IFM Investors Climate Change Report

As at 31 December 2020

Our climate change principles

The following principles underpin our approach to managing climate change:

1 Climate change poses economy wide risks with the potential to negatively impact the environmental, social and economic stability of nations.

2 Climate change presents significant risks and opportunities that can alter the risk return profile of the assets we are invested in and we have a fiduciary duty to protect the value of our investments over the short, medium and long term.

3 The Paris Agreement will help map a pathway to a safer climate which will help to maintain economic prosperity. We support the Paris Agreement goal to keep the increase in global average temperature to well below 2 °C above pre-industrial levels; and to pursue efforts to limit the increase to 1.5 °C.

4 We must explicitly consider the impact of our investments on climate change and vice versa to support markets' long-term growth and prosperity.

5 We will leverage our rights as an investor to engage and support the companies we invest in to transition toward a low carbon economy.

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Message from the Chief Executive

We are living through a time of rapidly growing and deepening awareness of the systemic risks and daunting challenges that climate change poses to economies and communities globally.

As long-term investors, we believe it is in the financial interests of our investors and their members and beneficiaries that we have a plan to address the risks of climate change.

That's why IFM has committed to reducing greenhouse gas emissions across our asset classes, targeting net zero by 2050. This is our flag in the ground, but we are not starting from scratch. Work is already underway to help us meet our goal.

Targeting net zero is an extension of our work to-date to understand and better manage climate change impacts across each of our asset classes.

In the format recommended by the Financial Stability Board's Task force on Climate-related Financial Disclosures (TCFD), this report documents what we have already done, and importantly, our future work plan.

We support the TCFD recommendations because we see them as a critical framework for financial market participants to assess and communicate climate change-related risks and opportunities. And we encourage other companies and investment managers to embrace the TCFD reporting framework.

Improved climate risk disclosures will support the resilience and stability of financial markets over the long term by:

- Boosting access to capital, as investors have more comfort around how the business is managing the risk of climate change;
- Better positioning businesses to develop robust strategies to address the risk of climate change; and
- Highlighting new and emerging trends that could present opportunities for investors and companies alike.

We recognise there is significant scope to strengthen our approach, and we look forward to continuing to work with our shareholders, investors and other like-minded organisations to address this global challenge together.

We believe our commitments to address the risks of climate change make economic sense for our investors, and we believe they are absolutely necessary if we are to keep delivering on our purpose to protect and grow the long-term retirement savings of working people.

David Neal
Chief Executive

Executive summary

Governance

The IFM Group Board Responsible Investment and Sustainability Committee (BRISC), has been delegated responsibility for the oversight of IFM's climate change strategy and management approach. The BRISC meets four times a year and climate change is a permanent agenda item. In 2019, the BRISC supported the recommendation to develop IFM's longer term, top-down climate change strategy and the progress of this work is a current focus area.

Embedding climate change into all aspects of our investment and business decision-making processes is crucial to delivering the risk-adjusted returns we aim to deliver to our investors. The commitment to act starts with our executive team and cascades down through the committees, teams and people involved in our investment processes. Further detail about the responsibilities and tasks assigned to management and teams is outlined on pages 16 to 18.

Our climate action principles are encapsulated in our Responsible Investment Charter and ESG Policy and are available online. In addition to the Charter and Policy, we have published a Climate Change Position Statement which further outlines the climate change principles that underpin our actions.

Strategy

IFM invests across four asset classes and is one of the largest infrastructure investors in the world. Many of our infrastructure assets play a critical role in the functioning of society. We recognise, however, that climate change presents transition risk and opportunity, as well as physical risk, to these assets.

Short-term risks include carbon pricing and stronger policy and regulation in various regions seeking to avoid the worst impacts of climate change. Medium-term risks and opportunities include technological change and shifting market preferences, in addition to the changing policy environment. Long-term risks will likely stem from changes in climate. We believe these risks, as well as potential opportunities, will impact on all asset classes.

Our current strategy focuses on working closely with our listed and unlisted investments to encourage and support them to prepare for the transition to a net zero carbon emissions economy (net zero economy), as opposed to divesting assets due their high emissions intensity or current risk exposure. In October 2020, we committed to reducing greenhouse gas emissions across all asset classes, targeting net zero by 2050. We intend to deliver on this strategy by developing a targeted approach to emissions reduction for each asset class, using three primary levers of action:

- assessing exposure in due diligence;
- measuring and reducing emissions annually; and
- engaging and building capacity at both unlisted and listed investments.

