the government to identify commercially viable opportunities for investment.

Picture: Swift Current Energy

Section 5

Climate change and advancing our net zero transition

Picture: Stansted Airport

Climate risks and our commitment to emissions reduction

Climate change and the energy transition

Climate change poses a systemic risk to the global economy and long-term investment returns. We believe that the most efficient way to contribute to mitigating this risk for our clients is to consider whether, and if so, how the assets within our portfolios can transition to a net zero economy in a manner in line with the goals of the Paris Agreement. Echoing the agreement reached at COP28, we believe that long-term investors benefit if this transition happens in a just, orderly and equitable manner to maximise long lasting benefits throughout the global economy.

Our net zero target

IFM has set a target to reduce greenhouse gas emissions, targeting net zero across our asset classes (scope 1 and scope 2 emissions) by 2050. This target does not apply to client mandates.[50] The work to determine our approach to deliver on this target is ongoing, tailored across asset classes and aligned with our priority to maximise risk adjusted returns for our clients.

Our overarching climate strategy focusses on transition, adaptation and climate solutions investment, rather than divestment. We also recognise that our ability to achieve our net zero targets will be dependent on advances in technology, alternative energy sources being available at scale and policymakers and portfolio companies making and delivering on their own net zero commitments. Decarbonising a portfolio and its underlying assets cannot be achieved in isolation and will always be linked to the local political, technological and geographical context in which assets operate.

Interim target

In 2021 IFM set an initial decarbonisation reference target[51] to reduce scope 1 and scope 2 emissions by at least 1.2 mtCO_2e (million metric tonnes of CO2 equivalent) across our infrastructure equity portfolio by 2030, as against the 2019 baseline total portfolio emissions of 3.0 mtCO_2e. As anticipated, when the initial target was set, the target has been adjusted annually to reflect both divestments and acquisitions of the infrastructure equity portfolio. It was updated most recently in 2023, to a reduction of 1.97mtCO_2e as against the adjusted 2019 baseline of 6.0 mtCO_2e. As of 30 June 2024, the infrastructure equity portfolio represents approximately 50.5% (USD 73.6bn) of IFM's assets under management across all asset classes.

For our private equity portfolio, we are targeting a 45% reduction in scope 1 and scope 2 emissions by 2030 (from a 2020 baseline).

IFM's debt investments portfolio team and listed equities portfolio team continue to evaluate net zero targets across their portfolios.

IFM is working closely with a cross-section of our clients and wider industry stakeholders to seek feedback on these interim targets as they evolve.

Net Zero Investment Framework

Since 2020, we have sought to improve our ability to measure our progress on the pathway to net zero for our assets, and we continue to both monitor and contribute to the evolution of NZIF 2.0, the Net Zero Investment Framework[52] (Framework) of the Paris Aligned Investment Initiative and its four investor networks (AIGCC, Ceres, IGCC and IIGCC), with our own strategy and targets being guided by the Framework where practicable and relevant. The Framework was developed and adopted by a number of asset managers and owners in collaboration with data providers and investment consultants and offers asset class specific guidance on net zero target setting, strategies and transition plans.

Principally, monitoring the development of the Framework allows us to consider actions and levers available at the firm, portfolio and asset levels to assess the extent to which assets under management are *aligning* to, *aligned* to, or *achieving* net zero as defined in the Framework.[53] We believe understanding this distribution will allow us to more efficiently monitor and guide our progress against our net zero target.

IFM continues to work closely with a cross-section of our clients and wider industry stakeholders to support the evolution of the Framework, develop new guidance and address methodological gaps to seek to provide investment managers with the tools to support their transition journeys.

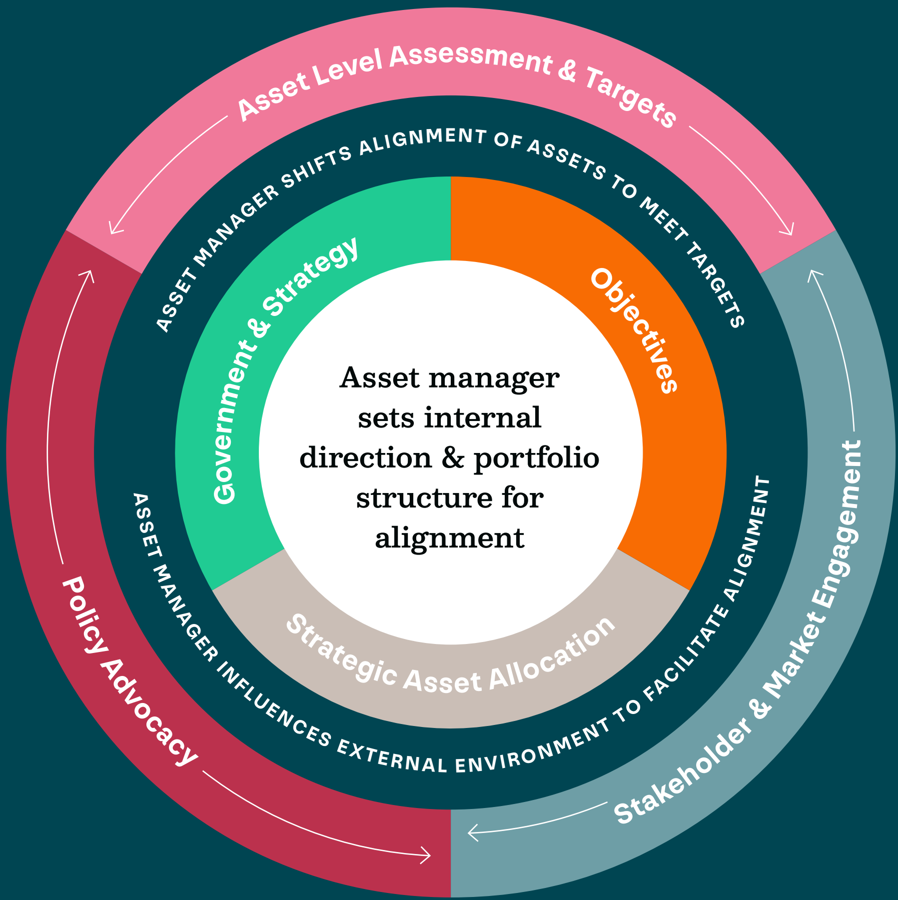
50 Our listed equities client mandates are based on specific arrangements with our clients and reflect their own approach to sustainability considerations.

51 IFM Investors Pty Ltd – The Net Zero Asset Managers initiative

52 Net Zero Investment Framework updated: NZIF 2.0 (iigcc.org)

53 Please note that assets under management mapping is applicable only to assets committed to being managed in line with net zero (i.e. bespoke client mandates are excluded from this exercise at present).

The IIGCC's Net Zero Investment Framework 2.0



Governance & Strategy
Establishing the basis, legitimacy, and actions required by investors to address climate-related transition risks.

Objectives
Establishing net zero objectives over a ten-year period, enabling net zero strategy and target performance assessment.

Strategic Asset Allocation
Integrating net zero objectives into the asset allocation process, complementing traditional risk/return objectives.

Asset Level Assessment & Targets
Helping investors shift the alignment of underlying holdings (assets) to be consistent with net zero goals and objectives.

Stakeholder & Market Engagement
Facilitating the availability of data, mandates, and investment advice necessary to achieve net zero objectives.

Policy Advocacy
Addressing barriers to, and captures opportunities for, net zero alignment created by the wider policy and regulatory environment.

The above is adapted from IIGCC's NZIF 2.0, 'The Wheel', on p.11 of NZIF 2.0 Report PDF.pdf (iigcc.org). The 'Policy Advocacy' and 'Stakeholder & Market Engagement' components are covered in Section 4 of this report.

What is net zero?

Net zero is a global goal to reduce greenhouse gas (GHG) emissions to zero or a residual level, with any residual emissions balanced by absorbing an equivalent amount from the atmosphere, while limiting global warming to below 2 degrees Celsius (while pursuing efforts to limit the increase to 1.5 degrees).

Why does net zero matter to our clients?

Climate change can put our investments at increased risk through physical impacts (e.g. extreme weather events) and transition risks (e.g., policy changes and technological shifts). Limiting the global temperature rise to below 2 degrees Celsius from the 1990 level reduces the risks and impacts of climate change. A net zero target helps us consider and manage these risks by aligning our portfolios - over time - with a lower-carbon economy, thus helping to protect investments from future climate-related disruptions. In turn, this supports, our overall aim of maximising long-term risk-adjusted returns for our clients.

We believe that companies and assets that are aligning with net zero goals are likely to be more resilient in the long term. By investing in certain businesses that are resilient and adapting to a transitioning future, we seek to drive sustainable growth and help to deliver long-term returns. Additionally, transitioning to a net zero economy presents new investment opportunities in existing and emerging renewable energy, green technologies and sustainable infrastructure.

Climate governance and strategy

Governance of IFM's climate strategy is consistent with that set out in Section 7, with the IFM Board setting the strategy to build on existing work already achieved and continue to improve outcomes related to climate change, and with the Board Responsible Investment and Sustainability Committee (BRISC), a sub-committee of the IFM Board, maintaining oversight of climate-related initiatives, performance and actions.

Consideration of climate risks and opportunities is a responsibility of IFM's investment teams, supported by internal and external sustainability professionals. The asset class-specific net zero approaches and targets are determined and implemented by the respective asset class investment teams and are informed by the asset-class specific guidance set out in the Framework. Details of these approaches and the actions taken are set out below, with progress and achievement of key milestones factored into staff remuneration through the Sustainability Scorecard or additional objectives for teams and individuals as set out in Section 7.

In addition to the efforts to transition our current portfolios, we have continued to invest in businesses with sustainability-related objectives through our existing products as highlighted by some of the case studies contained in this report.

We continue to enhance our public and client-specific sustainability and climate-related disclosures, consistent with changing regulations relating to climate-related financial disclosures, such as SFDR and more recently the International Sustainability Standards Board (ISSB) standards,[54] and changing stakeholder expectations.

Targets and objectives

To support our asset class specific transition approaches and decarbonisation targets, we continue to enhance our financed emissions reporting, which is detailed at the end of this section. Information on IFM's corporate emissions footprint and details of steps being taken to reduce this are set out in Section 6.

Our asset class specific approach

The following sections provide details on how we have integrated the considerations of climate risks and opportunities for each asset class. This is an ongoing and evolving effort. We also detail our progress against Strategic Asset Allocation and Asset Level Assessment, both of which are defined and set out in more detail in the Framework.

Working towards net zero in our infrastructure equity portfolio

We continue to recognise the role we can play in the decarbonisation of global infrastructure assets and continue to focus on taking action to reduce the scope 1 and scope 2 emissions of assets in our infrastructure equity portfolio where practicable.

[54] IFRS - International Sustainability Standards Board

We seek to invest in infrastructure assets where there is opportunity to have governance rights to help drive emissions reduction outcomes while creating value and generating long term net returns. The unpredictable pace at which the energy transition is unfolding requires us to frequently scrutinise our existing portfolio's adaptation strategy to seek to ensure our assets are prepared for the challenges presented by the global transition to a low-carbon economy. We also encourage our assets to explore the opportunities associated with such a transition, where practicable.

Our due diligence process takes a risk-based approach to assessing both physical and transition risk for new investments in our infrastructure equity portfolio, with an aim to understand and, minimise risk. As part of this assessment we typically consider:

- Whether the company's GHG pathway is aligned with IFM's decarbonisation targets;
- Scenario analysis for both physical and transition risks;
- Material transition and physical climate risks and the time frame over which these might impact the investment;
- If management has assessed physical and transition risks and if it has put mitigation actions in place;
- Operating and capital expenditure in the business plan to address physical impact from climate change;
- The risk of the asset becoming a stranded asset; and
- Any climate-related opportunities that have been identified.

Once we acquire an asset, we seek to work with the asset in areas which were identified in the pre-investment due diligence stage as requiring improvement.

When managing our infrastructure equity portfolio investments, we aim to focus on the following activities:

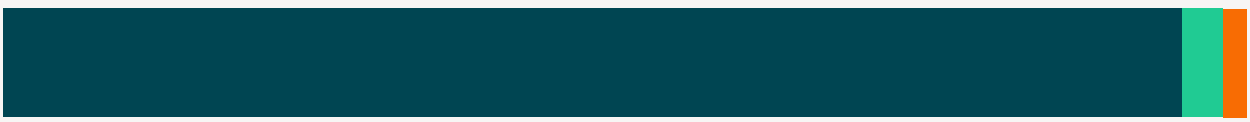
- Collecting and monitoring sustainability data, including emission performance and seeking improvements in data quality;
- Setting scope 1 and 2 decarbonisation targets where these were not previously in place;
- Working collaboratively with the directors and management of the assets to share tangible transition strategies and practices; and
- Re-baselining and adjusting portfolio level emission reduction targets for significant changes in the portfolio make-up, in line with the GHG Protocol and the Partnership for Carbon Accounting Financials methodology.[55]

Supporting these areas and achieving high coverage of sustainability-related data amongst our infrastructure equity portfolio assets allows us to consider our approach against the Framework requirements across ambition, targets, disclosure, governance, decarbonisation plans and emission performance as set out for the infrastructure asset class methodology. Ultimately, our active engagement reflects our heightened focus on strategy and practical measures to build transition planning competency across our assets.

The figure below illustrates the infrastructure equity portfolio company target setting coverage obtained as at the end of FY23. The percentage of coverage will be expected to fluctuate in future years as new assets, of differing emissions management maturity, are acquired. Consistent with our work program set out above, we intend to work with new infrastructure equity portfolio companies to set targets where they were not previously in place.

% of emissions

% of net asset value (NAV)



[55] Enabling financial institutions to assess and disclose greenhouse gas emissions associated with financial activities (carbonaccountingfinancials.com)

In 2023, the infrastructure equity portfolio team developed an in-house maturity framework to assess progress of transition planning. This framework utilises international guidance and contains five pillars: climate governance, decarbonisation, transition risks, physical risks, and integration of climate work within the wider portfolio company processes. The underlying criteria of each pillar were internally developed and are aligned with the six criteria defined in the Framework guidance for infrastructure assets[56] to help measure alignment maturity. As part of this maturity assessment, we identified material transition issues sector-by-sector and asset-by-asset, reflecting the diversity of opportunities and challenges our assets face. We aim to continue to work on building on the transition maturity of our infrastructure equity portfolio assets through FY25 and onwards.

We seek to collaborate with our infrastructure equity portfolio companies to progress their transition plans and strategies. We recognise that different geographies, sectors and assets have different challenges and opportunities, so we work to ensure the portfolio companies are prepared for a variety of transition risks. In line with this approach, we developed a transition planning playbook specifically tailored for infrastructure equity portfolio companies which incorporates best practice from internationally recognised frameworks such as the Transition Plan Taskforce (TPT),[57] Taskforce on Climate Related Financial Disclosures (TCFD)[58] and Carbon Disclosure Project (CDP).[59] We made this playbook available to all our portfolio companies and hosted round tables to discuss its application with sustainability practitioners and senior leadership from the majority of our infrastructure equity portfolio companies.

The development of this playbook highlights our focus on stewardship, strategy, and practical measures to build transition planning capacity and competency internally and across our infrastructure equity portfolio assets.

With respect to tracking our progress against the interim scope 1 and 2 reduction target set for the infrastructure equity portfolio, the GHG footprint has been reduced by 1.03mtCO_2e as of end of FY23. This represents a 52% progress reduction in GHG emissions in relation to our 2030 target (1.97mtCO_2e based on the 2019 baseline), which is approximately 37% ahead of the forecast for FY23 (0.75mtCO_2e) from when the baseline and pathway were established.[60]

It should be noted that the progress in reducing emissions in any one asset or across the full portfolio is unlikely to be linear. As such, while the reductions demonstrate meaningful progress, future reductions are not taken for granted and will continue to be influenced by factors such as changes in portfolio composition and sector exposure, hence the importance of IFM's close engagement with portfolio companies to continually assess the credibility and progress of GHG reduction plans.

Our annual climate change report provided to our clients on our infrastructure equity portfolio assets outlines our progress against emissions reduction targets, and helps us showcase the ways we seek to use stewardship in our management of our infrastructure equity portfolio assets. We also report progress annually to NZAMI as described in Section 4.

56 Guidance for infrastructure assets - complement to the Net Zero Investment Fram
57 Transition Plan Taskforce | Setting a gold standard (transitiontaskforce.net)
58 Task Force on Climate-Related Financial Disclosures | TCFD) (fsb-tcfd.org)
59 Home - CDP
60 FY23 is the latest calculation available at time of reporting.

CASE STUDY

Investing in the energy transition

Rationale

Naturgy is a leading global utility company and has been part of our infrastructure equity portfolio since October 2021. The company's diversified infrastructure assets span over 20 countries and service close to 16 million customers. We believe the company has an opportunity to continue to transition in line with our overall sustainable investing approach and our aim to maximise risk-adjusted returns over the long-term for our clients.

IFM action

Our asset management approach has included representation on the company's board and engagement with co-shareholders, noting the listed nature of the company.

Outcomes

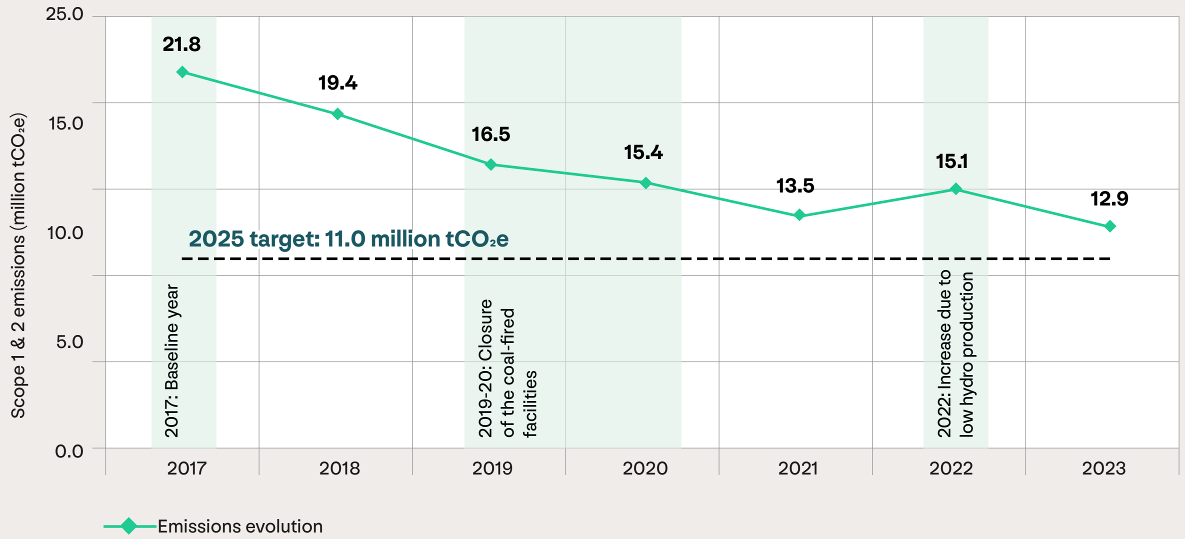
Naturgy has a publicly stated goal of trying to achieve net zero emissions by 2050 for scope 1 and 2 emissions and reducing its total scope 1 and 2 emissions by c. 50% by the end of 2025 (compared to the 2017 baseline).

