



January – June 2024

Australian Listed Equities Stewardship Report

We act as a steward

We seek to engage with companies and exercise our proxy voting rights on material sustainability issues. We believe that proactive company engagement and voting are critical to encouraging robust management of sustainability risks and opportunities. It is through these activities that we seek to build value in pursuit of our purpose, which is to invest, protect and grow the long-term retirement savings of working people.



Glossary

IFM	<p>“IFM”, “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.</p>
stewardship	<p>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.</p>
sustainable investing	<p>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.</p>
sustainability considerations	<p>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.</p>



Aidan Puddy
Global Head of
Listed Equities

A note from the Global Head of Listed Equities

I am pleased to report on IFM Investors' (IFM) stewardship activity in relation to IFM's Australian Listed Equities portfolio for the period 1 January to 30 June 2024. This report provides a summary of the stewardship activities we have undertaken on behalf of our clients and their members and beneficiaries, who include millions of hard-working Australians such as nurses, teachers, construction workers and hospitality staff.

In alignment with IFM's Sustainable Investing Guidelines, the Australian Asset Owner Stewardship Code, and the UK Stewardship Code, we engage with companies and exercise our proxy voting rights on material sustainable investing issues. We believe that proactive company engagement and voting are critical to encouraging responsible management of sustainable investing risks and opportunities, and therefore maximising long-term returns to investors. It is through these activities that we seek to build value in pursuit of our purpose, which is to invest, protect and grow the long-term retirement savings of working people.

If you have feedback on the contents of this report or IFM's approach to engagement and proxy voting please email investorservices@ifminvestors.com

Key highlights from the reporting period include:

1

Leveraging our size and shareholder influence to help improve board structures and compensation practices by voting on 479 resolutions. We voted against management in approximately 12.9% of cases.

2

Voted against Woodside Energy's Climate Transition Action Plan as we continue to have concerns over the lack of progress on climate strategy.

3

Engaged with Magellan Financial Group and MA Financial over executive remuneration. Investors exercising their voting rights against poor remuneration practices is a growing trend and we expect this will continue.

4

Continued focus on safety at Perenti following another fatality in February 2024. IFM met with the company to discuss its safety strategy and performance.

5

Uplifting IFM's involvement in the 40:40 initiative by taking a lead investor role with the Goodman Group, with which we engaged in May.

6






IFM participated in the pilot of the Principle of Responsible Investment (PRI) Collaborative Sovereign Engagement on Climate Change aimed at supporting governments to take all possible steps to mitigate climate change. The target sovereign in this pilot program is Australia.

7

Following the publication of an industry superannuation blueprint to accelerate investment in the energy transition in 2023, IFM engaged closely with Commonwealth and State governments on achieving the right policy settings to unlock further investment.

Proxy voting summary

Listed Equities voting activity – 1 January 2024 – 30 June 2024

				
69	479	412	62	5
Number of company meetings	Number of resolutions	Voted With Management	Voted Against Management	Abstained

See table below for additional detail on 'Against' votes

IFM abstained from voting on resolutions where we participated in placements¹

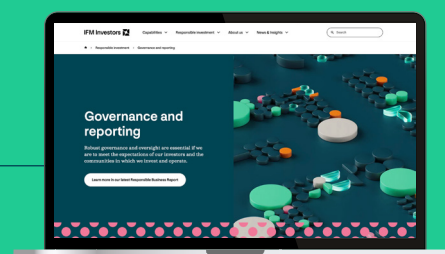
Summary of voting – proposal categories

Category	With Management	Against Management	Abstain
Audit / financials	32	-	-
Board related (other) ²	19	2	-
Capital management ³	44	4	5
Company statute changes	10	2	-
Corporate activity ⁴	15	-	-
Director elections	160	11	-
Director fees / grants	79	17	-
Remuneration	53	25	-
Say on climate ⁵	-	1	-
Shareholder proposals	-	-	-
Total	412	62	5

LEARN MORE →

IFM Investors' voting guidelines are available in our Sustainable Investing Guidelines, which is available on our website [here](#).

IFM Investors' searchable record of voting activity is available on our website [here](#).



¹ Not included in count of Votes Against Management.

² Relates to board spills, post-employment agreements, indemnification of directors, related party transactions.

³ Relates to stock issuance and share repurchase, etc.

⁴ Relates to divestiture/spin offs, takeover provisions.

⁵ Non-binding vote on climate policy proposed by the company.