Read about our strategic approach for each asset class on pages 20 to 31.

Scenario Analysis

In 2019, we completed a desktop scenario analysis of assets in our Australian Infrastructure (AI) and Global ex-Australia Infrastructure (GI) portfolios. Our objective was to gain an initial view of the potential unmitigated impacts of climate change for the industry sub-sectors that we are invested in.[1] The analysis covered both transition and

[1] The assessment is indicative only and should not be used to draw any conclusions regarding impacts to valuations or operations arising from climate change.

physical risks and opportunities and referenced standardised global climate scenarios to identify potential impacts over the short, medium and long term. Our Asset Management team is using these findings to determine which assets may require further assessment. Pages 25 to 31 further details this work.

Risk Management

In order to identify, assess and manage climate change risk and opportunity at our investments, climate change impacts are identified and managed through the following phases:

1. **Screening and due diligence:** climate change is explicitly considered in our due diligence processes, particularly in infrastructure and debt asset classes due to the longer and generally less liquid nature of these investments.
2. **Acquisition outcome:** the risks and opportunities identified through screening and due diligence are assessed, informing the acquisition decision.
3. **Transition and adapt:** we aim to hold and transition the assets in our portfolios, rather than divest. Existing assets, therefore, undergo assessment for risks and opportunities associated with decarbonisation.
4. **Ongoing management:** oversight and ongoing management of existing investments.

We recognise the need to continually improve our methods, so we are reviewing industry best practice. The findings of this review, together with a revised transition risk assessment, will inform new frameworks to more explicitly and systematically assess and manage climate change impacts. Our aim is to develop a set of principles and guidance applicable to all asset classes,taking into account our level of control and ability to influence.

The full integration of climate change into our Enterprise Risk Management framework will also form part of our program of work following the development of the climate change strategy. Our risk management processes across each asset class are outlined on pages 32 to 39.

Metrics and Targets

Defining our long term ambitions and establishing targets aligned to a credible decarbonisation trajectory is part of our climate change strategy work. We understand the need to develop metrics and targets in order to gauge our performance and progress and hold ourselves to account. We have been disclosing the carbon footprint of our infrastructure portfolios since 2017; however, we are in the early stages of determining our approach to compiling data and determining appropriate metrics in our other asset classes.

Our recent commitment to reducing greenhouse gas emissions across all of our investments, targeting net zero by 2050, will be supported by credible targets to track progress and help us reach our goal. The work to develop targets in each asset class portfolio is underway.

In addition to managing emissions at the portfolio level, we measure and offset the energy purchased by our New York, London, Sydney and Melbourne offices, together with corporate air travel, which represent our most significant operational emissions.

For emissions data relating to our infrastructure and equity portfolios, and our current approach to measurement, see pages 46 to 47.

Introduction

About IFM Investors

IFM Investors (IFM) was established more than 25 years ago by a group of Australian industry superannuation funds to protect and grow the long-term retirement savings of their members by investing in nation-building infrastructure and private equity.

Aligned with the objectives of our founders, we prioritise the interests of our investors by focusing on investments that seek to deliver strong net returns over the long term.

Today, we invest on behalf of more than 510 like-minded institutions worldwide, including pension, superannuation and sovereign wealth funds, universities, insurers, endowment funds and foundations. The A$158 billion entrusted to us by these investors incorporates the retirement savings of more than 30 million working people worldwide.[2]

Our investment strategy centres on the ownership and operation of critical community infrastructure, with holdings in four asset classes – Infrastructure, Debt, Listed Equities and Private Equity.

Given the varying nature, size and value of our investments and the underlying assets across these asset classes, we recognise that the level of influence and engagement we can leverage varies.

As long term investors, we value sustainability, respect for labour rights and ensuring we meet the expectations of the communities where we invest.

4 asset classes / A$151bn[2]

A$ 47.8 bn

Debt Investments

IFM Investors is a specialist credit, infrastructure debt, core bond and cash manager, managing A$47.8bn (US$36.9bn) of debt investments globally.

A$ 66.9 bn

Infrastructure

IFM Investors manages A$66.9bn (US$51.6bn) in infrastructure equity globally. We target core infrastructure in developed markets and currently have interests in 32 portfolio companies across Australia, North America and Europe.

A$ 1.2 bn

Private Equity

IFM Investors currently manages AU$1.2bn (US$0.9bn) in Private Equity investments. Direct holdings are represented by investments in Australia in service sectors underpinned by technology.