As of end of 2023, Naturgy confirmed that it had already achieved a 41% reduction of its scope 1 and 2 emissions as compared to the 2017 baseline.

In 2022, Naturgy experienced an increase in scope 1 and 2 emissions. Naturgy have stated that this was due to low rainfall during the period, which led to a higher gas-fired power generation to provide security of energy supply and meet energy demand. In 2023, precipitation levels were more akin to as anticipated by Naturgy with Naturgy's renewable power production then increasing – refer to the graph below for details.

By the end of 2025, the company aims to increase its operational renewable capacity from the current c. 6.5 GW to 10 GW. This expansion is expected to focus on wind and solar power, with significant investments in Spain, Australia and the United States. From July 2023 to June 2024, 953 MW of wind and solar projects came into operation, increasing the renewable installed capacity to 41.4% of total power generation capacity.

In addition to renewables, Naturgy is investing in biomethane production as a low carbon alternative solution to substitute and reduce dependence on natural gas. As of June 2024, Naturgy owned c. 3MW of combined biomethane production capacity in three operational plants which allow the injection of c. 0.30 TWh/year into the natural gas network. Naturgy is expected to continue to progress the deployment of biofuels in Spain, with 37 biomethane projects under different stages of development as at the date of this report.



Source: IFM Investors

Working towards net zero in our listed equities portfolio

Our listed equities portfolio is predominantly made up of client mandates which are currently outside the scope of IFM's net zero targets. Nevertheless, when required, we work with our clients to understand their needs and tailor IMAs to meet their decarbonisation strategies. This could, for example, include selecting investments that meet limits on emissions compared to a benchmark.

Outside of portfolio construction and strategy, a key focus area for our listed equities portfolio is company engagement. As detailed in Sections 3 and 4 of this report, we work with ACSI on a wide range of issues including climate change. We are also members of Climate Action 100+ and we use their benchmark which aims to encourage improvements in focus companies' decarbonisation strategies, as a guide for interactions with companies when appropriate.

CASE STUDY

Woodside Energy (Woodside) – "say on climate" vote

Rationale

Our listed equities portfolio company, Woodside, is one of the world's largest oil and gas companies. Woodside held its second 'say on climate' for its shareholders to vote on its climate strategy at its AGM in April 2024. The highly anticipated vote came two years after it received a vote of approximately 49% against its first 'say on climate' – the highest ever vote against a 'say on climate' in Australia at the time. We had been dissatisfied with Woodside's climate strategy for some time and last year we voted against two director re-elections on climate grounds and wrote to the company to formally communicate our voting rationale.

IFM action

In collaborative engagements alongside ACSI and Climate Action 100+, we met with Woodside nine times in the preceding 12 months to the April 2024 AGM, in an effort to work with the company on improving its climate strategy.

Outcomes

We note that there are some improvements in Woodside's climate strategy, namely in relation to increased disclosure. At the FY24 AGM, however, we continued to vote against the climate strategy with the 'say on climate' receiving an even stronger vote against than the previous one, with a result of 58.4% against.

The high vote against Woodside's climate strategy represents another clear message from investors that they would like to see the company make further improvements. We will continue the engagement with Woodside with a view to supporting the continued implementation of improvements expected by investors.

Stakeholder engagement and policy advocacy

We recognise the importance of the role that policy engagement plays in supporting IFM's and the wider industry's net zero ambition. We actively engage and collaborate with government bodies, policy makers and industry groups on climate policy and methodologies. To support our efforts further, IFM is a member of the Australian pilot of the Collaborative Sovereign Engagement on Climate Change, which is an investor-led initiative, coordinated by the PRI.[61] The initiative's aim is for investors to work collaboratively to support governments to take all possible steps to mitigate climate change, in line with investors' duty to mitigate financial risk and maximise long-term value of assets.

Further details of our stakeholder engagement and policy advocacy are set out in Section 4.

[61] Collaborative Sovereign Engagement on Climate Change | PRI Web Page | PRI (unpri.org)

Working towards net zero in our debt investments portfolio

Our debt investments portfolio spans three distinct business lines: global infrastructure debt, diversified credit and treasury services. Across the portfolio, we invest in a broad range of sectors, public and private, liquid and illiquid credit and direct and syndicated financing, which span infrastructure, corporate, sovereign, and asset backed lending of varying scales, sophistication and market positions.

The approach of our debt investments portfolio to climate risk and its contribution to IFM's overall net zero objectives varies across these business lines based on a range of considerations and the nature of the different investment strategies. Further, the approach reflects our position as debt and credit investors with a strong focus on pre-investment due diligence and risk management.

Risk assessment and management

Where appropriate, we seek to invest in companies and assets that are well-positioned for a transitioning economy as we believe this helps mitigate risks for our clients and supports returns over the long-term.

For our global infrastructure debt and diversified credit products, our due diligence process takes a risk-based approach to assessing climate risk within new investments. As part our investment processes, where appropriate, we:

- Capture climate data from investee companies or assets, including emissions footprints, climate policy responses, decarbonisation targets and progress against these;
- Conduct targeted scenario analysis to assess an asset's or company's exposure to transition risk based on a range of factors including sector, geography, materiality and investment horizon;
- Conduct targeted scenario analysis to assess an asset's or company's exposure to physical climate risks; and
- Assess maturity of an asset's or company's climate risk management, including consideration of the willingness of management to address climate risks and their progress to date. Where possible, we will seek to engage with management to discuss climate risk planning, in particular the robustness of climate governance frameworks, how risks and decarbonisation plans are quantified, as well as the strategic management response to addressing climate impacts on both physical assets and business viability.

Information and analytics

We recognise the importance of data and analytical capabilities in climate risk management and reporting. Over the course of FY24, the debt investments portfolio team expanded its procedures seeking to improve access to and quality of data. Additionally, we built out expertise within the asset class by integrating additional resources in the team with the aim to enhance our analytical capabilities to assess climate-related risks and to seek to improve related reporting for our asset owner clients.

Examples include:

- Pre-Investment Data Requests
  - We enhanced information requests to support analysis of climate risks and encourage stronger engagement with borrowers on the topic of climate risks
  - Where possible, we seek to include data to support on-going risk management and reporting in the investment's reporting requirements
- Greenhouse Gas Emissions Data Campaign
  - We conducted a portfolio-wide data campaign to request and collect scope 1 and scope 2 emissions data for the global infrastructure debt and diversified credit products
- Carbon Accounting and Reporting Capabilities
  - We implemented processes on carbon accounting in accordance with the Partnership for Carbon Accounting Financials methodology
  - We built-out carbon reporting capabilities for absolute emissions scope 1 and scope 2 (tCO_2e), weighted average carbon intensity and emissions intensity (tCO_2e per USD 1m invested) on an asset-level and portfolio-level basis

Engagement

As debt investors, we view engagement with stakeholders across the markets in which we invest to be an important tool in our climate risk management approach. We interface with a range of market participants, including our clients, consultants, borrowers, law firms, rating agencies, banks and peer investors.

Innovative structuring and climate solutions

The debt investments portfolio team has participated in innovative structuring to integrate climate risk management, and we are advancing our product development to expand our offering of climate investment solutions. Please see earlier case study, Sustainability Linked Loan – servicing vessels, in Section 3.

CASE STUDY

Improving emissions data in our debt investments portfolio

Rationale

We typically see that the availability of emissions data from debt investments is lower as compared to equity investments given the nature of the investments.

IFM action

During FY24, our infrastructure debt team conducted an engagement exercise which sought to increase the availability and quality of scope 1 and 2 greenhouse gas emissions data across borrowers for our infrastructure debt products.

Outcomes

The engagement exercise helped deliver an increase in the number of assets providing us with greenhouse gas emissions metrics. With the data provided by our loan companies/issuers, we have now achieved 91% coverage of emissions data across our global debt investments portfolio (excluding treasury services). We see this as an important step in the execution of the wider sustainability strategy for the asset class, given we believe this will enable better tracking and reporting of key sustainability indicators over time. This in turn can allow us to better understand our debt investments portfolio-financed emissions and help to manage transition risk associated with the portfolio's assets.

Working towards net zero in our private equity portfolio

When looking for prospective investment opportunities within our private equity portfolio, we believe that companies with the potential to have a decarbonisation impact often have a resilient business structure that consequently can strengthen their ability to deliver long-term risk-adjusted returns for our clients.

In this context, we typically assess the potential for a prospective investment to have a decarbonisation impact across two main dimensions:

1. Opportunities for a material reduction in scope 1, 2 and 3 emissions of the company itself; and

2. The potential for the company to help facilitate decarbonisation of other stakeholders with which the company interacts (for example, through the development of technology and/or data management solutions which may help facilitate a third parties' progress towards their own decarbonisation-related objectives).

To facilitate and enhance this assessment, we added a Decarbonisation Framework to our IFM Deal Evaluation Assessment (IDEA) scoring tool for our private equity portfolio investments in FY24. This framework helps us to identify where companies have unrealised, actionable opportunities for decarbonisation, focusing on supporting energy transition rather than divestment. The tool helps to quantify the scale of the opportunity and to set up the measurement approach to track the benefits through the ownership phase.

As part of the initial ownership phase, scope 1, 2 and 3 emissions are baselined in the first-year post-acquisition, companies are also subscribed to an emissions reporting platform and we measure certain sustainability metrics (such as, emissions per full-time equivalent employees, gross emissions and renewable energy consumption) bi-annually, with accountability for progress being held by the relevant portfolio company boards.

Where we hold positions on the boards of our portfolio companies, this helps in facilitating our support and challenge of their transition planning activities. We see net zero transition planning as a key area of focus which can help us as we seek to maximise the value and productivity of our assets long-term.

CASE STUDY

Investment in Tally Group ("Tally")

Rationale

Tally currently serves over 50 energy retailers across Australia, New Zealand, Japan, the US and the Middle East. The company provides an integrated suite of innovative software solutions for energy billing, customer management and compliance, catering to both residential and commercial and industrial segments.

We believe Tally's software is well placed to play a major role in the global energy transition. Tally's technology simplifies operations for energy retailers and supports its clients' efforts to empower households and businesses to actively participate in the energy transition.

IFM action

We are investing approximately AUD 50 million in Tally alongside existing shareholders including management, SilverTree Equity and Pioneer Capital in a growth equity round.

Outcomes

This investment from our private equity portfolio significantly bolsters Tally's balance sheet as it looks to support further innovation for its customers and continue its expansion in support of the global energy transition.

Our financed emissions disclosures

As part of our net zero targets, we measure both our corporate and financed emissions. Monitoring our financed emissions is an important part of our investment and asset management processes. We include our latest available emission data for each asset class in the sections below. For detail on our emissions from our corporate operations, please see Section 6 of the report.

Financed emissions are the GHG emissions associated with the investment and lending activities of a financial institution. They consist of scope 1, 2 and 3 emissions of the underlying assets, as defined in the Partnership for Carbon Accounting Financials, Financed Emissions 2nd Edition (2022).[62]

Corporate emissions are the emissions resulting from the organisations own activities, including direct and indirect activities, excluding Financed Emissions.

Our financed emissions are the most material of our overall GHG footprint and we use a variety of metrics to track and analyse these, including absolute financed emissions (tCO_2e), economic emissions intensity (tCO_2e per USD 1m invested) and weighted average carbon intensity. We define these measures in line with the methodology provided by the Partnership for Carbon Accounting Financials. The table below shows the definition of these measures.

Scope 1 emissions are those from sources that a company or organisation owns or controls directly.

Scope 2 emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling.

Scope 3 emissions refer to the indirect GHG emissions associated with upstream and downstream activities in the value chain of a company, not directly owned or controlled by that company.

In this report we limit our disclosures on our financed emissions to scope 1 and scope 2 emissions for our asset classes.

[62] https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf

Metric	Definition	Units
Absolute financed emissions (scope 1 and 2)	The total GHG emissions (scope 1 and 2) of an asset class or portfolio	tCO_2e
Economic emissions intensity (scope 1 and 2)	The absolute financed emissions (scope 1 and 2) per each million dollars of value of the asset	tCO_2e / USD 1m of investment held
Weighted average carbon intensity (WACI) (scope 1 and 2)	The absolute financed emissions (scope 1 and 2) per one million dollars of company revenue	tCO_2e / USD 1m of revenue

Infrastructure equity portfolio

The below table outlines the GHG emissions associated with our infrastructure equity portfolio.[63] The data is the latest available from our infrastructure equity portfolio companies as at publication of this report – predominantly 30th June 2023 or 31st December 2023, depending on the assets annual reporting period and financial year end. Data has been primarily collected directly from the portfolio companies and where this is not possible we make appropriate estimates applying industry methodology. The majority of IFM's infrastructure equity portfolio companies have either third-party verified or internally audited GHG assessments.

Reporting period	Absolute financed emissions (million tCO_2e)	Economic emission Intensity (tCO_2e per USD 1m invested)	Data coverage (on net asset value basis)
FY24	5.0	70.6	Greater than 99%
FY23	5.3	87.0	Greater than 99%

We are taking steps, such as holding workshops and providing guidance, to support our portfolio companies to measure and improve the quality of their scope 3 emissions data so we can use the data insights to inform asset management initiatives and prioritise action. The calculation still involves significant estimation, uncertainty and assumptions and therefore has not been disclosed in this report.

Listed equities portfolio

The below table outlines the emissions for our listed equities portfolio. All listed equities portfolio data is taken from our data provider, MSCI,[64] at 30th June 2024. The data represents the latest available data, through our third-party provider, for each company as at that date. Scope 2 emissions data is based on market basis data where available, and on a location basis where it is not available.

Reporting period	Absolute financed emissions (million tCO_2e)	WACI (tCO_2e / USD 1m of revenue)	Economic emission Intensity (tCO_2e per USD 1m invested)	Data coverage (on net asset value basis)
FY24	2.2	131.2	57.9	Greater than 99%
FY23	2.2	159.7	71.3	Greater than 99%

[63] In relation to 2019 baseline for the 2023 portfolio perimeter.

[64] MSCI ESG Research LLC is a Registered Investment Adviser under the Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. Neither MSCI nor any of its products or services recommends, endorses, approves or otherwise expresses any opinion regarding any issuer, securities, financial products or instruments or trading strategies and MSCI's products or services are not a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, provided that applicable products or services from MSCI ESG Research may constitute investment advice. MSCI ESG Research materials have not been submitted to, nor received approval from, the United States Securities and Exchange Commission or any other regulatory body. MSCI ESG and climate ratings, research and data are produced by MSCI ESG Research LLC, a subsidiary of MSCI Inc.

Debt investments portfolio

The below table outlines our emissions data for FY24 for our infrastructure debt and diversified credit products within our debt investments portfolio. We have not included the previous year's data for our debt investments portfolio as it does not provide an accurate comparison due to the change in the coverage of the data between the two years. As in previous years, emissions data for our treasury services were not calculated in FY24 and are therefore excluded from the figures in the table.

FY24 Financed Emissions (Scope 1 & 2)	Absolute emissions (million tCO_2e)	Economic emissions Intensity (tCO_2e per USD 1m invested)	Data Coverage (on net asset value basis)
Diversified Credit	0.8	133	88%
Infrastructure Debt	2.6	614	96%
Total debt investments portfolio (excluding treasury services)	**3.5**	**332**	**91%**

Private equity portfolio

The table below outlines our emissions data for our private equity portfolio for FY24. Scope 2 emissions are calculated using a market basis where this is available and location basis where market basis is not available.

The data provided is the latest available for each portfolio company as at the date of this report.

Our coverage is lower this financial year as the private equity portfolio acquired some companies during the financial year and we are currently working with them to gather the data we require to disclose their emissions.

Reporting period	Absolute financed emissions (million tCO_2e)	WACI (tCO_2e / USD 1m of revenue)	Economic emission Intensity (tCO_2e per USD 1m invested)	Data coverage (on net asset value basis)
FY24	0.005	27.5	16.8	78%
FY23	0.007	28.6	14.2	100%

Section 6

Sustainability at IFM

Corporate sustainability

Corporate sustainability refers to activities to improve environmental and social impacts from IFM's business operations, which form a key part of our sustainable business approach. This extends to how we build capability and seek to 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 and broader system in which we operate. We believe our focus on fostering a diverse and talented team with a respectful and inclusive culture within our own operations, as noted below, further supports our stewardship and investment activities.

Managing our global corporate operational emissions

In FY24 we continued to progress targeting net zero by 2050 for our global operational activities, as part of our wider organisational goal to transition to a net zero economy by 2050 in a manner that achieves the goals of the Paris Agreement.

Emissions (tCO2-e)	FY23[65]	FY24[66]
Scope 1	0.00	0.00
Scope 2 (Market-based)	241	130
Scope 3 (excluding financed emissions)	17,262	16,368
Total	17,503	16,498

The main drivers of our scope 3 emissions (excluding financed emissions) are business travel by air, IT services and equipment and professional services. Scope 2 emissions have been calculated using a market-based approach.

Due to the increase of business travel and other emissions sources as we returned to post-COVID normal business operations, in our FY23 Public Disclosure Statement (PDS) we announced a reset for our corporate emissions baseline year from FY22 to FY23, to ensure our baseline year is reflective of our normal levels of business travel. This aims to enable more meaningful future year-on-year comparisons.

As detailed in the FY23 PDS we purchased carbon offsets from projects located in Australia, United States, Türkiye and Mexico. The selection of projects was informed by various considerations including project co-benefits that extend beyond greenhouse gas emissions mitigation, for example, projects that aim to support local job creation and biodiversity protection.

Progress in FY24 on the emissions reduction actions outlined in the FY23 PDS included:

- Continued purchase of 100% renewable electricity for all Australian offices having transitioned all IFM Australian offices to purchasing 100% renewable electricity in January 2023;
- Engagement with our key suppliers seeking to ensure that by 2028, 50% of the suppliers for our purchased goods and services (by emissions) will have set science-based targets to reduce their own climate impact. By 30 June 2024 we confirmed 44% of suppliers are aligned with this target. We will continue to progress this stakeholder engagement work in FY25;
- Continued our work on a Supplier Code of Conduct to require suppliers to consider emissions reduction targets;
- Updated our leasing criteria for new tenancies to include base building energy efficiency ratings, renewable energy procurement opportunities and end-of trip facilities for employees using alternative modes of transport; and
- Successfully trialled a new waste reduction strategy in Melbourne focused on improving waste management practices and data. We now intend to progressively roll this strategy out across other global offices.