Summary of activity

During the period 1 January to 30 June 2024, we engaged with companies in a variety of forums. This included one-on-one meetings with management, collaborative engagements alongside superannuation fund members of the Australian Council of Superannuation Investors (ACSI), and together with other shareholders via our membership of various investor-led initiatives.

Key themes and targeted activities for the period are summarised in the following pages.

Say on climate

'Say on climate' resolutions have been a feature of Australian company AGMs for the last few years since BHP became the first company to offer shareholders this vote at their 2021 AGM. Companies which have offered a 'say on climate' in the past have said they will generally offer this vote every three years, or when their climate strategy meaningfully changes. In the years where there is no update to a company's climate strategy, our preference would be for an annual vote so we can use this mechanism to communicate our view on the progress of the company's implementation of its climate strategy.

This AGM season, Woodside was the only company to offer a 'say on climate' to shareholders. The highly anticipated vote came two years after it received a ~49% vote against its first 'say on climate' – the highest ever vote against a 'say on climate' in Australia. IFM has 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, alongside ACSI and CA100+ have engaged with Woodside nine times to discuss its climate strategy since the previous AGM and we note that there were some improvements, namely in relation to increased disclosure. We had hoped our engagement with Woodside would improve the company's climate strategy but we do not believe sufficient progress has been made. Specifically, our concerns include:

- Having an aspiration, and not a commitment, of reaching net zero by 2050
- Better articulation on the role of offsets to meet emission reduction targets.
- The current rate at which capital is being allocated to oil and gas production versus large scale abatement, or new energy products and lower carbon services.
- Future resilience of the demand for Woodside's products remains unclear.

This 'say on climate' received 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. Following the vote

Remuneration

After a record tally of 41 remuneration strikes in 2023, the start of 2024 saw the trend continue, with 7 companies receiving a strike against their remuneration report, shown in the chart below from ACSI.

IFM voiced concerns regarding remuneration outcomes that we felt were too generous, or not

punitive enough to reflect specific situations at companies. We were not alone, with the average against vote for a remuneration report being ~36% for the first half of the year. We expect all companies to reflect on the voting decisions of their shareholders and to seek to improve remuneration outcomes in the future. Consequently, remuneration concerns shaped a number of our engagements with companies, including meetings with Magellan Financial Group and MA Financial.

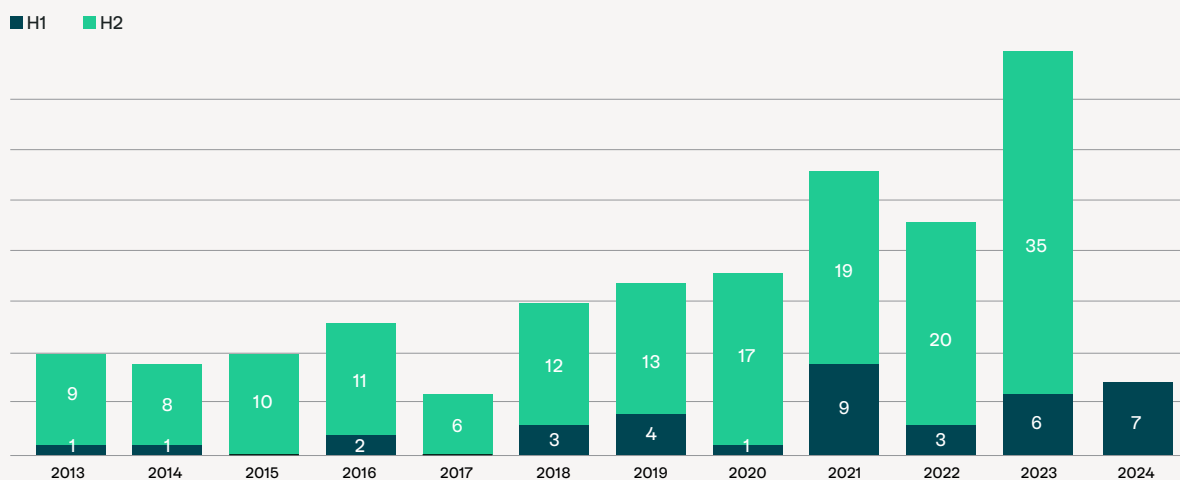
IFM voted against Magellan's remuneration report at the 2023 AGM as we believed it failed to acknowledge the recent poor performance of the company and to link performance to executive remuneration. The remuneration report received a vote against of 58%, signalling strong investor dissatisfaction. In June IFM met with the company to discuss remuneration and Magellan's strategy to address investor concerns. Pleasingly, Magellan had considered investor feedback and taken several actions to address it. Specifically, the company announced the introduction of an equity-based LTI from FY25, introduced a deferral of a portion of STI into share rights from FY25 (as opposed to cash to create alignment) and announced that the fixed pay of the newly appointed Managing Director is less than half of the fixed pay of the most recent Group CEO. While these changes have in large part addressed IFM's concerns and we welcomed them, we would also like to see the company introduce a second performance metric to the LTI and will continue to engage with Magellan on this.