A$ 35.5 bn

Listed Equities

IFM Investors manages A$35.5bn (US$27.4bn) in listed equities across an extensive range of active, indexed and smart beta options on behalf of investors globally.

[2] As at 31 December 2020

A message from our Executive Director, Responsible Investment, Chris Newton

Our purpose at IFM Investors is to protect and grow the long-term retirement savings of working people.

This purpose is grounded in our heritage and our ownership, which sees our shareholders and investors aligned and investing alongside each other for the long term. Adding further strength to our purpose is the recognition that we play an important role as responsible stewards of the investments we manage, which is distinguished by our respect for the environment, working people and local communities.
As long term investors, we know that the strength and sustainability of the global economy is only possible if we have a plan to contribute to a better society, economy and environment.

Climate change is one of our strategic priority areas. We believe that managing risks and harnessing opportunities relating to climate change will support us to deliver on our purpose and, in turn, earn us the trust of our people, shareholders, investors and the wider public.

We explicitly consider climate change risks and opportunities in our investment analysis and decision making, and in our stewardship activities. And we actively work with like-minded investors and organisations to encourage companies and investment managers to improve climate change management.

Climate change risks

Climate change poses economy-wide risks that have the potential to negatively impact the environmental, social and economic stability of nations globally, which in turn may damage value for long-term investors. Climate change impacts on natural and built environments, communities and economies around the world are being witnessed and experienced now.

We believe it is our responsibility to understand and mitigate these risks within our investment portfolios. That is why we have committed to reducing greenhouse gas emissions across our asset classes, targeting net zero by 2050 (net zero economy).

IFM supports the goals of the Paris Agreement and we recognise that investors, communities and the economy more broadly need to transition to a new 'net zero normal' if we are to safeguard the environmental health of our planet and, as a result, our economy. Investors have the potential to influence outcomes via capital allocation decisions, and we believe that as long-term investors, we have an inherent responsibility to move beyond doing the minimum to satisfy compliance requirements; we believe we must work with businesses and governments alike to take collective action to minimise the impacts of climate change on the environment, communities and economies around the world.

2020 – A challenging year

2020 was an incredibly challenging year for people worldwide due to the COVID-19 pandemic. The social, health and economic challenges of the past year cannot be underestimated. But despite these challenges, action on climate change by governments and businesses continued.

Drawing on the need for economic stimulus, some of the world's largest economies are positioning their recovery packages to be socially and environmentally sustainable. For example, the European Commission has unveiled an ambitious proposal for a €750-billion (US$833-billion) post-coronavirus funding package that includes measures to improve the sustainability of agriculture, funding for renewable energy and support for electric vehicle sales and infrastructure. This is part of a commitment to reduce emissions to net zero by 2050.[3] The UK Government has released a 10-point plan for a green industrial revolution, including offshore wind, hydrogen and nuclear energy; electric vehicle

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[3] NextGenerationEU is a €750 billion temporary recovery instrument that will allow the Commission to raise funds on the capital market. See: https://ec.europa.eu/info/strategy/recovery-plan-europe_en

(EV) manufacturing and charging infrastructure; public transport and air travel; energy efficient housing; and carbon capture and storage (CCS).[4]

At the same time, the number of countries making commitments to reduce emissions to net zero by the middle of this century is growing. China, EU, Korea, UK, New Zealand and Japan have all made net zero commitments. The US President Joe Biden has re-committed the United States to the Paris Agreement, committed to a 2035 target for an emissions-free power sector and proposed a significant green stimulus package.[5] While these ambitious targets are not without their challenges, we believe are indicative of increasing acceptance of the need for greater action on climate change.

Importantly, investor appetite to manage climate change has not been diminished. A September 2020 Investor Group on Climate Change (IGCC) investor survey found that over 70 per cent of those surveyed have signalled that the pandemic has had no impact on progressing climate change investments or developing climate-aligned solutions.[6] Tapping into these investment opportunities across a range of asset classes is likely to be a significant trend over the coming decades. IFM intends to position itself and build the capabilities needed to benefit from this shift.

IFM's journey so far and where we are heading

We commenced our climate change journey in 2016 with the development of our Responsible Investment Charter. The Charter, together with our ESG Policy and climate change risk management roadmap, began to articulate our position on climate change and our approach to mitigating related risks and capitalising on emerging opportunities. Each year since, we have further evolved our climate change management activities. We focus on identifying and understanding climate risks and opportunities across our investment portfolios.