Social impact programs update

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.

[65] FY23 corporate emissions data is certified under Climate Active. Our full report on our FY23 operational emissions, including the methodology used can be found here: Guidance - Organisations - Public Disclosure Statement (ifminvestors.com)

[66] FY24 emissions are subject to final certification from Climate Active.

Supporting natural and humanitarian disaster relief

In FY24 we continued our partnership with the Australian Red Cross, providing AUD 300,000 in disaster relief funding to communities impacted by disaster. These funds supported humanitarian relief for people impacted by disasters including:

- Relief efforts for Tropical Cyclone Lola in Vanuatu;
- Humanitarian support in the Middle East provided by The International Committee of the Red Cross;
- Assistance for victims of extreme weather in Mongolia (Dzud Response Plan);
- Support for those affected by floods in Afghanistan; and
- Disaster Response and Recovery Fund (Australia), which set up year-round support for Australians before, during and after a disaster.

In these efforts we were guided by the Australian Red Cross and a network of Red Crescent Societies[67] worldwide to seek to ensure our funds are utilised where they can have the greatest impact on the ground.






[67] About National Societies | IFRC

Support in the community
Through community programs, our people give time, skills and money to support organisations making a difference in communities where we live and work. These efforts are matched by IFM with various forms of support, including financial donations and employee time.

Each year IFM offers our people two paid days of volunteer leave. In FY24 employees used this leave to contribute 700 hours to local communities, a substantial increase from the previous financial year (381 hours).

Through Workplace Giving (payroll giving) globally we donated AUD 212,611. This figure includes both employee contributions and corporate matching.

We also supported community organisations through our matched team fundraising and donation programs. This year we provided AUD 65,817 to a range of community organisations and fundraising events including, The Pinnacle Foundation (see case study below), Movember, Domestic Violence Collective, Ambitious About Autism and the Great Ormond Street Hospital Children's Charity.

CASE STUDY

Fundraising for The Pinnacle Foundation

We support the work of The Pinnacle Foundation, an organisation that empowers young LGBTIQ+ Australians through scholarships, mentoring and other opportunities. We have partnered with The Pinnacle Foundation since June 2022, through the creation of a three-year 'IFM Investors Scholarship'.

In celebration of our partnership with The Pinnacle Foundation and in recognition of IDAHOBIT (International Day Against Homophobia, Biphobia, and Transphobia), we invited two current Pinnacle scholars to speak to our people at events in our Melbourne and Sydney offices.

The Pinnacle scholars shared their stories about their motivations for applying for Pinnacle Scholarships, which provides financial support to LGBTIQ+ students. We also heard about the scholars' achievements as advocates for the LGBTIQ+ community.

Through the event, funds raised and matched by IFM totalled AUD 2,790, which were donated to The Pinnacle Foundation to support the ongoing delivery of its programs.

CASE STUDY

IFM hosts students from the Social Mobility Business Partnership in our London office

We proudly support The Social Mobility Business Partnership (SMBP),[68] a volunteer-led charity committed to supporting students from low-income backgrounds or '1st generation to university' in their pursuit of a business career. Participating students spend a week being hosted by commercial organisations, professional services firms and professional sports teams in towns and cities across the UK. The program aims to break down psychological 'fitting in' barriers to the world of business through hands-on experience and meetings with the professionals in these host organisations.

Through our partnership we welcomed 21 students in August 2024 to our London office for a day of learning and skills development. This included:

- Learning about the asset management industry and career options from our various teams including infrastructure equity, debt investments, commercial, risk and compliance, people and culture and IT;
- A presentation on the importance of sustainable investing; and
- A panel session on topics such as CV writing, job applications and interview techniques.

William Jones, a director within our commercial team welcomed the initiative, saying it was a matter of pride for IFM to be supporting this initiative seeking to create real world opportunities for students: "*It was a delight to spend time with the students discussing their future aspirations and providing practical hands-on experience of life in a professional services organisation. We hope the experience encourages them to pursue a business-related career in their future.*"

First Nations Corporate Strategy

In FY24 we continued to build on the foundational work undertaken following the launch of our inaugural Corporate First Nations Strategy in Australia in early 2023. The overarching objective of this work 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. During FY24 we worked with stakeholders to identify how IFM can contribute to closing this gap, and we took action on an agreed list of priority actions, specifically:

- We integrated an internal governance structure to support our Corporate First Nations Strategy execution;
- We commenced development of a program of cultural learning to build our internal cultural capability; and
- We identified education opportunities aligned to our Corporate First Nations Strategy and Purpose, and engaged providers to deliver tailored cultural learning sessions which were made available to all Australian employees in FY24.

[68] https://smbp.org.uk/about/

CASE STUDY

Engaging First Nations suppliers

A key pillar of our Corporate First Nations Strategy is our workplace, with a focus on increasing internal understanding of First Nations issues and improving internal capacity to contribute to solutions. We believe a crucial way we can do this is through engaging First Nations suppliers.

In Naarm (Melbourne) we commenced an office relocation project in June 2023, which prioritised several objectives in relation to First Nations procurement. This included 10% of spend during the construction phase to First Nations businesses and 'Acknowledgement of Country' visual elements incorporated within the design and layout.

We engaged with a range of First Nations businesses in relation to the 10% of construction spend objective, including:

- Gambarra Building Supplies to supply partitions and ceilings;
- MGM Building Maintenance for general construction;
- Indigenous Sign Company for signage and glazing; and
- Zenith RBA for workstations and office furniture.

These suppliers were required to participate in our usual tender process and are Supply Nation certified or registered.[69]

For the 'Acknowledgement of Country' related objective, we partnered with a First Nations workspace designer. Our approach was informed by interviews with Wurundjeri Elders with strong ties to the region. We awarded the contract to a local Wurundjeri artist with a history of producing murals and public artworks.

Final designs include a designed rug in the reception area, a display of a different moiety on each floor representing Bunjjil - the spirit creator, Balayang – the creator of women and Waa - the spirit protector. Digital signage and meeting room screens provide a narrative around the installations and client meeting rooms were given First Nations names appropriate to the location.

We engaged the services of a Wurundjeri elder to produce storyboards for client meeting rooms. The meeting room names selected include iconic Wurundjeri elders as well as Wurundjeri place and animal names.

We exceeded our 10% of spend to First Nations organisations project objective. We have also learned much about local First Nations cultures from the people we have met and engaged with along the way.

The Naarm team moved into the new office in September 2024. The office opening event included a function showcasing indigenous catering company Mabu Mabu and an official opening 'Welcome to Country' event by Wurundjeri representatives.

[69] https://supplynation.org.au/benefits/indigenous-business/

Our Purpose-led inclusive culture

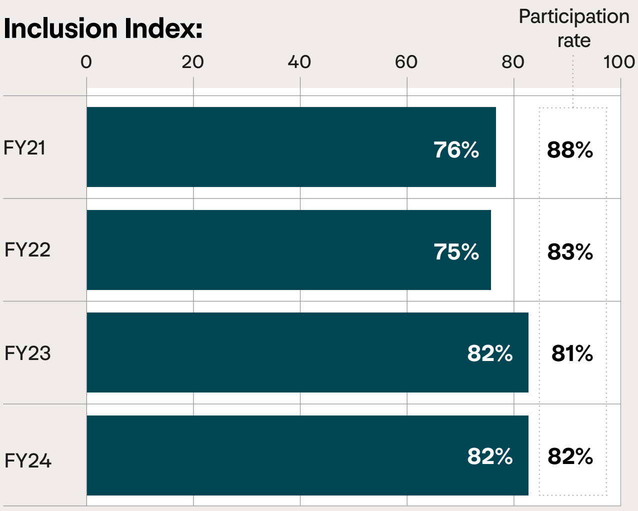
Cultivating diverse and talented teams with a respectful and inclusive culture continues to be a strategic focus area at IFM and important to how we do business. We believe that championing inclusion and diversity in our own business and our investments supports fulfilling our Purpose.

We believe that an inclusive culture that embraces diverse qualities, backgrounds and perspectives leads to more innovative thinking, better decision making and competitive business performance. We believe this makes a significant contribution to attracting and retaining a global team that works collaboratively to develop, execute and improve our sustainable business approach and outcomes, which we believe in turn helps to deliver on our Purpose.

We continue to integrate our inclusion and diversity strategy, defined by five pillars or focus areas as illustrated below, across our operational practices and to develop the ways we drive and measure progress.

Our Inclusion Index[70] aims to help us track and measure the inclusive experience of our people over time. The results of the May 2024 survey indicated a positive overall Inclusion Index response score of 82%, maintaining our 2023 score.

Inclusion Index:



The five pillars of Inclusion and Diversity at IFM:

Cultural & Ethnic Diversity
Fostering a culture of inclusion which celebrates our diversity allows individuals to bring their distinct and valuable attributes to the benefit to our team. Inclusion is a cornerstone of collaboration, with diversity of experience and thought fueling innovation.

Mental Health & Wellbeing
The mental health and wellbeing of our IFM community is a key focus for the refreshed I&D Strategy.

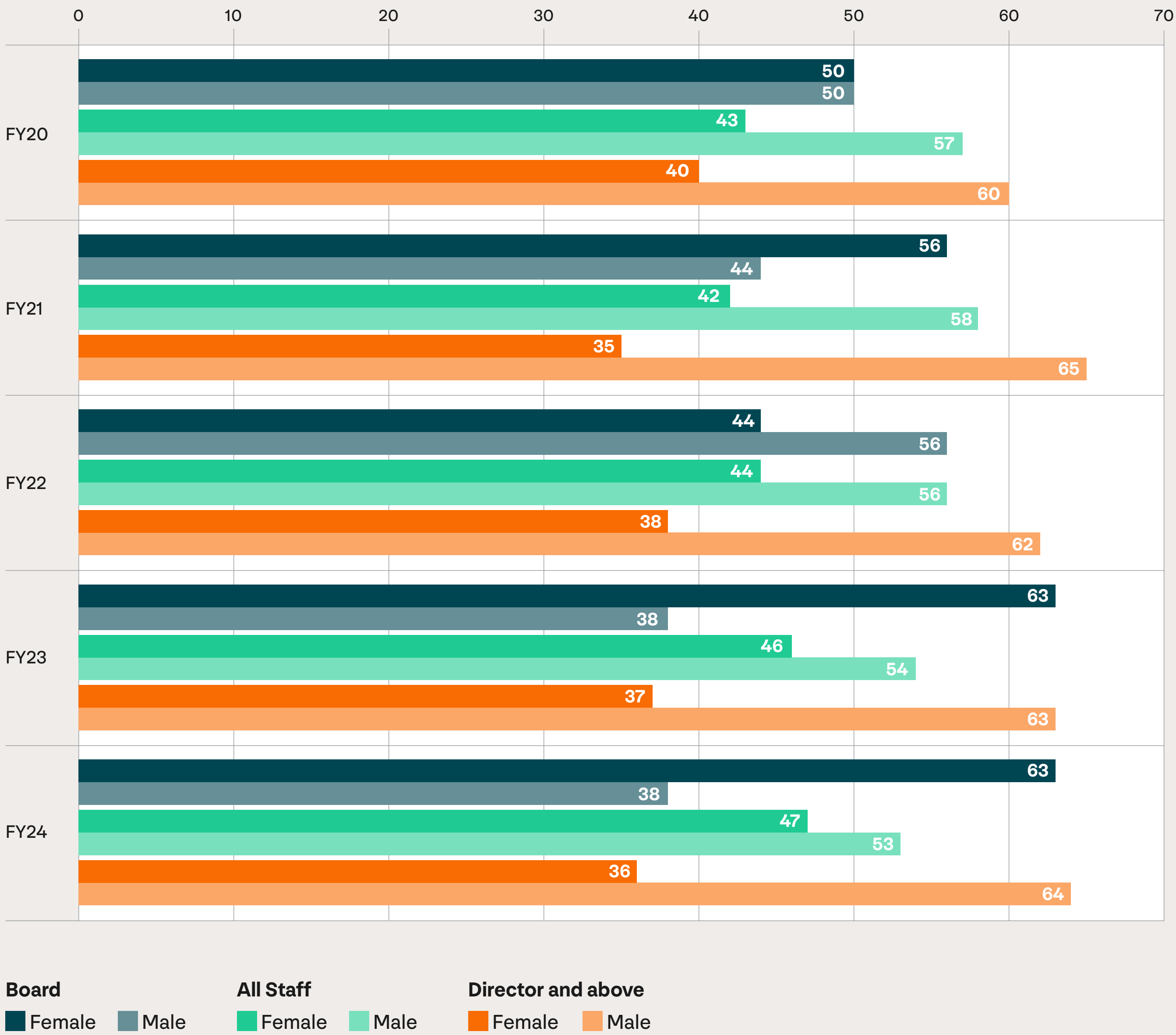
Ability
IFM is committed to creating equal opportunity and workforce diversity so people of all ages and abilities can be productive and active participants in our workplace and society.

LGBTQI+
We will celebrate our LGBTQI+ community members and provide for a workplace free of discrimination, harassment and stigma based on sexual orientation or gender identity.

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

[70] The Inclusion Index has comprised part of our enterprise engagement survey since 2021. 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.

Gender diversity (%)[71]



We acknowledge that the gender imbalance among directors and above has increased since FY22. Each of our business units sets gender diversity goals tailored to their unique starting points and complexities, and this can have an impact on our enterprise results year to year. Importantly, each of our business units, including investment teams, have tailored strategies for the attraction, retention and development of diverse talent.

We know that increasing our female employee representation, especially in investment teams and at the senior levels, requires a long-term approach.

Our firm-wide goal is to achieve no more than 55% of any one gender at both the all-employee level and the director and above level by 2026.

Our Australian certification by Family Friendly Workplaces[72] further underscores our commitment to removing barriers for women in leadership.

For more information on our practices related to gender equality in remuneration, please refer to our Workplace Gender Equality Agency gender pay gap response paper.[73]

71 Figures are as at June 30 for the respective financial years, figures may not sum due to rounding.
72 Family Friendly Workplaces Certification
73 https://www.ifminvestors.com/siteassets/shared-media/pdfs/governance-and-reporting/gender-equality-in-remuneration-at-ifm-investors---wgea-feb-24.pdf

Highlights of our inclusion and diversity-related activities in FY24 included:

- The IFM Investors Women in Infrastructure program continued. The program, in partnership with Australian Universities, RMIT and Monash, offers two female finance and or engineering students access to an AUD 20,000 scholarship and the opportunity for a paid internship in our infrastructure equity portfolio team. In FY24 our two Women in Infrastructure scholars spent three months within our infrastructure equity portfolio team and ended their internships in February 2024.
- We made significant progress with our Corporate First Nations Strategy including implementing First Nations cultural learning sessions for our Australian employees. Additionally, we gave our employees the option to observe January 26th as a public holiday or choose an alternative day. This choice reflects our understanding of the sensitivity of Australia Day and empowers employees to make decisions that align with their personal values.
- We continued to welcome interns from the Australian CareerTrackers program[74] and US based Prep-for-Prep[75] to support employment pathways for Indigenous students and students of colour.
- We have continued to collect employee diversity data on a voluntary basis. We believe this data is crucial to informing how we evolve our efforts to further integrate inclusion and diversity into our corporate practices and decision making. The data collection initiative was rolled out globally in July 2023 and we are reporting this data to the IFM Board and continuously working on ways to further enhance and expand this initiative.
- We delivered mandatory Respect, Equality and Inclusion workshops across our global offices, utilising a blend of in-person and virtual training sessions. These workshops focused on identifying and addressing harmful workplace behaviours such as sexual harassment, bullying, and discrimination, as well as understanding the psychosocial impacts of these behaviours. Participants also learned how to be active bystanders, empowering them to recognise and intervene safely in situations of harassment or discrimination, thereby supporting a respectful and inclusive workplace culture.
- We became a silver member of the Australian Disability Network (ADN) and are participating in their Accessibility & Inclusion Index. The report provided by ADN, including key recommendations, will guide the development of IFM's first Access and Inclusion Plan. This plan is expected to lay the foundation for our ongoing efforts to improve accessibility and inclusion for people with disabilities in our workplace.
- Neurodiversity was considered in the design of our new Melbourne office. Various design considerations have been incorporated with a view to ensuring that the new environment is accessible for individuals with diverse sensory responses. Some examples of the considerations include: no fluorescent lighting, adjustable lighting, acoustic treatments, white noise in open floor plans and soundproofed meeting rooms. These design elements have been shared internally as what we consider to be best practices for potential adoption.
- Our Mental Health First Aid Officer training continued and at the end of FY24 we had 44 Mental Health First Aid Officers trained across our Melbourne, Sydney, London and New York offices.
- We continued the IFM Investors Pinnacle Foundation Scholarship as part of our ongoing three-year partnership with The Pinnacle Foundation, which supports young LGBTIQ+ Australians pursuing full-time tertiary studies. To further demonstrate our commitment to the partnership, we hosted the inaugural "Picnic for Pinnacle" fundraising event, featuring Pinnacle scholars as guest speakers in our Melbourne and Sydney offices. This event helped raise awareness and support for The Pinnacle Foundation's mission.
- We are now a proud member of OUT Investors, the Northern Hemisphere focused LGBTIQ+ network for investment professionals. This initiative is dedicated to fostering a more inclusive direct investing industry for LGBTIQ+ professionals through networking events, speaker series and mentorship programs.
- We received confirmation of our successful bronze tier certification with the Australian Workplace Equality Index. This is a national benchmark on LGBTIQ+ workplace inclusion in Australia. We believe this certification reflects the progress and focus we have had on LGBTIQ+ inclusion.
- Our three regional employee-led Inclusion and Diversity Forums continue to amplify diverse voices across the business and sponsor key days of significance observed both globally and regionally. In FY24, we commemorated several global days of significance with 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. Additionally, our regional forums celebrated days of significance that held particular meaning in their respective regions, aligning with our inclusion and diversity strategy and pillars.
- We submitted our report to the Workplace Gender Equality Agency in Australia for the 2023-24 reporting year. 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.[76]

[74] CareerTrackers
[75] Prep for Prep | Preparing Students to Become Ethical and Effective Leaders
[76] wgea-report-2023-2024.pdf (ifminvestors.com)

In early 2023, IFM was certified as a Family Inclusive Workplace by Parents at Work and UNICEF Australia. As part of this certification, IFM committed to a 24-month action plan aimed at enhancing communication, leadership skills and policies that support employees with parent and carer responsibilities. During FY24, we successfully met our one-year milestones. These achievements included global process improvements for flexible work arrangements, enhanced parental leave checklists, the creation of a Keeping In Touch Day Guide for employees on parental leave, and internal and external communications promoting flexible work practices, family wellbeing and diverse caring needs. Additionally, we have integrated detailed reporting on parental leave and caregiver engagement into IFM Board updates. We believe this enables us to better understand where we need to support our people and which areas require our focus.