Following MA Financials' AGM in March, we wrote to its board to explain our decision to vote against the remuneration report, which received ~24% vote against. We were concerned with the board's use of discretion in determining executive STI awards after the corporate financial objectives, being Earnings per Share (EPS) and Return on Equity (ROE), were missed by large margins. Estimates of the impact of this use of discretion was an additional \$1m in annual bonuses to disclosed executives. Furthermore, we had concerns around the LTI award based on EPS as a single performance metric.

We subsequently met with members of the board to discuss remuneration and understand 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. 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 will continue to discuss the return on capital measure in future engagements, but we are pleased with the interactions we had with MA Financial.

FIGURE 1

REMUNERATION STRIKES AT ASX 300 COMPANIES



Source: ACSI

Spotlight on safety

Perenti Ltd 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 an unacceptable eight fatalities in the last five years.

Perenti's governance and safety strategy has been a continued engagement focus for IFM over several years. In 2023 IFM 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.

Following the announcement of a fatality in February this year, IFM 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 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 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. The company also spoke of the establishment of new safety oversight personnel and the company has committed to providing disclosures regarding

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

We accept that these changes take time to implement and to measure their success, so we will continue to monitor the company's disclosures on safety, and we will meet with them to discuss the ongoing improvement of safety procedures. We discussed the establishment of new safety oversight protocols including additional dedicated safety personnel and the company has committed to providing disclosures regarding progress. We look forward to continuing our engagements with the company on this critical issue.

Perenti was not the only company where IFM voted against remuneration reports due to incentive outcomes being misaligned with safety performance, and we took this stance with Graincorp Ltd at its AGM in February.

In FY2023 there was a fatality at Graincorp's receival site in Moree, NSW. As a result of this fatality, the safety threshold was not achieved within Graincorp's executive remuneration, which affected STI outcomes. Consequently, no employees received STI payments related to the safety performance metric, which accounts for 10% of the total award, which was in line with our expectations. However, despite this, the board decided to pay the STI at 125% of target for the CEO. While we were comfortable with the STI linked to the safety performance not being awarded, we felt that the overall bonus considering the fatality was too high. We wrote to the board of the company post its 2024 AGM to formally communicate this and look forward to engaging with them in future.



We accept that these changes take time to implement and to measure their success, so we will continue to monitor the company's disclosures on safety, and we will meet with them to discuss the ongoing improvement of safety procedures.

Cultural Heritage

In late 2023, Sandfire Resources released an announcement advising of the historic disturbance of indigenous artefact scatters at its DeGrussa operations, which primarily occurred in 2017 and 2018. The discovery coincided with a change to the executive level of the business including a new CEO.

Sandfire also appointed law firm Gilbert + Tobin to conduct an independent investigation into the disturbances, their root causes and the time taken to notify the traditional owners, the Yugunga-Nya People. The company announced in June 2024 that “the investigation found that the historical disturbances occurred in error due to ignorance and process failings within Sandfire that included

a failure to appreciate the potential importance of the scatters. The investigation also determined that Sandfire was not historically organised in a way that would ensure such disturbances could not occur”⁶.

IFM met with the company in June to learn whether the recommendations of the report had been implemented, the relationship between the traditional owners and Sandfire, as well as any company culture issues that gave way to these incidents.

We were pleased to hear from the CEO that when he was appointed there was a general recognition the organisation needed to change its systems and processes to befit a larger global company. A lot of change was already underway; however, the discovery of historic breaches accelerated and emphasised the need for change. Importantly, the company took absolute accountability for the incidents and acknowledged the organisation in the past did not have a culture that embraced assurance or audit, which may have contributed to these incidents. The CEO noted that the company is working to shift this culture to avoid any future breaches.

The company highlighted the importance of building and maintaining a constructive and long-term relationship with the Traditional Owners, the Yugunga-Nya People, and noted that this will take time. Our impression is that the culture of the company is improving and that it is committed to implementing the recommendations from the investigation.

Gender Diversity

According to ACSI, board gender diversity in the ASX300 is improving, with the average ASX300 board now comprising more than 37% female representation. This now stands at 40.4% in the ASX100 and 37.9% in the ASX200. At the end of FY24, only six companies in the ASX300 still lacked a woman director on their boards. Despite this progress, there is still more to do and that is why diversity remains an important stewardship and engagement topic for IFM.