Remuneration

To help deliver on our Purpose, we see the importance of attracting highly talented, motivated professionals and paying globally competitive remuneration. As such, our remuneration structures, which are managed through our performance and reward framework, are based on market benchmarking and are designed to attract, retain, motivate and align our people in support of our Purpose, while taking into consideration external market conditions, the individual's skills and experience and the performance outcomes to be delivered for our clients.

Our remuneration structures are designed to:

- link individual outcomes to our Purpose and values;
- emphasise the importance of upholding our Risk Management Framework;
- ensure the independence of key risk and financial control employees in carrying out their roles and functions; and
- comply with legal and regulatory obligations.

Our performance framework seeks to balance what our people deliver with how they deliver it. At the beginning of FY24 we updated our performance framework to better align our performance and reward philosophy to our Purpose.

Under the performance framework our employees' performance is assessed on an annual basis considering:

- how they undertake the core requirements of their role in alignment with our values; and
- their contribution to the achievement of key goals in the context of the overall business unit performance.

This assessment of performance is then linked to the calculation of the annual incentive plan outcome. This means our approach to performance and reward is linked to promoting the IFM culture as well as supporting the delivery of our business performance which we believe helps ensure that our employees are held accountable for their decisions, behaviours and associated risk management.

Achievement of targets in a year, in a way that is aligned to our culture, should be expected to result in an annual incentive plan outcome of 100% of target. However, IFM employees have the ability to earn up to a maximum of 150% of their target annual incentive plan remuneration for exceptional performance and exceptional demonstration of our values.

A portion of each IFM employee's annual incentive plan outcome is dependent on our Corporate Scorecard result, except for individuals in control roles.[77] This helps to ensure reward at IFM is aligned to corporate performance as well as individual contribution.

The table below outlines the components of our Corporate Scorecard for FY24 which incorporated a 10% weighting to the delivery of sustainable investment outcomes. Our Board assessed our delivery of these outcomes for FY24 as "Strong", based on the delivery of asset management targets, client feedback and performance against our Sustainable Investment Scorecard.

Sustainability-related incentives in FY24

In FY24, the Sustainable Investment component of our Corporate Scorecard included goals such as:

- updating and operationalising due diligence tools and processes for each asset class;
- recruiting required sustainable investment capability within the Sustainable Investment team and asset class teams; and
- delivery of voluntary and mandatory regulatory reporting requirements and signatory commitments

Components of our Corporate Scorecard for FY24

Category	Component	% Weighting
Client Outcomes	Product Performance	50%
	ISQ	10%
	Sustainable Investment	10%
Business Outcomes	Net Sales	10%
	Profit Margins	10%
	Board Assessment	10%

[77] For control function employees, any variable remuneration will have performance measures based on achievement of objectives linked to their functions, allowing independence from the performance of the business areas they control to avoid potential conflicts.

Gender pay gap

IFM seeks to eliminate unintended bias in our pay practices by regularly comparing the remuneration of men and women in like-for-like roles and when compared to external market benchmarks.

Where material differences between the average pay of people of different genders in like-for-like roles are identified, we seek to document, investigate and take appropriate action. Recruitment, promotion and succession planning strategies are used to monitor pay gaps and work towards pay equity over time.

In Australia, we submit remuneration data for our Australian employees to the Workplace Gender Equality Agency (WGEA) to facilitate assessment of the gender pay gap in Australia, as required under the Australian Workplace Gender Equality Act 2012.[78]

For the first time in February 2024, WGEA published gender pay gap data by firms submitted for 2023, under the Australian Workplace Gender Equality Amendment (Closing the Gender Pay Gap) Act 2023.

It is important to note that the gender pay gap as reported by WGEA compares the difference in earnings between women and men in the workplace[79] and should not be confused with men and women being paid the same for the same or comparable job. This is equal pay, and we have strategies in place to help ensure we remunerate all of our people equally for equal work or work of equal value, as noted above.

Gender Pay Gap	IFM	Industry Comparison Group
Median base salary	17.9%	23.4%
Median total remuneration	23.7%	23.2%

Source: Workplace Gender Equality Agency, WGEA Reporting Industry Benchmark Report 2023

The primary driver of the difference in the median total remuneration and median base salary figures results from the over-representation of men in senior investment roles where there are higher levels of variable, performance-based remuneration.

We have strategies in place to improve gender balance across all levels and we have goals in place to hold ourselves accountable, as noted in the examples of our activities in FY24 above, and in more detail in our response to the WGEA reported outcomes published on our website.[81]

Learning and development

We aim to cultivate a learning culture at IFM with a range of programs, tools and resources 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 follow the 70:20:10 Learning Model which is based on the principle that people learn the most from on-the-job experience:

- 70% Experience or on-the-job learning allows employees to apply their knowledge and skills in new scenarios, deepen their understanding of different areas and navigate challenging projects, responsibilities and assignments.

- 20% Exposure or learning from others gives employees different perspectives that help them solve problems more creatively.

- 10% Education or formal learning includes learning opportunities that focus on developing the skills, knowledge and capabilities necessary for professional growth, effective role contribution and career advancement.

In FY24, we offered the following learning and development programs:

- Nexus Leadership Program: a six-month leadership development program to support directors and high potential associate directors/vice presidents to manage the challenges of leading from the middle. 58 leaders participated in online and in-person modules that we believe helped equip them to be effective conduits between strategy and execution, between their teams and the senior leaders.

- Leader Loops: 19 leaders were brought together in small cohorts of four to six leaders and focused on fostering collaboration, networking and exploring diverse leadership challenges and business matters during monthly gatherings.

[78] For further details see our most recently submitted report here: wgea-report-2023-2024.pdf (ifminvestors.com)
[79] While WGEA collects data for those identifying as non-binary, these results are not published due to the small numbers and voluntary nature of reporting.
[80] As analysed under the WGEA methodology. The median gender pay gap is the percentage difference between the median earnings of men and women. For details see i) Publishing employer gender pay gaps FAQ | WGEA; and ii) Employer_Gender_Pay_Gap_Technical_Guide.pdf (wgea.gov.au)
[81] For further details see: https://www.ifminvestors.com/siteassets/shared-media/pdfs/esg-governance/gender-equality-in-remuneration-at-ifm-investors---wgea-feb-24.pdf

- Mentoring Program: a six-month learning journey for employees to maximise and mobilise their personal and professional development. We established 36 mentoring partnerships to share knowledge and experience.

- Leading People at IFM eLearning Module: a new 45-minute online module with supporting workbook that brings together our values, leadership capabilities and the employee lifecycle. The module focuses on the skills and knowledge we believe are required for people leaders to confidently lead their team(s) and reflects how they can develop their leadership through experience (70%), exposure (20%) and education (10%).

- Sustainable Investment at IFM eLearning Module: a new 30-minute online module to provide employees with a consistent level of understanding of sustainable investing and its importance to IFM. We are also developing a program of structured sustainability-related learning and development pathways for our people over time, with opportunities relevant to specific roles and functions that provide both technical and skills-focused content. Implementation of this programme, developed with the support of a specialist consultant, is expected to commence in late 2024.

- Welcome to IFM eLearning Module: a refreshed 30-minute online module that introduces new employees to our heritage, new values, culture and future direction while providing insights into our expertise and resources for career growth and wellbeing, seeking to ensure smooth integration and effective contribution.

- Oxford Leadership Program: A member of our Sustainable Investment team attended the Stewardship and Engagement Leadership Program at Oxford University, a three-day course designed to build skills to ensure effective stewardship.

- Sustainability conferences: Members of our central Sustainable Investment team and asset class sustainable investment specialists attend sustainable investing and stewardship focused conferences which in FY24 included attending the PRI, ACSI and IGCC conferences, among others.

- Modern slavery training: We hosted an educational webinar for members of our debt investments and infrastructure equity portfolio teams on modern slavery in the supply chain of solar energy.

Modern slavery risk management

We continue to pursue improvements in our approach to managing the risk of modern slavery in our portfolios and supply chains, including targeting improvements for assessing and managing our portfolios as well as monitoring our approach for IFM's suppliers.

Some highlights of the activities undertaken in FY24 are as follows:

Deep dive review of key facilities maintenance providers

An independent analysis of our corporate spend indicated certain areas where modern slavery could be more prevalent. These included facilities maintenance and business travel, where some supporting industries, such as cleaning services, are often considered to be more susceptible to modern slavery practices. We undertook a deep dive analysis of our key facilities maintenance providers and progressed previous work we had undertaken on our business travel providers. While our deep dive did not identify any specific areas of concern, we did identify some good practices including a supplier having been a foundation member of the Cleaning Accountability Framework,[82] which creates minimum performance standards for cleaning companies that are over and above legislative requirements.

Reviewing the IFM Whistleblower Policy

The IFM Whistleblower Policy is reviewed annually. Following our last review, the policy was updated with a specific reference to human rights breaches including modern slavery and human trafficking, including within IFM's supply chains or investments, as examples of reportable conduct.

Uplifting capabilities in our investment processes – identifying risks across the solar industry value chain

Together with specialist business and human rights advisory firm Pillar Two, IFM hosted an educational webinar for our infrastructure equity portfolio and infrastructure debt products team members. The session aimed to build awareness of business and human rights issues, with a particular focus on the identification of modern slavery risk areas across the solar industry value chain. The session addressed managing these risks in investment screening, due diligence and asset management activities, with a focus on building familiarity with relevant tools, resources and data to support our modern slavery risk management processes. The session was recorded and is available on demand, as part of our broader learning and development suite.

We annually produce a modern slavery statement[83] which provides more detail on the work we have undertaken this year.

[82] Cleaning Accountability Framework Ltd.

[83] Our modern slavery statements are publicly available on our website: https://www.ifminvestors.com/en-au/sustainable-investing/modern-slavery/

IFM Investors

Section 7

Governance

Governance

As we pursue our Purpose and continuously strive to support the creation of long-term value and meet the expectations of our stakeholders, we understand the importance of robust governance. We seek to ensure policies and procedures are in place throughout our investment and corporate decision-making processes to bring rigour and accountability to our sustainable investing practices.

We believe the systems and governance throughout our investment and corporate decision-making processes support rigour and accountability in our approach. From the boardroom to the investment committee and our investment teams, we have structures and policies in place that define, integrate and track our sustainable investing approach, as set out in our Sustainable Investing Guidelines. We regularly review our risks, policies and processes to seek to ensure our approach is effective as part of our risk and policy governance as an organisation.

IFM was established in 1994 and is owned by a collective of 17 profit-to-member Australian industry superannuation (pension) funds. IFM operates as a separate business entity with a focus on institutional funds management for aligned investors.

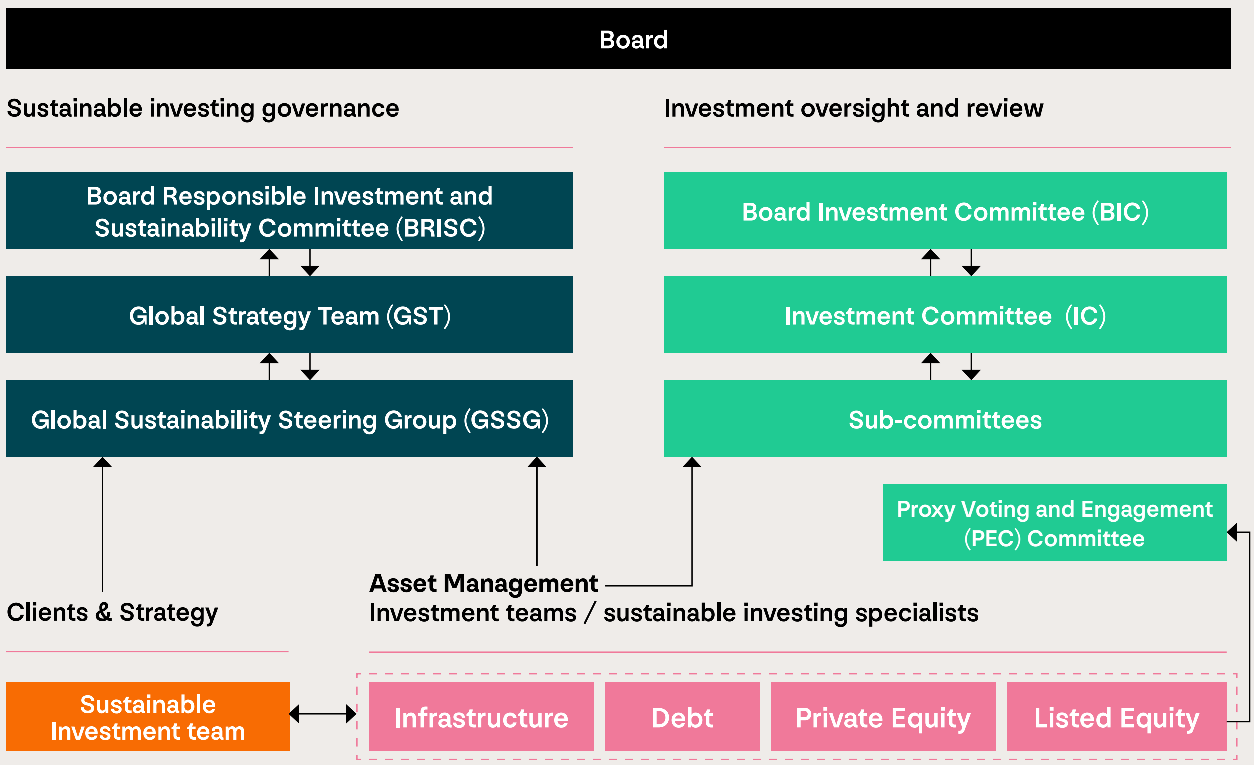
This ownership model and the fact that our owners invest alongside our clients helps drive alignment between our Purpose and our owners' and clients' objectives and helps us as we seek to maximise returns over the long-term for the benefit of our clients.

We conduct due diligence on potential clients which takes into account considerations such as whether they are institutional investors, the anticipated investment tenor, the extent of alignment with our Purpose, reputational risks, structure and operational complexity. Combined with our stakeholder engagement, we believe this process helps ensure that we are aligned with the interests of our client base. The process is reviewed on an ongoing basis with a view to ensuring our approach to due diligence remains robust.

Committees, roles and responsibilities

At IFM, our overarching sustainable investing approach is established and monitored at the IFM Board level. Management supports the execution of this approach, aiming to ensure sustainability opportunities and risks are appropriately reflected in our risk management frameworks and plans at the corporate and investment levels.

Sustainable investing roles and responsibilities



Board oversight – Board Responsible Investment and Sustainability Committee (BRISC)

The BRISC assists the IFM Board by providing an objective, non-executive view of the efficacy of our sustainability strategy and reporting framework. The Board approves (or delegates approval to the BRISC) IFM's sustainable investing strategy, IFM's Sustainable Investing Guidelines and our organisational performance scorecard for sustainable investing and receives regular reporting on sustainable investing-related developments from asset classes and the central Sustainable Investment team. The BRISC monitors and oversees progress against key sustainable investing and wider sustainability-related objectives and provides guidance on IFM's sustainable investing approach as proposed by management.

Executive management responsibility – Global Strategy Team (GST)

The GST supports IFM's Chief Executive in executing overall responsibility for the management of IFM. The GST is focused on ensuring high-quality support is provided to the IFM Board, by seeking to maintain an efficient and collaborative workplace, fostering a strong, coherent and inclusive culture, and developing IFM's capabilities, including those related to sustainable investing and stewardship.

Investment oversight and review - Board Investment Committee, Investment Committee and Sub-committees

IFM's Board Investment Committee, Investment Committee and Sub-committees have oversight of our investment program and portfolios, with a view to ensuring our sustainable investing approach and guidelines are appropriately considered during investment decisions and ongoing portfolio management.

These committees are responsible for reviewing and approving new and follow-on investments (or divestments) for our infrastructure equity, debt investments and private equity portfolios, consistent with internal guidelines and procedures. The approval process includes an assessment, where relevant, of material sustainability risks and opportunities as identified by the investment teams which have also been reviewed by integrated asset class sustainable investing specialists and the Sustainable Investment team. The review and, where appropriate, challenge on sustainability assessments helps with the appropriate consideration of sustainability risks in support of investment objectives (including the delivery of long-term risk adjusted returns) as part of the approval process and in the context of our overall Purpose. The Investment Committee is also responsible for monitoring the outcomes of past investment decisions.

Global Sustainability Steering Group (GSSG)

The GSSG, comprising senior executives from each IFM business unit and chaired by the Global Head of Sustainable Investment, helps coordinate and share information across IFM, supports multidisciplinary projects and monitors progress against sustainability initiatives.

Firm-wide sustainable investing responsibilities

IFM's Sustainable Investment team leads on the development and agreement of our overarching sustainability strategy and associated policies and guidelines with each investment team and other IFM business units. These policies and guidelines are implemented and developed further by the investment teams through applicable procedures or operating manuals. The Sustainable Investment team is divided into four functional areas: sustainable investing integration, stewardship, governance/reporting/research and corporate sustainability.

The team focuses on integrating the expectations of IFM's clients and wider stakeholders into the organisation's sustainable investing approach and works closely with investment teams to seek to ensure client voices are appropriately reflected in investment strategies and processes. The team also provides support and specialised advice, collaborating with investment teams on their sustainable investing and stewardship approaches. Additionally, they also coordinate knowledge sharing between asset classes and across the broader business and provide specialist peer review support to the Investment Committee.

Investment & portfolio-level sustainable investing responsibilities - Investment teams

The Global Heads of each asset class and the Global Head of Asset Management (Infrastructure) are accountable for the execution and implementation of the Sustainable Investing Guidelines in the investment and asset management process. They are supported in this process by their investment teams and, where applicable, integrated asset class sustainable investment specialists and the Sustainable Investment team.

Each investment team considers sustainability considerations and, to the extent practicable and consistent with our duties, undertakes stewardship in their respective investment and asset management processes (see Section 3). Investment teams, and their integrated sustainable investment specialists where they are in place, lead on the design and execution of asset class-specific strategies, frameworks and reporting, in line with the Sustainable Investing Guidelines and in consultation with the Sustainable Investment team. Asset teams manage asset and portfolio specific data, whilst the Sustainable Investment team collates this data for external client and regulatory reporting.

Proxy voting and engagement – Proxy Voting and Engagement (PEC) Committee

The PEC provides oversight of proxy voting activity for the Australian companies within our listed equities portfolio and is completely independent of proxy advisors. The PEC determines the approach to our Australian listed equities portfolio proxy voting. The PEC also approves and monitors engagement activities that take place between IFM and our Australian listed equities' portfolio companies. The PEC delegates authority for day-to-day engagement and voting on listed securities to representative members in the Sustainable Investment team and our listed equities portfolio team.

Sustainability Scorecard

Given the importance of our sustainability-related pursuits, we believe it to be beneficial to explicitly link our employee remuneration to achievement of sustainability-related goals. In FY24, we incorporated a standalone sustainability component into our broader corporate performance scorecard for our people[84] with this aim in mind. Please see Section 6 of this report for more details on our approach to remuneration.

Evolving our sustainability strategy

In addition to working on operationalising IFM's sustainable investing operating model in FY24, other strategic focus areas have included a refresh of our overarching sustainability strategy and the continued build-out of the Sustainable Investment team and asset class sustainable investment specialists so that we are well positioned to support our investment teams, owners and our clients, in delivering for our stakeholders across the world.

An important part of our strategy work is the further enhancement of IFM's ability to engage with a wide range of stakeholders and to seek to influence systemic issues, such as climate change and human rights. In doing so, we aim to contribute to improving the long-term stability of global social, environmental and economic systems, which we ultimately believe helps deliver on our Purpose and supports the performance of our portfolios for the benefit of our clients and the millions of people they represent.

Sustainable investment capability and resourcing

AVERAGE TENURE AND EXPERIENCE OF THE SUSTAINABLE INVESTMENT TEAM

	Number in team (people)	Average tenure with IFM (years)	Average sustainability experience (years)	Average industry experience (years)[85]
As at 30 June 2024	11	2.5	7.7	14.6

In addition, there are seven dedicated sustainability specialists within our investment teams.

Recent appointments include:

- Our Sustainable Investment team: appointment of a new Global Head of Sustainable Investment in the UK in September 2023, and two Directors, one in the US in February 2024 and another in Australia in June 2024;
- Our infrastructure equity portfolio team: appointment of two specialist Directors, Environmental Sustainability in September 2023, joining the current specialist Director, Social Responsibility in the infrastructure equity portfolio asset management team; and
- Our debt investments portfolio team: appointment of three new sustainability specialist Associate Directors in July 2023, with one located in the Melbourne office and two in the London office.

AVERAGE TENURE AND EXPERIENCE OF ASSET CLASS SUSTAINABLE INVESTMENT SPECIALISTS

	Number of specialists (people)	Average tenure with IFM (years)	Average sustainability experience (years)	Average industry experience (years)[86]
As at June 30 2024	7	2.1	11.6	14.3

IFM also uplifted our sustainable investment capabilities and capacity through our learning and development approach, as we outline below.

[83] Other than some risk and financial control employees. For such control function employees, any variable remuneration will have performance measures based on achievement of objectives linked to their functions, allowing independence from the performance of the business areas they control to avoid potential conflicts.
[84] Refers to experience in the sustainability and/or financial services sectors.
[85] Refers to experience in the sustainability and/or financial services sectors.

IFM's Risk Management Framework

IFM's Risk Management Framework provides the firm with the tools and processes to identify, assess, manage and report on a broad taxonomy of risks, including climate related risks where appropriate. A number of internal and external sources are utilised to validate the risk landscape including risk areas, topics and themes that IFM should focus on. These are then assessed by applying methodologies from the framework. Enterprise risk profile monitoring and reporting is informed by the risk assessments and supported by an assessment of the business context as well as the mitigating controls where appropriate. These assessments are performed in conjunction with the respective business areas, and final outcomes are shared with the IFM Risk Committee and the Board Audit & Risk Committee.

Reviewing our policies and processes

Our policy framework

Our sustainable investing integration and stewardship approach is guided by the following key policies and manuals:

- IFM Sustainable Investing Guidelines (published May 2024)
- IFM Group Corporate Proxy and Engagement Committee (PEC) Charter
- IFM Group Listed Equities Climate Change Engagement and Escalation Policy
- IFM Group Sustainable Finance Disclosure Regulation (SFDR) Policy
- IFM Group Sustainability Commitments Procedure

We also have detailed Operations & Compliance Manuals that outline applicable policies and procedures for each asset class or investment team, and for specific strategies where relevant. In addition to our own policies and manuals, IFM is a member of ACSI and adheres to many of ACSI's policies, including ACSI's Governance Guidelines[87] and Gender Diversity Voting Policy.[88]

Policy and procedures review

Our policies define what, why and how IFM will seek to manage risk and ensure regulatory obligations are met. To support accuracy and currency, policies are subject to periodic review and update. The relevant approval authority is determined based on the type of policy or procedure. This may include the IFM Board, a Board Committee, a Management Committee or the relevant executive approval. The majority of frameworks and policies are subject to review and initial approval by the Policy and Document Sub-Committee (PDSC), which is a sub-committee of the IFM Risk Committee.

The PDSC is responsible for:

- Overseeing the application of IFM's Policy Governance Principles;
- Approving frameworks and policies not requiring IFM Board, Board Committee or Management Committee approval; and
- Approving procedures applicable to IFM.

The PDSC is comprised of delegates from several business units including Risk & Compliance, People & Culture, Operations, Commercial and Investments.

The IFM Policy Governance Principles are in place to support the application of a principles-based approach to content, document type and policy governance, supported by the IFM Policy Governance Procedure which outlines the process for writing, reviewing and/or updating policy documents.

IFM reviews policies in accordance with the related risk rating, or per the regulatory or legislative requirement as relevant.

In situations where major updates are needed, we may engage the services of a third party to undertake a gap analysis or benchmarking exercise to provide an external lens and help ensure our policies and procedures remain current. The same occurs for our process documents.

Assurance activities are performed regularly throughout IFM, across three 'lines of defence' (consisting of all employees, our Risk & Compliance Team and our Internal Audit function) as part of the IFM Risk Management Framework. These assurance activities take the form of attestations, self-assessments, control testing, compliance monitoring, risk assessments, internal audit, external audit, and/or independent reviews.

87 ACSI Governance Guidelines | ACSI
88 ACSI Gender Diversity Policy | ACSI

During FY24, we reviewed and updated our process for making voluntary commitments on sustainable investing and corporate sustainability, including through frameworks, standards, public letters collaborating with other market participants, industry body membership and any other related initiatives. Our review focused on how we identify, assess, consider and make decisions on our participation in external commitments and memberships. Part of this process included a 6-month 'test and learn' period to examine the effectiveness of the developing procedure, making change and improvements during this time. The approach was reviewed by stakeholders across IFM, with approval of the procedure by the PDSC.

Monitoring regulatory developments

To seek to effectively manage our regulatory risks, working with external counsel, we have identified and mapped out what we understand to be our key regulatory obligations across our operating jurisdictions and captured them within a register. An external electronic tool is used to capture relevant amendments to existing compliance regulations and alerts relating to new compliance regulations on the horizon. In the event where legislation and regulation fall outside of the capabilities of the electronic feed, manual monitoring of relevant regulator websites is also used.

Following analysis and identification of regulations impacting IFM, a business impact assessment (BIA) is undertaken to determine the level of change impact to IFM. The BIA process involves regular communication and input from the business units within IFM that are to be impacted by the regulation. A regulatory change management process is in place that is governed by the IFM Group Regulatory Change Management Policy. This process seeks to identify, assess, communicate and manage the implementation of new or amended regulation in all relevant jurisdictions. IFM's Regulatory Change Working Group (RWG) provides oversight for the portfolio of regulatory change activity across IFM. The RWG operates under delegated authority from the IFM Risk Committee, meeting on a monthly basis.

Conflicts of interest

IFM's Conflicts Management Policy and Conflicts Management Procedure emphasise acting in our clients' best interests, including details on how IFM identifies, manages and discloses conflicts of interest. IFM's Conflicts Management Policy is accessible to all employees through IFM's policy library and restricted external parties such as regulators and auditors.

Conflict scenarios can arise when our roles, interests or duties are in actual, potential or perceived conflict with that of another. All employees are required to consider conflicts in every aspect of their role and adhere to IFM's Code of Conduct.[89]

Identifying potential conflicts

IFM's Conflicts Management Policy and Market Abuse Policy capture the process of identifying conflicts. As part of IFM's stewardship activities (including voting and engagement), guidelines are adopted to recognise potential conflicts of interest. These guidelines cover various scenarios, including personal conflicts (such as personal account trading), investment conflicts (when different teams seek opportunities in the same asset) and corporate conflicts (including related party transactions).

Material non-public information through stewardship activities

Our Global Risk and Compliance team is informed of any material non-public information obtained through stewardship activities, and relevant controls are implemented, such as information barriers placed on those with inside information. We believe proper management of material non-public information is critical to effectively manage conflicts of interest and to maintain the trust of our owners, clients, regulators and the communities in which we operate.

We have implemented policies, procedures and training that aim to ensure our staff understand the concepts of material non-public information and insider trading, and the controls we must implement to manage and monitor the risk of unauthorised disclosure of material non-public information that could lead to insider trading and undermine the fair operation of financial markets.

[89] https://secure.ethicspoint.com/domain/media/en/gui/67853/index.html

Managing conflicts of interest

IFM's Conflicts Management Policy also establishes the core principles for managing conflicts of interest between clients, employee personal conflicts and conflicts between our business and clients as required by various laws and regulations. It also provides guidance on situations where potential conflicts may arise between and within investment teams.

The guiding principles followed by IFM with respect to conflicts of interest are that:

- all clients should be treated fairly and equitably; and
- IFM seeks to ensure that no investor is disadvantaged in the management or avoidance of the relevant potential or perceived conflict.

The IFM Conflicts Management Policy is applicable to all IFM staff. It is reviewed every two years or when material changes occur in the internal or external business and/or regulatory environment and approved by the IFM Audit & Risk Committee. Potential conflicts are managed and reviewed by the Conflicts Committee which meets on an as-needs basis. The Conflicts Committee is a sub-committee of the IFM Risk Committee and comprises of two IFM Risk Committee members at a minimum, provided always that Conflicts Committee members are not members of the business unit involved in the potential conflict.

The Conflicts Committee seeks to ensure that once a potential conflict scenario has been identified, a process has been undertaken to mitigate or avoid it. In the rare instance where a potential conflict scenario cannot be avoided, the Conflicts Committee will review the controls that have been implemented to evidence management should the conflict materialise. Guidelines have been implemented as part of this process to seek to ensure the Conflicts Committee remains consistent and independent when assessing conflicts raised within IFM's course of business.

Examples of personal potential conflicts of interest include:

- having a close relationship with a service provider;
- holding outside employment or a directorship with an investor or service provider; and
- situations where IFM or a representative are likely to make a financial gain from an investment decision, which may or may not be aligned with the interests of clients.

In situations where the Conflicts Committee is not deemed the appropriate management committee, the matter may be referred to the IFM Board and/or Board Audit & Risk Committee.

The IFM Conflicts Management Policy provides detailed guidance for the following examples (not an exhaustive list):

- assessing conflicts when considering investments;
- the appointment of external advisors;
- managing conflicts arising from knowledge held by different groups within IFM and the consideration of conflicts of interest between IFM entities (for example, where one entity provides management services to another entity within the IFM Group);
- conflicts which may arise through appointment to corporate or asset company directorships; and
- conflicts arising between IFM, our portfolios and individual portfolio companies, related party transactions, deal allocations and common board memberships.

A conflicts register is maintained detailing instances of conflicts as they arise. The register is reviewed on an ongoing basis to ensure it remains up to date.

CASE STUDY

Our private equity portfolio team examined a potential acquisition and identified an existing relationship between the target entity and our debt investments team.

Recognising the importance of conflict of interest protocols, the private equity portfolio team promptly flagged the issue, formally raising the matter with the Conflicts Committee through its secretary.

The secretary took action to investigate the nature of the relationship between the target company and the debt investments portfolio team. Key aspects reviewed included:

- the type of debt involved (whether held via a fund or mandate);
- the presence of any trigger clauses in the loan agreement, such as change-of-ownership clauses; and
- confirmation that no additional financial interests or relationships existed between the target company and other IFM teams or entities.

Ultimately, the transaction did not proceed.

External tools and resources

IFM has internal teams supporting all our asset classes and we rely on both this internal resource and external resources to undertake sustainability research, due diligence and stewardship. For our infrastructure equity and private equity portfolios, we are typically able to access sustainability-related data and information directly from portfolio assets/companies and engage directly with them to seek to understand sustainability considerations and influence change and sustainability-related performance. However, we also engage external consultants to provide support on transaction due diligence, undertake more specialised health and safety, environmental or social assessments and to assist with particular pieces of research or analysis.

We also use several tools that help us store, manage and consolidate sustainability related data. For example, our private equity portfolio team uses Pathzero to measure, analyse and guide on carbon emissions reduction options associated with portfolio companies in order to encourage them to set emissions reduction goals and commitments. We also subscribe to the MSCI ESG Manager portal to access ratings and underlying carbon and other sustainability data and analytics for listed equities' portfolio companies. These data points help us identify portfolio companies that are lagging behind their peers on sustainability considerations and define the issues we may target for engagement.

We believe these tools are useful because they support IFM in quantifying what we consider to be the material sustainability-related risks of a particular company on a case-by-case basis. This helps to inform targeted engagement as well as assisting investment teams with their view of the underlying investment. Climate change research and data are obtained from multiple sources, especially through our membership of a number of investor bodies which are focused on climate change, as well as external investment analysts' research and participation in climate-focused working groups and round tables. We also commission climate assessments related to our infrastructure equity portfolio from external providers such as BCG, Arup, ERM and Pollination, among others.

In addition to our own direct stewardship engagement with certain Australian listed companies, IFM is a member of ACSI which engages with Australian listed companies on our behalf. ACSI provides pre and post meeting file notes and an ongoing engagement tracker which records company progress against material sustainability considerations.

We use Glass Lewis to execute our voting decisions, providing us with proxy voting research and recommendations, and the Glass Lewis Viewpoint online platform to manage all our proxy voting activity. More details on this can be found earlier in the report in Section 3.

Research and recommendations from two proxy advisors provide IFM with alternate views with regard to voting recommendations. See Section 3 for details on our approach to exercising voting rights in companies within our listed equities portfolio.

Third-party data and research providers and platforms that support our sustainability integration and stewardship activities

Service provider	Description
MSCI ESG Manager	ESG data, research and ratings acts as an input into proprietary analysis and screening.
S&P	Individual company data is used on a case-by-case basis by our debt investments portfolio team. During FY24 we have also selected S&P to provide physical climate risk modelling for both our listed and private assets.
Arabesque	Provides an assessment of a company's performance on certain sustainability criteria and is used as an input in our proprietary investment process in active strategies within our listed equities portfolio.
RepRisk	We use RepRisk to identify and assess potential sustainability risks faced by companies and investments.
PathZero	Pathzero is an online platform that we use to measure and analyse a company's carbon emissions.
PWC DataKit	A data collection platform for assets within our infrastructure equity portfolio, covering SFDR and other sustainability data requirements.
Ownership Matters	Provides bespoke governance and accounting risk analysis for ASX 300 companies.
ACSI	Company engagement service and proxy voting research and advice for the ASX 300.
Glass Lewis	Proxy voting research and recommendations and the provision of the Viewpoint online voting management platform.

In addition, IFM works with a number of consultancies across our global locations to supplement our internal resources and seek specialist advice on an ad hoc basis.

Monitoring external advisors and service providers

External advisors and consultants

IFM does not use the services of external portfolio managers – we manage all of our investment portfolios internally or provide relevant advisory services to portfolios on behalf of our institutional clients.

However, we have established and work with a global network of external advisor partners to supplement our internal resources when and where we believe this is necessary. These external providers assist with general operations and the delivery of projects, as well as provide specialist expertise and support to our investment teams during various phases of the investment and transaction process.

We have a number of 'Preferred Advisors' in certain areas of expertise and we ask teams to source from this list in the first instance. These firms have demonstrated satisfactory performance in the past and have agreed terms in advance with us. The Preferred Advisor list is reviewed periodically by the relevant business unit. The IFM Group Policy for the Engagement of External Advisors outlines the process which must be undertaken in appointing any external advisors.

Outsourcing and supplier oversight

Our procurement team, combined with business unit representatives, oversees our suppliers and the procurement of outsourced relationships. The IFM Group Outsourcing Policy outlines our process and assurance requirements for outsourcing arrangements. Our relationship with each service provider and the associated review and oversight processes are dependent on the degree of IFM's reliance on that provider and the criticality of the service to IFM's ongoing operations and activities:

- Primary outsourcing relationships are where the service provided is integral to the operations of IFM or our investment portfolios.

- Secondary relationships describe providers where a change in provider is likely to have minimal or no impact on the services offered by IFM. These are typically support and ad hoc consulting services.

When appointing key external providers, depending on the type of relationship (as above) or nature of the contract, we typically carry out an initial assessment across a range of criteria outlined in the IFM Group Outsourcing Policy or the IFM Group Engagement of External Advisors Policy, including but not limited to financial, human and technical abilities, systems and capacities, as well as the ability to support the implementation of our sustainable investing approach and Sustainable Investing Guidelines.

A new Supplier Code of Conduct is also continuing to be developed to provide further rigour around supplier appointments. This document intends to set out the high standards and behaviours we expect from our suppliers relating to human rights, ethical sourcing, bribery and corruption, labour standards, inclusion and diversity, health and safety and the environment.

Monitoring of service providers is undertaken on a regular basis depending on the relationship to gauge whether performance and service levels are consistent with expectations. We recognise it is important that we retain sufficient capacity (skills and knowledge) to be able to supervise ongoing service delivery and performance. Monitoring may involve:

- Meeting with key personnel of the service provider or agent;

- Monitoring changes to key personnel of the service provider or agent; and

- Receiving performance reports and/or presentations from the service provider or agent, and periodic onsite and offsite reviews.

Supplier performance management framework

We have developed, and continue to improve upon, a supplier performance management framework which was implemented with some of the key vendors supplying IFM in FY23 and was extended to further vendors in FY24. This framework was built in response to our growing supplier base and the increasing obligations that IFM has in relation to sustainability and regulation, including those of the supply base. We are in the process of segmenting suppliers into different categories to help distinguish strategic (more critical) suppliers from those that are more easily substituted. For example, corporate advisory services would be described as operational or transactional in nature, as opposed to those advisors who assist with strategy or portfolio advice. This segmentation allows us to increase our focus on the assessment and oversight of more material or strategic suppliers. These include suppliers that are involved in the provision of custodial services, valuation, fund administration, core technology services and internal audit.

We believe a more structured approach to our management of suppliers will help drive improved performance, enable better risk control, create greater alignment with strategic suppliers and enable us to more effectively demonstrate to regulators, our clients and owners how we are managing those key relationships.

Listed equities portfolio engagement and proxy voting services

ACSI undertakes engagement with ASX 300 companies on behalf of members including IFM and provides us with proxy voting research and advice. Our representation on the ACSI Board and Member Council provides IFM with oversight and helps the alignment of ACSI's engagement priorities with our own. IFM is also a member of ACSI's governance guidelines working group, established every two years, to review, update and redraft ACSI's Corporate Governance Guidelines. We engage with ACSI on a regular basis through attendance at meetings, one-on-one engagement with their team members, as well as attending ACSI-led conferences and information sessions.