We continue to expect the companies in which we invest to adopt strong governance protocols and to have diverse boards, in respect of gender diversity comprising at minimum 30% female representation and with targets to reach male/female gender balance. (We define male/female gender balance as 40% of people who identify as male, 40% who identify as female, and 20% to allow for any gender.) Where companies are not meeting our standards, we may vote against AGM resolutions such as director re-elections and/or communicate formally with the company.

For example, we voted against a director re-election at Coronado Global Resources Inc’s 2023 AGM on gender diversity grounds. We wrote to the company after the AGM to outline our expectation that we wish to see at least 30% female representation. Pleasingly, the company improved the female representation on the board with the election of NED Aimee Allen and NED Jan Wilson in September 2023, taking the overall female board representation to 43%, in line with IFM’s



⁶ ExternalInvestigationintoDisturbanceofArtefactScatters.pdf (sandfire.com.au).

expectations. Consequently, we did not vote against any nominated directors at the 2024 AGM.

We believe companies should set a timebound commitment within which they will achieve diversity targets as well as measurable gender objectives, and that a failure to do so may result in votes against directors. We endeavour to take a balanced approach, noting that for some companies which are for example, new to the ASX 300 index, a grace period should be provided. For such companies, we may write to the board to communicate our expectations regarding board composition.

As part of our membership of 40:40 Vision⁷, IFM has taken a lead investor role for three ASX-listed companies, including ASX20 company Goodman Group. We met with Goodman Group in May to discuss the company's reasons for not signing onto the initiative as well as their approach to gender diversity, considering the fact the company currently has only 6% female representation in the executive

leadership team⁸. We learned that on a philosophical level, the company appears to be aligned to the initiative as it has set a female representation target for 2030. It has not signed on to 40:40 Vision, however, as a result of its approach to determining which executive leadership team members are captured by the targets and goals of the initiative. The company also noted the traditionally male-dominated nature of industrials and the long tenure of its executive team as partially explaining its low executive team diversity.

We will continue to monitor Goodman's diversity and engage with the company. We would like to hear more on the programs Goodman has in place to assist female staff in reaching the executive level.

While there has been demonstrable improvement on board level gender diversity across ASX300 companies, there remains more to be done at both board level and executive team level to create truly diverse boards and leadership teams.

CASE STUDY

Spotlight on Qantas

Following a turbulent year in 2023, IFM continued to focus its engagement activities with Qantas, meeting with the company on more than one occasion since the AGM last year. For context, in 2023 Qantas was the subject of significant investor backlash over a number of issues including poor customer service, the High Court finding that it illegally sacked almost 1,700 workers, the ACCC's legal action alleging the sale of tickets for ~800 flights despite these flights being cancelled, the Chair approving the sale of ~90% of CEO Joyce's shareholding while still CEO and while the ACCC were conducting their investigation, and suggestions of anti-competitive behaviour such as cancellations with the benefit of slot-hoarding. This led to the early retirement of long-standing CEO Alan Joyce and announcement of the Chair Richard Goyder's retirement ahead of the 2024 AGM.

We met with the CEO Vanessa Hudson in June to hear how the company is implementing changes to address the multiple issues it faces and how it is quelling the significant investor backlash evidenced by the voting results at the 2023

AGM. We wanted to understand the initiatives the company was undertaking to improve its reputation, build back trust with customers and the broader market, as well as improve culture and stakeholder relationships. CEO Hudson spoke to a change in internal approach, with a greater focus on listening to staff, being visible, and then responding. Qantas has been determining the optimal way to invest \$230m back into customers and people and noted that despite the challenges it believes that culture is strong as evidenced by the operational performance year-to-date which included improved flight departure times. In turn, this has led to increased customer satisfaction.

Our impression from the meeting was that the airline is working on making these changes and improvements, but that measuring success is multi-faceted and will take time. We will continue to watch for improvements in cultural and reputational indicators as well as flight departure times, fleet upgrade updates and outcomes from compensation decisions. We will need to evaluate the strategy and cultural resets over a longer period of time and look forward to continuing our engagement with the company.

⁷ See 40:40 Vision | HESTA Super Fund for more information

⁸ As reported in the CEW Senior Executive Consensus 2023. Accessed 18 July 2024.

Collaboration, Policy & Advocacy

Collaborative Sovereign Engagement on Climate Change⁹

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. According to the PRI, 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' fiduciary duty to mitigate financial risk and maximise long-term value of assets.