We subscribe to the Glass Lewis voting platform 'Viewpoint' to manage and track all our proxy voting activity. We disclose our voting decisions publicly on our website via a searchable voting database provided by Viewpoint.[90]

The Sustainable Investment team and our listed equities portfolio team meet with and monitor ACSI and Glass Lewis respectively to seek to ensure their services remain fit for purpose for IFM. This occurs during the ongoing course of business and more formally through contract renewal processes. We also engage an external auditor, who assists with our monitoring requirements by undertaking annual reviews. Proxy voting records are assessed with a

90 https://www.ifminvestors.com/en-au/capabilities/listed-equities/stewardship/

view to ensuring applicable internal IFM control procedures are followed and that authorised voting accounts are being implemented in line with their associated policies.

Sustainability data providers

We use a range of sustainability data inputs, analytics and research providers in the management of our listed equities and debt investments portfolios which include MSCI, Arabesque, S&P, RepRisk and Ownership Matters, as well as obtain engagement and proxy voting advice from ACSI and Glass Lewis (where applicable) as outlined above. We also use credit ratings agencies where coverage is available.

For our infrastructure equity and private equity portfolios it is still challenging to access an appropriate level of relevant data and research provider coverage. We use the RepRisk database for ongoing portfolio screening of our infrastructure equity portfolio companies and diligence screening for our infrastructure debt products within our debt investments portfolio. Generally, our infrastructure equity and private equity portfolio companies independently engage their own data and service providers and provide relevant information to our portfolio managers.

We regularly monitor the quality and depth of sustainability data and research from external providers by undertaking a comparison across different data providers for investments where possible, frequently reviewing new data offerings and trialling new data solutions. We also formally review service contracts annually with a view to ensuring they continue to meet our needs.

Client reporting and engagement

We engage frequently with our owners and clients. Our engagement is two-way and provides us the opportunity to seek feedback via the following formal and informal channels:

- Shareholder Advisory Board;
- Investor Advisory Committees;
- Our Investor Service Quality survey; and
- Direct interaction via investor forums, regular briefings and client meetings.

Shareholder Advisory Board

The Shareholder Advisory Board consists of representatives from IFM's major shareholders who meet to discuss IFM's performance, business planning, governance, results, leadership and other agreed topics of interest including sustainable investing matters.

Investor Advisory Committees

IFM's Investor Advisory Committees (IAC's) are also important forums for consultation between IFM and our clients on matters including our sustainable investing approach. These committees exist for our infrastructure equity portfolio, our private equity portfolio and our infrastructure debt products within our debt investments portfolio. We seek broad investor representation on these committees which are designed to provide a forum for consultation between IFM and our clients on a variety of issues relating to their investments. The IAC platform enables the sharing and discussion of feedback, requests and advice amongst committee members.

The following are examples of some of the functions relating to the IAC platform for our infrastructure equity portfolio:

- Discuss and consider the impact of changing circumstances and market conditions on the strategy and performance of the infrastructure equity portfolio.

- Review conflicts of interest and related party transactions.

- Discuss and consider opportunities as to how IFM and our clients and owners, where appropriate, may influence stakeholders to contribute to the opportunities available to the portfolio.

Aligning our investment management approach to our clients' needs

Our approach of seeking to align our investment management approach with our clients' needs includes focusing on understanding their priorities and using this information to inform our actions, working hard to build long-term, constructive investor relationships and acting as a trusted advisor and steward of our clients' money.

During FY24 we have continued to build our understanding of our clients' and owners' sustainability-related priorities, starting with the largest clients. Our program of research, which included desk-based analysis and direct engagements with our owners, highlighted a number of sustainability-related priority areas for our owners, major clients and broader market trends, such as climate change, labour rights, modern slavery, as well as emerging areas of focus such as nature and biodiversity, and artificial intelligence. We believe ongoing engagement with our clients and owners and the priority areas identified thus far, will help to inform the future development of our sustainable investing approach and areas of focus.

Our Shareholder Advisory Board and IACs enable us to regularly engage in a formal way with our clients and learn more about their needs and concerns. The information obtained from these interactions is used to inform our business decisions and the types of products and services that we offer our client base.

We seek to develop new investment strategies that take into account the changing needs of our clients. These strategies incorporate sustainability objectives and aim to support our clients who have set their own net zero commitments. These were developed in consultation with clients, to strengthen alignment to their investment policies with respect to sustainability considerations.

At the individual client level, we can develop bespoke mandates and sustainability strategies in collaboration with clients that are tailored to their direct needs. These bespoke solutions can also be adjusted over time, for example, as a client's climate goals evolve.

We value the feedback we obtain from our owners and clients as part of our annual Investor Service Quality survey and regular interactions, and we use this information to help improve our approach and better meet client needs.

The collaborative efforts in which we participate also result in us engaging alongside some of our clients. While client engagement is not the primary objective of our involvement in these collaborations, it nonetheless helps provide another channel to determine the range of issues our clients consider important.

Client forums, regular briefings and client meetings

Our clients and owners are regularly provided with investment performance, fund information, qualitative commentary, quantitative indicators, sustainable investing approach considerations and market developments through the following channels:

- Monthly statements and quarterly reports detailing performance and market developments;
- Regular conference calls, client updates and client briefings;
- Publication of thought leadership whitepapers;
- Masterclass sessions to share investment insights; and
- Customised client deliverables, as agreed.

This is complemented by engagement and outreach undertaken by IFM's Chief Executive and senior executives, including investment team heads. As a result, IFM can stay close to our clients and respond quickly to market developments, investment trends and sustainable investing themes.

Investor Service Quality survey

Our Investor Service Quality (ISQ) survey uses independent qualitative research via interviews with chief executives, chief investment officers, key investment team members and asset consultants to assess our investor service quality on an annual basis. This assessment includes a critical assessment of IFM's sustainable investing approach.

The ISQ provides IFM's clients the opportunity to give feedback about their experience with IFM. The areas covered in the 2024 ISQ review included: overall satisfaction with IFM, investment performance, strategic alignment, client engagement, consultant feedback, onboarding, legal and related documentation, client meetings, reporting and sustainable investing policy, process and reporting.

The results for the 2024 ISQ survey continued to reinforce the momentum we have seen in previous years, with the "overall satisfaction" score increasing from 8.4 to 8.5 (out of 10). This represents the strongest score IFM has received to date and reflects a continued level of achievement across all dimensions measured in the ISQ.

IFM's overall sustainable investing reporting scores have remained high, with IFM's Sustainable Investment team, capabilities, alignment, stewardship and overall delivery at the highest levels since measurement began.

Reporting

We believe transparent reporting about our sustainable investing approach, actions and outcomes is important to earning and maintaining the trust of our clients and other key stakeholders. We aim to ensure our reporting is fair, balanced and understandable. We seek to do this through internal reviews of our reporting before publication and via reviews and benchmarking of our reporting against peers and competitors. Formal and informal feedback from clients and other key stakeholders also informs our consideration of improvements to our reporting.

Below we outline publications we provide our clients and owners and other key stakeholders explaining our approach, activities and outcomes.

IFM's sustainability reporting and disclosures

Sustainable Investing Guidelines: Defines our sustainable investing approach.[91]

Annual Sustainability Report: Reports on how we are delivering on our Purpose for our clients and owners via our investment, stewardship, advocacy and corporate activities.

PRI Transparency and Assessment Reports: We publish our PRI Transparency and Assessment reports on our website.[92]

Net Zero Asset Managers Initiative: We provide a submission on our progress for inclusion in NZAMI's annual report on signatories' target disclosures.

GRESB:[93] IFM's GRESB submission for 2024 marked our fourth consecutive year of participation in the assessment process. In 2023 two of our three infrastructure equity portfolio products made submissions and in 2024 submissions were made by all three products in our infrastructure equity portfolio for the first time. One product achieved the maximum 5-star rating in its first year, with the remaining two maintaining their management GRESB scores from the previous years, achieving 30 out of 30.

Insights: We produce a range of thought leadership, white papers and regular updates for our clients and other stakeholders which include topics relating to our stewardship activities and outcomes. We publish these on our website.[94]

Listed Equities Stewardship reports and voting records: We publicly report every six months on our Australian listed equities portfolio stewardship activities, covering our proxy voting and engagement activities and outcomes for the period. We also provide a real-time list of voting activities on our website. These are available via the stewardship page on our website.[95]

Modern Slavery Reporting: We publicly report on our processes and controls to prevent modern slavery within IFM operations, investment activities and third-party providers.[96]

EU SFDR Disclosure: We provide annual disclosure of environmental and social considerations for our global products within our infrastructure equity portfolio that are in scope of the European Union's Sustainable Finance Disclosure Regulation (SFDR).

Infrastructure Climate Change Report (distributed to our clients): We report carbon footprint data and outline our decarbonisation pathways and progress towards our 2030 emissions reduction targets for our infrastructure equity portfolio to our clients via annual reports and periodic client updates.

Private Equity Sustainable Investment Report (distributed to our clients): We review and disclose our progress regarding sustainability objectives and priorities and highlight focus areas for the year ahead for our private equity portfolio.

[91] Available on our website Governance and reporting | IFM Investors and as Appendix 2 to this report.
[92] Available on our website Governance and reporting | IFM Investors
[93] 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.
[94] Thought Leadership | IFM Investors
[95] Engagement & Proxy Voting Reports | IFM Investors
[96] Modern Slavery | IFM Investors

Maria Nazarova-Doyle
Global Head of Sustainable Investment

The year ahead

As we look ahead, we have a wealth of initiatives underway at IFM aiming to continue to meet our Purpose: to invest, protect, and grow the long-term retirement savings of working people. We are particularly focused on further enhancing the application of sustainability considerations across our business and our portfolios, as we continue to grow our assets under management and expand our client base globally. It's going to be another busy year as we concentrate on new and ongoing initiatives highlighted in this report. Below are some of our key focus areas for the year ahead.

Our partnership on Sustainable Aviation Fuel (SAF)

As part of our partnership with GrainCorp to develop a SAF refinery market in Australia (as outlined in Section 4 of this report), our work has been progressed to include the signing of a Memorandum of Understanding between IFM, GrainCorp and Ampol, Australia's largest transport energy provider. Ampol and IFM intend to progress the feasibility assessment of a renewable fuels facility at Ampol's Lytton Refinery and to work with GrainCorp to explore the supply of homegrown feedstocks to supply canola oil to the future plant. This exciting work between IFM, GrainCorp and Ampol is expected to continue throughout the current financial year and beyond.

Climate modelling developments

During the new financial year we intend to continue improving our climate modelling. We plan to focus both on implementing a new physical risk tool into our asset class processes and also advance work to assess portfolio-wide risk across both transition and physical risk. We believe the work we are undertaking this year will allow us to refine our risk management approach as well as help us get ahead of future regulatory changes.

Sustainability-related data capabilities

Later in the new financial year we intend to commence a large program of work to improve our sustainability-related data management capabilities. This is expected to allow us to be more efficient as a business when monitoring, assessing and reporting on our exposures to sustainability risks and on our progress towards our net zero targets.

Mobilising pension capital for net zero: a policy blueprint for the UK

In October 2024 we announced our blueprint, Mobilising pension capital for net zero: a policy blueprint for the UK, which is a first-time collaboration between IFM, UK and Australian pension funds, and the UK Pensions and Lifetime Savings Association (PLSA). This blueprint calls on the government to take an active and coordinated approach across fiscal, planning, climate, renewables and industrial decarbonisation policy to give investors of pension capital greater clarity and confidence in the UK market. We are looking forward to working with a wide range of parties representing private and public sector aiming to support these policy recommendations being put into action.

Social and Affordable Housing

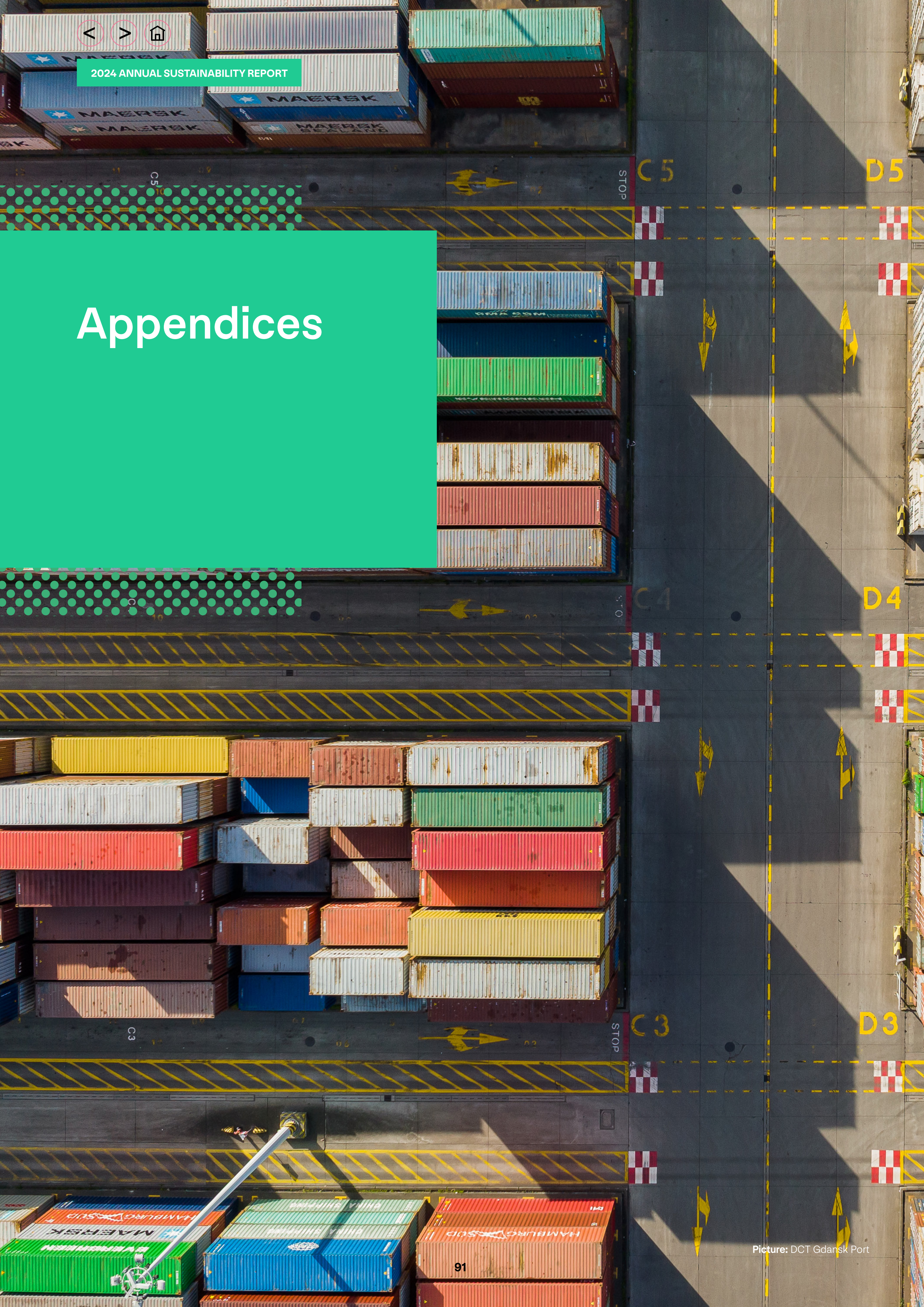
During the last year IFM and a number of Australia's leading profit-to-member superannuation funds have collaborated to provide long term debt to Community Housing Providers to enable them to participate in the first round of the Housing Australia Future Fund. Details of this collaboration can be found in Section 4 of the report. Should the bids be successful, in the year ahead we will work with these funds and Community Housing Providers aiming to move to financial close on the successful social and affordable housing projects. We see this collaboration with superannuation funds as a long-term partnership to support addressing this systemic issue.

Modern slavery

During the year ahead we intend to further develop our approach to identifying modern slavery risks in our portfolios, upgrading our due diligence capabilities across a number of areas.

We look forward to reporting on these and many other initiatives in our report next year.

Appendices



Picture: DCT Gdansk Port

Appendix 1: Mapping to the UK Stewardship Code

PRINCIPLE 1: **Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.**	**Section 2: About IFM** **Section 3: Sustainable investing** - Our sustainable investing approach **Section 6: Sustainability at IFM** - Corporate sustainability
PRINCIPLE 2: **Signatories' governance, resources and incentives support stewardship.**	**Section 3: Sustainable investing** - Implementing our sustainable investing approach **Section 6: Sustainability at IFM** – Corporate sustainability **Section 7: Governance** – Reviewing our policies and processes, External tools and resources
PRINCIPLE 3: **Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.**	**Section 7: Governance** - Conflicts of interest
PRINCIPLE 4: **Signatories identify and respond to market-wide and systemic risks to promote a well- functioning financial system.**	**Section 4: Navigating market-wide risks** **Section 5:** Climate change and advancing our net zero transition - Climate risks and our commitment to emissions reduction
PRINCIPLE 5: **Signatories should explain how they have reviewed their policies to ensure they enable effective stewardship.**	**Section 3: Sustainable investing** - Our sustainable investing approach – Transparency and reporting **Section 3: Sustainable investing** - Implementing our sustainable investing approach – monitoring and assessing effectiveness **Section 7: Governance** - Reviewing our policies and processes **Section 7: Governance** - Client reporting and engagement
PRINCIPLE 6: **Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.**	**Section 2: About IFM** - Financial highlights **Section 3: Sustainable investing** - Our sustainable investing approach – sustainable investing integration **Section 3: Sustainable investing** - Our sustainable investing approach – Transparency and reporting **Section 7: Governance** - Client reporting and engagement
PRINCIPLE 7: **Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.**	**Section 3: Sustainable investing** **Section 5: Climate change and advancing our net zero transition**

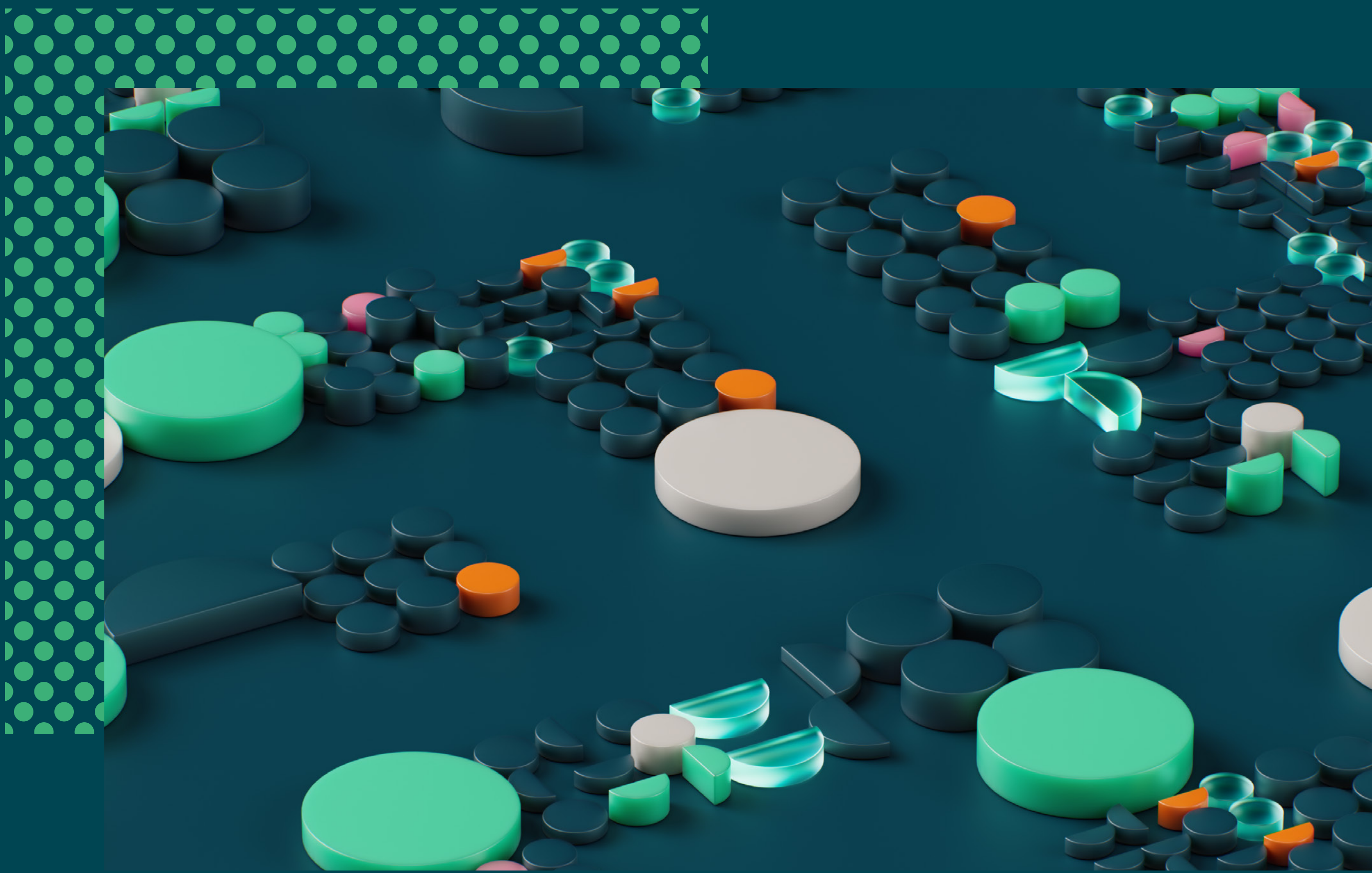
PRINCIPLE 8: **Signatories monitor and hold to account managers and/or service providers.**	**Section 7: Governance** - External resources and tools
PRINCIPLE 9: **Signatories engage with issuers to maintain or enhance the value of assets.**	**Section 3:** Sustainable investing
PRINCIPLE 10: **Signatories, where necessary, participate in collaborative engagement to influence issuers.**	**Section 3: Sustainable investing** - Our sustainable investing approach – Advocacy and collaboration **Section 4: Navigating market-wide risks** - Industry and peer collaboration **Section 4: Navigating market-wide risks** - Engaging with government bodies and policymakers
PRINCIPLE 11: **Signatories, where necessary, escalate stewardship activities to influence issuers.**	**Section 3: Sustainable investing** - Implementing our sustainable investing approach
PRINCIPLE 12: **Signatories actively exercise their rights and responsibilities.**	**Section 3: Sustainable investing** - Implementing our sustainable investing approach – Listed equities

IFM Investors

Appendix 2: IFM's Sustainable Investing Guidelines

IFM Investors Sustainable Investing Guidelines

May 2024



Why

Our purpose is to invest, protect and grow the long-term retirement savings of working people. Maximising long-term risk-adjusted returns is central to delivering on our purpose, and we believe sustainable investing (SI) is integral to doing this. We aim to identify and act on sustainable investing risks and opportunities across our portfolios.

IFM Investors (IFM) is owned by Australian pension funds. This ownership model and the fact that our owners invest alongside our clients drives alignment between our purpose and our owners' and clients' objectives, affirming our commitment to investing for the long-term and reinforcing our belief that a healthy environment and strong societal foundations are important to achieving sustained economic growth.

What

IFM's Sustainable Investing Guidelines (Guidelines) seek to define our sustainable investing approach. These Guidelines generally apply to IFM's funds across the following investments:

- Infrastructure Equity
- Debt Investments
- Private Equity
- Listed Equities

Client mandates and certain indirect investments (such as derivatives) are not subject to these Guidelines.[1]

Sustainability considerations are considerations that relate to society and the environment, such as climate change, worker safety and labour rights. These considerations can give rise to investment risks, opportunities and impacts that can be financially relevant and ultimately affect investment performance.

Sustainable investing is the approach we use to integrate sustainability considerations into investment analysis, decision-making, ongoing management, and oversight of investments, recognising the impacts these can have on investment performance, as well as on wider society and the environment.

Our sustainable investing approach aims to manage financial risk and improve the performance. As part of this approach, we seek to identify, understand, and manage a broad range of risks and opportunities that can materially impact the value of our investments.

Our sustainable investing approach varies across asset classes and is tailored based on considerations such as the holding period and the degree of influence we have.

IFM has adopted our own definitions of sustainable investing and sustainability considerations in these Guidelines and such terminology is not intended to refer to any regulatory definition.

Through our sustainable investing approach, IFM aims to support a sustainable transformation of the economy in a manner we believe helps deliver long-term value to our clients and considers the impacts on people and the planet. To effectively implement IFM's sustainable investing approach across our portfolios, we have developed organisation-wide principles covering our approach to environmental action and social inclusion as set out in more detail below. We aim to implement these principles across asset classes where practicable and consistent with our duties.

[1] With respect to client mandates, certain Listed Equity mandates could be subject to the voting and engagement sections of these Guidelines based on the specific client agreements.

How

We assess sustainability considerations and their impact on investments across the majority of asset classes[1] and strategies, noting that the approach differs between asset classes.

Our Sustainable Investment team leads on the development and agreement of IFM's overarching approach to sustainable investing with each Investment team and other IFM business units, and provides expert advice on sustainable investing-related issues. The Investment teams lead on all investing activities and integrating sustainability considerations into those activities.

Our teams will refer to these Guidelines in their relevant activities, which may include, one or more of the following:

- Analysis, mitigation, and management of sustainability considerations for investments
- Due diligence
- Identification and compliance with applicable laws and regulations
- Seeking to improve the performance of portfolio companies across a range of sustainability considerations through asset management and stewardship, including exercising voting rights, where practicable
- Monitoring and reporting
- Advocating to encourage the shift toward a more sustainable financial system
- Representing IFM in industry bodies and investor practice development.

These Guidelines are reviewed annually following an established review process.

Who

These Guidelines apply to all IFM Investors' and its subsidiaries' people, including employees, directors, temporary agency employees and contractors in all jurisdictions.[2]

[2] See Section 'What' for scope definition.

IFM Sustainable Investing Principles

We have developed a set of sustainable investing principles to guide us to make investment decisions which aim to maximise the returns and manage risks for our clients. We aim to implement these principles across asset classes where practicable. The implementation of these principles is an ongoing process with some areas more advanced than others, and we update these principles as new information emerges.

1

Environmental Action

Net Zero transition risks and opportunities

We believe the risks and opportunities arising from climate change and the transition to a net zero economy are unprecedented, making it important in our view that we seek to integrate these considerations into our investment processes so we can continue to deliver strong risk-adjusted returns for our clients.

We believe the most efficient way to mitigate climate change risk for long-term investors is to consider whether and how their assets can transition to a net zero economy by 2050 in a manner that achieves the goals of the Paris Agreement. Echoing the agreement reached at COP28, we believe that long-term investors benefit if this transition happens in a just, orderly and equitable manner to maximise long-lasting benefits throughout the global economy.

IFM has set a target aligned with the International Panel on Climate Change (IPCC) findings to reduce greenhouse gas emissions, targeting net zero across our asset classes (scope 1 and scope 2 emissions) by 2050. This target does not apply to client mandates. The work to determine our approach to deliver on this target is ongoing, tailored across asset classes and aligned with our priority to maximise risk adjusted returns for our clients.[3] Our overarching approach largely encompasses transition and adaptation, and climate solutions investment rather than divestment. Our ability to achieve our net zero targets is dependent on advances in technology, alternative energy sources being available at scale and, policymakers and portfolio companies making and delivering on their own net zero commitments.

Biodiversity protection and nature restoration

We believe that there is a need and an opportunity to contribute positively towards biodiversity protection and nature restoration. We believe the current rate of nature degradation is not sustainable, and there is a need to reduce the adverse impacts where practicable as well as increase the positive interactions between investment and nature conservation and/or restoration. IFM's teams take a tailored approach to the management of nature related risks, prioritising where we can have the greatest degree of influence aligned with maximising long-term risk-adjusted returns. This approach may include where practicable:

- Encouraging and supporting our portfolio companies to monitor, assess and disclose risks, dependencies and impacts on nature and biodiversity in their operations and supply chains
- Collecting data at asset and portfolio level on activities negatively affecting biodiversity sensitive areas and assets located in proximity of protected areas
- Undertaking periodic assessments of nature related risks across our portfolios both in terms of materiality to our assets and the impacts of assets on biodiversity
- Assessing nature related risks at the due diligence stage of acquiring new assets
- Deepening our awareness of the impact of deforestation across our assets, understanding any key risks, and taking steps to mitigate such risks
- Collaborating and taking part in investor coalitions targeting action on biodiversity, nature, and deforestation.

[3] As at the publication of these Guidelines, with respect to pooled products, for IFM's infrastructure equity portfolio and IFM's private equity portfolio we have also announced interim 2030 targets. IFM's debt investments team and listed equities team continue to evaluate net zero targets across their portfolios.

Efficient resource use

With a growing global population and increasing consumption rates, we believe the risk of breaching planetary boundaries in key environmental systems is high and rising. We believe this necessitates better management of finite resources and a focus on circular economic activity. We believe a key pillar of this is the adoption of a circular approach, which seeks to reduce waste by keeping products and their underlying resources in use for as long as possible. Where appropriate and depending on our level of influence, we will use our position to encourage portfolio companies to consider, disclose, and manage risks and opportunities regarding efficient resource use, reducing waste, and adopting a circular approach to their products and operations.

2

Social Inclusion

Human rights

We seek to conduct our business in a manner that respects the human rights and dignity of all people. We expect the same from our portfolio companies. We support international efforts to promote and protect human rights, including opposition to all forms of slavery and human trafficking.

Internationally recognised standards and guidance[4] inform how we consider human rights. Integrating human rights within our overall risk assessment approach and due diligence efforts, where practicable and appropriate, allows us to be alert to higher risk investments and factor this into our ongoing monitoring and stewardship activities across our portfolios.

IFM's ongoing approach to identifying and addressing modern slavery risk in our investments, operations and supply chain is outlined in our Modern Slavery statement published annually on our website. We also work together with industry peers through network collaborations to better understand and influence the way human rights risks are managed by the companies in which our portfolios invest.

Labour rights

We aim to conduct our business in a manner that respects labour rights and we expect the relevant companies in which our portfolios invest to do so as well. Our purpose puts working people at the heart of our activities, and this includes demonstrating workplace leadership with a focus on promoting fair and safe conduct.

We support international efforts to promote and uphold these fundamental labour rights and standards and seek to avoid being complicit in labour rights abuses and all forms of compulsory (forced) or child labour. Our approach is informed by:

- Internationally recognised standards and guidance[5]
- Upholding labour laws and maintaining fair employment conditions
- Continuous improvement of workplace health and safety standards
- Respect for the rights of workers to be represented by and active in trade unions.

Our focus on labour rights includes the promotion of safe, fair, and inclusive workplaces and protecting workers' rights during key transitions, such as those relating to industry-focused automation and global energy transition.

We believe that our commitment to social dialogue with civil society stakeholders supports our success, so we seek to facilitate mutually beneficial engagements between our portfolio companies, unions, and governments, where we have the ability to do so. Formalisation of dialogue supports constructive engagement of stakeholders.

Inclusive workplace culture

IFM believes that strong, diverse, equitable and inclusive cultures are a value driver for companies in which our portfolios invest and that a lack of diversity can lead to poor company performance. Respect and support of diversity and inclusion and avoiding discrimination in the workplace is therefore one of our focus areas. Diversity is a broad concept - including diversity of thought, gender, culture, age, ethnicity, skills, experience, and other characteristics. We believe an inclusive culture that embraces diverse qualities, backgrounds and perspectives leads to more innovative thinking, better decision-making and competitive business performance.

[4] These include: International Bill of Human Rights - The International Bill of Human Rights comprising the Universal Declaration of Human Rights and the main instruments though which it has been codified: International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights. https://www.ohchr.org/en/what-are-human-rights
• UN Guiding Principles on Business and Human Rights - https://www.ohchr.org/en/publications/reference-publications/guiding-principles-business-and-human-rights
• UN Global Compact - https://unglobalcompact.org/what-is-gc/mission/principles
• OECD Guidelines for Multinational Enterprises on Responsible Business Conduct - MNE Guidelines - Organisation for Economic Co-operation and Development (oecd.org)
• United Nations Declaration on the Rights of Indigenous Peoples - https://www.ohchr.org/en/indigenous-peoples/un-declaration-rights-indigenous-peoples

[5] Including International Labour Organization's (ILO) Core labour standards, UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, UN Global Compact.

Community engagement and Indigenous people

We believe in supporting collaborative engagement with communities to create positive and mutually beneficial outcomes. We recognise that engaging local communities is an important part of companies maintaining their standing and reputation locally.

We believe in building relationships with local communities that are honest, open, inclusive, and based on a genuine commitment to understand their history, needs and expectations. This engagement should help our aim to ensure that the health and wellbeing of communities in which we operate is protected, that cultural heritage, protocols and land rights are respected, and the community voice is considered in decision-making to avoid significant adverse impacts.

This approach is informed by the standards of the UN Global Compact, and frameworks such as the UN Guiding Principles on Business and Human Rights.

We believe in the notion of Free Prior and Informed Consent (as enshrined in UN Declaration of the Rights of Indigenous Peoples) and expect relevant companies in which our portfolios invest to adhere to this in their interactions with indigenous people in their countries of operation. Where we have the ability to do so, we will challenge companies' strategies relating to indigenous people if we believe their strategies are ineffective.

3

Governance, roles & responsibilities

As we pursue our purpose and strive to support the creation of long-term value and meet the expectations of our stakeholders, we understand the importance of robust governance.

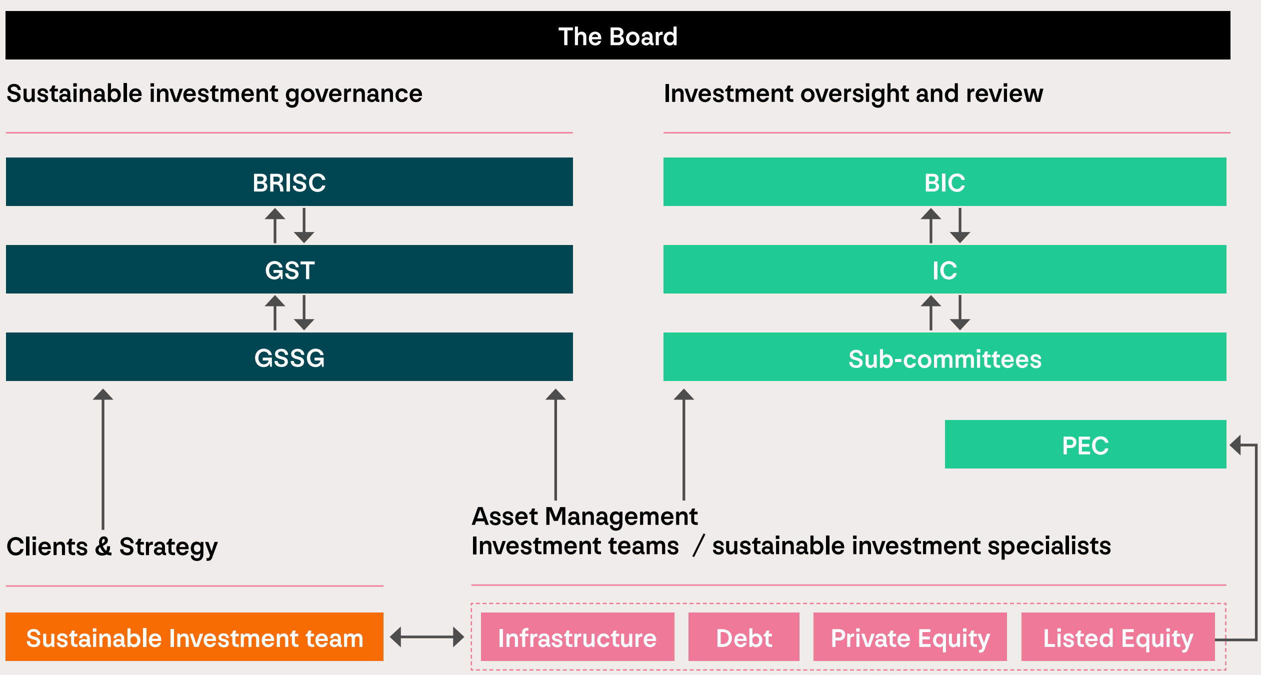
Roles and responsibilities

Our overarching sustainable investing approach is established and monitored at the IFM Board level. Management supports the execution of this approach, aiming to ensure sustainability opportunities and risks are reflected in our risk management frameworks and plans at the corporate and investment levels.

Board oversight – Board Responsible Investment and Sustainability Committee (BRISC)

The BRISC assists the IFM Board by providing an objective, non-executive view of the efficacy of our sustainability strategy and reporting framework. The Board approves (or delegates approval to the BRISC) IFM's sustainable investing strategy, Guidelines and organisational performance scorecard for sustainable investing and receives regular reporting on sustainable investing-related developments from asset classes and the central Sustainable Investment team. The BRISC monitors and oversees progress against key sustainable investing and sustainability objectives and provides guidance on

SI roles and responsibilities



IFM's sustainable investing approach as proposed by management.

Executive management responsibility - Global Strategy Team (GST)

The GST supports IFM's Chief Executive in executing overall responsibility for the management of IFM. The GST is focused on ensuring high-quality support is provided to the IFM Board, including by seeking to maintain an efficient and collaborative workplace, foster a strong, coherent, and inclusive culture, and develop IFM's capabilities, including those related to sustainable investing and stewardship.