Over the course of the program to date, members have met with numerous entities such as the Australian Climate Change Authority, the Reserve Bank of Australia, Australian Treasury, the Department of Climate Change, Energy, the Environment & Water, and the Department of Industry, Science & Resources.

Through mutually beneficial engagement, investors are seeking that sovereigns such as Australia:

- Close the gap between current action and a Paris-aligned emissions reduction trajectory;
- Establish a detailed, credible and economy-wide net zero transition plan with supporting policy mechanisms, budget expenditure and investment structures;
- Build greater climate adaptation and resilience across the economy and community to avoid worsening disruption and damage from physical risks; and
- Improve disclosure of sovereign exposure to climate risks and opportunities consistent with international standards.

In March 2024, a progress report was published alongside a review, and this found that the pilot has made considerable progress towards establishing itself in the Australian market and revealed progress towards the initiative's key aims, high participant satisfaction, and strong interest in expanding collaborative sovereign engagement activities in future.

Most importantly, Australia's trajectory of climate policy in the initiative's core focus areas has been positive, although the review noted that attribution of policy changes to engagement activities is challenging. This is due to several factors, including the wide array of stakeholders that governments and public entities engage in policy development, and initiative challenges related to tracking policy and the relatively short timeframe.

Going forward, participating investors have developed a set of more targeted focus areas for engagement. The focus areas for the remainder of the year include:

- development of the next Australian Nationally Determined Contribution under the Paris Agreement;
- sovereign and sub-sovereign green bond issuance and impact reporting;
- policies on natural resources extraction, including gas and critical minerals;
- sovereign disclosure of climate risks and opportunities;
- national and state emissions-reduction goals;
- fugitive emissions from extractive industries; and
- economic transition financing.

Accelerating investment in the energy transition

In 2023 IFM partnered with AustralianSuper, ART, CareSuper, Cbus, HESTA, Hostplus, Rest Super and UniSuper to release an industry superannuation blueprint to accelerate investment in the energy transition: [Super-powering the energy transition in Australia: a policy blueprint to facilitate superannuation investment.](#)

The blueprint makes a series of policy recommendations for Commonwealth and State governments that could help enable investment that delivers returns, and help Australia achieve its net zero targets faster. Key recommendations include accelerating investment in batteries by delivering the expanded Capacity Investment Scheme, and developing a local sustainable aviation fuel (SAF) industry by measures including the introduction of a production tax credit and establishing a sustainable aviation fuel certification framework.

In the May 2024 Federal Budget the government announced a series of measures aimed at helping to accelerate superannuation investment in Australia's energy transition. The government confirmed its investment in the Capacity Investment Scheme and highlighted low carbon liquid fuels (including SAF) as having a key role in the transition to net zero. In June the government opened a consultation on unlocking Australia's low carbon liquid fuel opportunity.

IFM has been engaging closely with Commonwealth and state governments on achieving the right policy settings to unlock more investment in the net zero transition. This will continue into the second half of 2024.

⁹ The content in this section contains excerpts from the June 2024 report, [Collaborative Sovereign Engagement on Climate Change: Australian Pilot Progress Report](#) as well as [Collaborative Sovereign Engagement on Climate Change | PRI Web Page](#) | [PRI \(unpri.org\)](#)

Proxy voting policy

IFM's approach to engagement and voting is guided by the OECD Guidelines for Multinational Enterprises, the Guiding Principles on Business and Human Rights, the United Nations-backed Principles of Responsible Investment (PRI), the UK Stewardship Code, and the Australian Council of Superannuation Investors (ACSI) Governance Guidelines.

IFM's voting guidelines are closely aligned with the ACSI Governance Guidelines, and we are part of the Governance Guidelines working group that reviews the guidelines every two years. An IFM representative sits on the ACSI Member Council.

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

The PEC's independent decision-making process aligns with the voting guidelines (which are available upon request). In addition to input from IFM's equities teams, this process also considers advice from independent, external research firms and proxy advisers.

In all instances, the PEC aims to ensure that any proxy advice and voting recommendations adopted are aligned with IFM's own sustainable investing guidelines and in the best interests of our investors.

IFM maintains full independence when exercising its voting power as a trustee, and there are instances where our final voting decisions differ from proxy advice.

More information on our approach to engagement and voting, our individual voting records, and our high-level Voting Guidelines are disclosed in the IFM's Sustainable Investing Guidelines available at www.ifminvestors.com.

IFM Investors Proxy & Engagement Committee



**Sustainable
Investment
Team**

**Listed
Equities
Team**

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