Investment oversight and review - Board Investment Committee, Investment Committee and Sub-committees

IFM's Board Investment Committee, Investment Committee and Sub-committees have oversight of our investment programmes and portfolios, with a view to ensuring our sustainable investing approach and guidelines are appropriately factored into investment decisions and ongoing portfolio management.

The Investment Committee and Sub-committees are responsible for reviewing and approving new and follow-on investments for our infrastructure equity, debt investment, and private equity portfolios, consistent with internal guidelines and procedures. The approval process includes an assessment, where relevant, of material sustainability risks and opportunities by the Investment teams which is also reviewed by integrated asset class sustainable investment specialists and the Sustainable Investment team. The review and, where appropriate, challenge on sustainability assessments helps with the appropriate consideration of sustainability risks in support of investment objectives (including the delivery of long-term risk adjusted returns) as part of the approval process and in the context of our overall purpose. The Investment Committee is also responsible for monitoring the outcomes of past investment decisions.

Global Sustainability Steering Group (GSSG)

The GSSG, comprising senior executives from each IFM business unit and chaired by the Global Head of Sustainable Investment, helps coordinate and share information across IFM, supports multi-disciplinary projects, and monitors progress against sustainability initiatives.

Firm-wide Sustainable Investing responsibilities - Sustainable Investment team

IFM's Sustainable Investment team leads on the development and agreement of our overarching sustainability strategy and associated policies and guidelines with each Investment team and other IFM business units. These policies and guidelines are implemented and developed further by the Investment Teams through applicable procedures or operating manuals. The Sustainable Investment team is divided into four functional areas: sustainable investing integration, stewardship, governance/reporting/research, and corporate sustainability. The team focusses on integrating the expectations of IFM's clients and wider stakeholders into the organisation's sustainable investing approach and works closely with Investment teams to seek to ensure client voices are appropriately reflected in investment strategies and processes.
The team also provides support and specialised advice, collaborating with Investment teams on their sustainable investing and stewardship approaches. Additionally, they coordinate knowledge sharing between asset classes and across the broader business and also provide specialist peer review support to the Investment Committee.

Investment & Portfolio-level Sustainable Investing responsibilities - Investment teams

The Global Heads of each asset class and the Global Head of Asset Management (Infrastructure) are accountable for the execution and implementation of these Guidelines in the investment and asset management process. They are supported in this process by their Investment teams and, where applicable, integrated asset class sustainable investment specialists and the Sustainable Investment team.

Each Investment team considers sustainability considerations and, to the extent practicable and consistent with our duties, undertakes stewardship in their respective investment and asset management processes. Investment teams, and their integrated sustainable investment specialists where in place, lead on the design and execution of asset class-specific strategies, frameworks, and reporting, in line with these Guidelines and in consultation with the Sustainable Investment team. Asset class teams manage asset and portfolio specific data, and the Sustainable Investment team collates this data for external client and regulatory reporting.

Proxy voting and engagement – Proxy Voting and Engagement Committee (PEC)

The PEC provides oversight of proxy voting activity for the Australian listed equities' portfolio assets within our Listed Equities asset class and is completely independent of proxy advisers.
The committee determines our approach to our Australian listed equities portfolio proxy voting and approves significant votes relating to our largest holdings. The PEC also approves and monitors

engagement activities that take place between IFM and our Australian listed equities' portfolio companies. The PEC delegates authority for day-to-day engagement and voting on listed securities to representative members in the Sustainable Investment team and our listed equities portfolio team.

Remuneration

We include sustainable investing as a part of our corporate performance scorecard to increase focus on delivering positive performance on sustainable investing and wider sustainability goals. By linking the remuneration of IFM employees to our sustainability focus areas, we aim to create the necessary alignment across the business.[6] Overall our reward approach is also designed to incorporate and uphold IFM Risk Management frameworks, including consideration of sustainability risks.

Reporting

IFM supports a range of sustainability focussed frameworks and standards and transparently reports both publicly and to clients on a range of sustainability considerations across asset classes.

We are also subject to mandatory requirements under certain regulations. We monitor upcoming regulations, assess their impact on our business and work to ensure we comply with new and developing regulatory requirements.

Sustainability initiatives across IFM are reported to the BRISC and the Board on a regular basis.

4

Stewardship, engagement and voting

Stewardship is the use of various strategies, including the responsible allocation, management and oversight of capital with the aim of creating long-term value for clients, leading to sustainable benefits for the economy, the environment and society.

We include systems-level matters in our stewardship activities. This means, where appropriate, we pursue improvements to specific companies or investments that also have the added benefit of positively influencing the broader economic system and society in which we operate.

IFM believes that effective stewardship, incorporating company engagement and exercising voting rights (where applicable and appropriate), can lead to better company performance, with a wide range of benefits for our investment portfolios and beyond.

The overarching approach to how we address sustainability-related matters with the companies our portfolios invest in is established at the IFM or investment advisor level, and then we seek to tailor our stewardship practices to match the needs of specific asset classes and strategies, considering the nature and tenure of holdings and the degree of influence we have.

For our infrastructure equity portfolio investments, we work collaboratively with management teams and other stakeholders to support sustainable investing initiatives and business practices with the view to preserving and enhancing the value of these businesses.

For our debt investment portfolio investments, we recognise that our greatest ability to influence is during the initial investment phase and at refinancing. Post-deal engagement with issuers is limited, though it does form part of ongoing investment monitoring and our response to emerging or potential material sustainability risks.

Our stewardship approach to Australian assets within our listed equities portfolio involves direct and indirect company engagement and exercising our proxy voting rights, while for global listed equities portfolio investments we work with a proxy adviser to support our stewardship activities.

In our private equity portfolio, our approach considers how we can integrate sustainability considerations into value creation. During ownership, we seek to drive a range of sustainability-related initiatives to support the generation of long-term risk-adjusted returns.

Engagement

Where we believe it is appropriate, we look to engage in direct dialogue with the entities where we invest our clients' funds. We conduct this engagement either on our own or in collaboration with other investors.

Through this engagement, IFM seeks to:

- Build strong relationships that facilitate the transfer and flow of important sustainability data

[6] Applies to all IFM employees excluding some risk and financial control employees.

- Deepen its understanding of how a company / issuer / asset manages sustainability considerations

- Influence positive change in sustainability practices, processes and behaviours regarding company / issuer / asset specific issues and broader industry, sector or thematic issues

- Escalate issues of concern where relevant.

Voting

IFM has developed proxy voting guidelines which we apply in relation to votes on Australian listed equities' portfolio investments. For international listed equities' portfolio investments, we seek to apply voting guidelines from an internationally recognised provider that we consider to be closely aligned to our voting guidelines.

5

Advocacy & Collaboration

Public policy and regulation are important contributors to portfolio risk adjusted returns. We engage in policy advocacy as part of our contribution to the management of systemic risks, as well as where there is another appropriate link to our business or client interests. We aim to engage the broader investment market and stakeholder groups to share learnings on systemic sustainability risks affecting long term returns for our clients. We seek to achieve this by working closely with our clients and owners to build collective solutions that meet their needs in domestic and global private markets, and by engaging proactively in public affairs to support asset teams and the wider business.

6

Sustainable investing integration

The integration of sustainability considerations into IFM's investment management processes enables us to:

- Identify, understand and manage sustainable investing risks and opportunities that can affect investment value and returns in the short, medium and long term (i.e. focusing on how sustainability issues impact our investments).

- Understand the potential impacts and consequences of our investments on external environmental and social considerations (i.e. focusing on how our investments impact sustainability issues externally), given the potential of such impacts to dynamically turn into direct risks and opportunities.

As discussed in these Guidelines, IFM's investment teams across asset classes (in line with the scope set out at the start of the document) consider sustainability considerations alongside traditional financial and other investment data considerations in our investment analyses and decision-making, and stewardship activities to support value creation. IFM recognises that adverse impacts from investment decisions may be wide-ranging, and for this reason, we seek to engage, promote, and improve the overall awareness of these impacts and operating performance of our portfolio companies. We do this by collaborating and consulting with a diverse range of key stakeholders.

7

Waivers and exceptions to these Guidelines

Client mandates and certain indirect investments (such as derivatives) are not covered by these Guidelines. The voting and engagement sections of these Guidelines may, however, be relevant to certain mandates for our listed equities portfolio team based on the specific client agreements.
In addition, passive index tracking equity strategies within our listed equities portfolio do not integrate sustainability considerations unless tracking a specific index with sustainability characteristics They do however use voting and engagements as stewardship tools.

Appendix 1 - Glossary

asset classes	Refers to the sum of our infrastructure equity portfolio, our listed equities portfolio, our debt investment portfolio and our private equity portfolio (see Our capabilities | IFM Investors | IFM Investors for further details)
greenhouse gas (GHG)	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. Carbon dioxide (CO_2), nitrous oxide (N_2O), methane (CH_4) and ozone (O_3) are the primary greenhouse gases in the Earth's atmosphere. Human-made GHGs include sulphur hexafluoride (SF_6), hydrofluorocarbons (HFCs), chlorofluorocarbons (CFCs) and perfluorocarbons (PFCs); several of these are also O_3-depleting.
IFM	"IFM", "IFM Group", "we" and "our" refer to IFM Investors Pty Ltd (see https:// www. ifminvestors.com/en-au/about-us/) 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.
Infrastructure/Debt/ Listed Equities/Private Equity portfolios	Refers to our investments across asset classes. See: Debt Investments | IFM Investors | Infrastructure | IFM Investors | Listed Equities | IFM Investors | Private Equity | IFM Investors
portfolio company / companies	Refers to a public or private company where IFM holds an equity investment. This excludes debt investments.
purpose	IFM's purpose is to invest, protect and grow the long-term retirement savings of working people.
stewardship	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.
sustainability considerations	Considerations that relate to society and the environment, such as climate change, worker safety and labour rights. These considerations, 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. Our assessment of relevant sustainability considerations and the approach we take varies across asset classes, tenure of holding and degree of influence we have. References to "sustainability opportunities", "sustainability risks" and "sustainability impacts" shall be construed as opportunities and risks associated with such sustainability considerations (as applicable). Our definition and use of "sustainability considerations" and "sustainability risks" differs from, and is not intended to refer to, the technical definitions of "sustainability factors" and "sustainability risks" in Article 2, points (24) and (22) respectively under the European Union's Sustainable Finance Disclosure Regulation (SFDR) or other applicable regulations.

sustainable investing	Refers to IFM's approach to integrating sustainability considerations 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 investing approach is tailored to asset classes, tenure of holding and degree of influence we have as owners. Our definition of "sustainable investing" 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) or other applicable regulations.
social and environmental boundaries / planetary boundaries	Refers to the frameworks[7] that identify 12 social foundations and 9 environmental critical Earth system boundaries within which humanity can continue to develop and thrive. The social foundations are internationally agreed minimum social standards and established through the Sustainable Development Goals.

[7] https://www.stockholmresilience.org/research/research-news/2023-09-13-all-planetary-boundaries-mapped-out-for-the-first-time-six-of-nine-crossed.html

Important Disclosures

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

Certain statements in this material may constitute “forward looking statements” or “forecasts”. Words such as “expects,” “anticipates,” “plans,” “believes,” “scheduled,” “estimates” and variations of these words and similar expressions are intended to identify forward-looking statements, which include but are not limited to projections of earnings, performance, and cash flows. These statements involve subjective judgement and analysis and reflect IFM Investors’ expectations and are subject to significant uncertainties, risks and contingencies outside the control of IFM Investors which may cause actual results to vary materially from those expressed or implied by these forward looking statements. All forward-looking statements speak only as of the date of this material or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to IFM Investors or any person acting on its behalf are qualified by the cautionary statements in this section. Readers are cautioned not to rely on such forward looking statements. The achievement of any or all goals of any investment that may be described in this material is not guaranteed.

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

This material may contain information provided by third parties for general reference or interest. While such third party sources are believed to be reliable, IFM Investors does not assume any responsibility for the accuracy or completeness of such information.

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

An infrastructure investment is subject to certain risks including but not limited to: the burdens of ownership of infrastructure; local, national and international economic conditions; the supply and demand for services from and access to infrastructure; the financial condition of users and suppliers of infrastructure assets; changes in interest rates and the availability of funds which may render the purchase, sale or refinancing of infrastructure assets difficult or impractical; changes in environmental and planning laws and regulations, and other governmental rules; environmental claims arising in respect of infrastructure acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established; changes in energy prices; changes in fiscal and monetary policies; negative economic developments that depress travel; uninsured casualties; force majeure acts, terrorist events, under insured or uninsurable losses; and other factors beyond reasonable control.

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

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

Australia Disclosure

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

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United Kingdom Disclosure

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

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IFM Investors

Appendix 3: Important Disclosures and Disclaimers

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Except as required by law, IFM Investors assumes no obligation to revise or update any forward-looking statements in this report, whether from new information, future events, conditions, or otherwise, after the date of this report.

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

Important information regarding sustainability including climate change related statements

This report contains forward-looking statements and other representations relating to sustainability topics, including but not limited to climate change, net zero, climate resilience, emissions intensity, human rights and other sustainability-related statements, commitments, targets, projections, risk and opportunity assessments, pathways, forecasts, estimated projections and other proxy data. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics and modelling on which these statements rely. In particular, the metrics, methodologies and data relating to sustainability matters are often relatively new, are rapidly evolving and maturing and are not of the same standard as those available in the context of other financial information, nor are they subject to the same or equivalent disclosure standards, historical reference points, benchmarks or globally accepted accounting principles. There are inherent limits in the current scientific understanding of the impacts of climate change. It is not possible to rely on historical data as a strong indicator of future trajectories, in the case of climate change and its evolution. Outputs of models, processed data and methodologies are also likely to be affected by underlying data quality, which can be hard to assess and we expect industry guidance, market practice, and regulations in this field to continue to change. There are also challenges faced in relation to the ability to access data on a timely basis and the lack of consistency and comparability between data that is available. Some material contained in this report may include information including, without limitation, methodologies, modelling, scenarios, reports, benchmarks, tools and data, derived from publicly available or government or industry sources that have not been independently verified. In addition, estimating climate change emissions requires the collection and analysis of large sets of new data and there are significant challenges and obstacles with both the availability and quality of such data. As such, no representation or warranty is made as to the accuracy, completeness or reliability of such information. In light of uncertainty as to the nature of future policy and market response to climate change, including between regions, and the effectiveness of any such response, IFM Investors may have to re-evaluate its progress towards its sustainability ambitions, commitments and targets in the future, update the methodologies it uses or alter its approach to sustainability analysis and may be required to amend, update and recalculate its sustainability disclosures and assessments in the future, as market practice and data quality and availability develops rapidly. In particular, we may not achieve our targets and commitments, which may result in our failure to achieve any of the expected benefits of our strategic priorities.

The sustainability-related forward-looking statements made in this report are not guarantees or predictions of future performance and IFM Investors gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of these statements), nor guarantee that the occurrence of the events expressed or implied in any forward-looking statement will occur. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements in this report, including factors that are outside IFM Investors' control. These include, but are not limited to, climate change project risk; data availability, accuracy, verifiability and data gaps; evolving methodologies; variations in reporting standards; changes in the sustainability regulatory landscape; and changes in risk management capabilities. Sustainability-related strategies may take risks or eliminate exposures found in other strategies or broad market benchmarks that may cause performance to diverge from the performance of these other strategies or market benchmarks. Sustainability-related strategies will be subject to the risks associated with their underlying investments' asset classes. Further, the demand within certain markets or sectors that a sustainability-related strategy targets may not develop as forecasted or may develop more slowly than anticipated. Sustainability-related practices differ by region, industry, and issue and are evolving accordingly. As such, an investment's sustainability performance and practices, or IFM Investors' assessment of such performance or practices, may change over time. Similarly, new and evolving sustainability requirements imposed by jurisdictions in which IFM Investors does business and/or in which its funds are marketed may result in additional compliance costs, disclosure obligations, or other implications or restrictions on IFM Investors. Under such requirements, IFM Investors may be required to classify itself, its funds, or an individual investment therein against certain criteria, which may be open to subjective interpretation. IFM Investors' view on the appropriate classification may develop over time, including in response to statutory or regulatory guidance or changes in industry practices or approaches to classification. A change to the relevant classification may require further actions to be taken, such as requiring further disclosures by the relevant fund or new process to be set up to capture data about the relevant fund or its investments, which may lead to additional costs. It should not be assumed that any investment will be profitable or avoid losses.

This report may include certain information on the sustainability practices and track record of IFM Investors at an organisational and investment team level, which may not necessarily be reflected in the portfolio or practises of any fund managed by IFM Investors. Please refer to the offering documents of any fund for details on how, and the extent to which, such fund takes sustainability considerations into account on a binding or non-binding basis.

Investment on the basis of sustainability criteria involves qualitative and subjective analysis. There is no guarantee that the determinations made by an adviser will align with the beliefs or values of a particular investor, and we cannot guarantee that our sustainability policies will result in the performance or outcomes expected. For example, this document contains sustainability-related statements based on hypothetical scenarios and assumptions as well as estimates that are subject to a high level of inherent uncertainty. Certain statements may also be based on standards and metrics for measuring a company's sustainability profile, as well as standards for the preparation of any underlying data for those metrics, that are still developing and internal controls and processes that continue to evolve. While these are based on expectations and assumptions believed to be reasonable at the time of preparation, they should not be considered guarantees. Relatedly, there is no guarantee that any investment or its operations will achieve its sustainability-related targets or, whether or not such targets are met, have a positive sustainability impact, either on particular sustainability-related topics or as a whole. There are significant differences in interpretation of what constitutes positive sustainability impact, and those interpretations are rapidly changing. We may be required to expend substantial effort or incur additional costs to address such matters, including but not limited to evolving legal obligations or due diligence. Additionally, adhering to a sustainability policy may result in missed opportunities, which may be difficult to predict due to the subjective and longer-term nature of some of these issues.

Other important disclosures and disclaimers

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An infrastructure investment is subject to certain risks including but not limited to: the burdens of ownership of infrastructure; local, national and international economic conditions; the supply and demand for services from and access to infrastructure; the financial condition of users and suppliers of infrastructure assets; changes in interest rates and the availability of funds which may render the purchase, sale or refinancing of infrastructure assets difficult or impractical; changes in environmental and planning laws and regulations, and other governmental rules; environmental claims arising in respect of infrastructure acquired with undisclosed or unknown environmental problems or as to which inadequate reserves have been established; changes in energy prices; changes in fiscal and monetary policies; negative economic developments that depress travel; uninsured casualties; force majeure acts, terrorist events, under insured or uninsurable losses; and other factors beyond reasonable control.

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

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

Australia Disclosure

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IFM-18OCT2024-3940322