The IFM Group Board recognises that we have a responsibility to set a clear direction and develop a longer term vision and climate change strategy. The strategy will help define our role as a global fund manager, our objectives and how we plan to achieve them, and what we need to do to prepare IFM for the key challenges ahead.

The work we have done led to our October 2020 commitment to reduce greenhouse gas emissions across our operations and asset classes, targeting net zero by 2050. This commitment aligns with the goals of the Paris Agreement to limit global warming and undertake genuine efforts to limit temperature rises to 1.5°C above pre-industrial temperatures.

Initially, we will focus on the emissions over which we have the most control - scope 1 and 2 emissions. We will seek to reduce emissions at assets that we control; and for assets that we do not control, we will proactively engage with companies on emissions reductions towards a net-zero goal. Additionally, we will strive to understand how we can further influence and reduce the scope 3 emissions in our value chain.

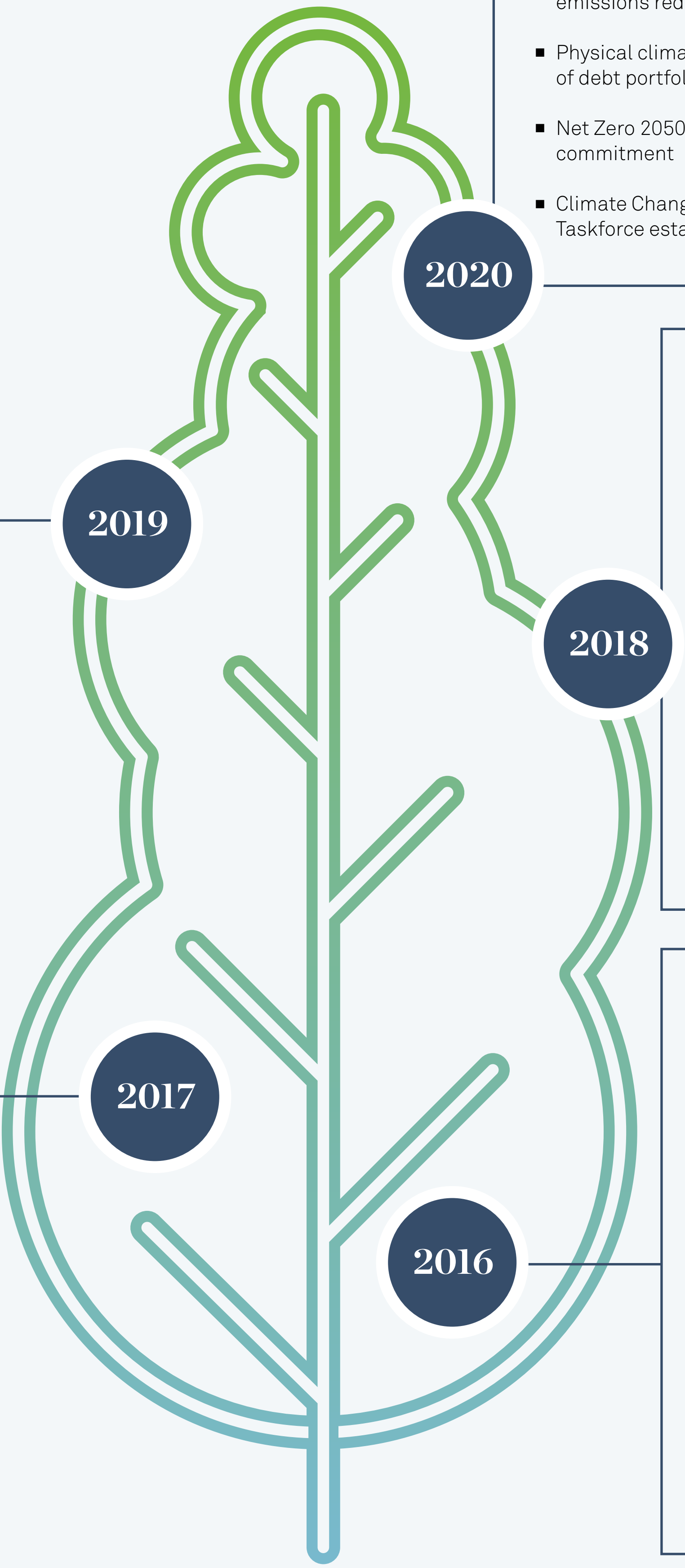
IFM has established a multi-disciplinary task force to help us achieve our commitment. The task force comprises senior leadership from across investment, risk, responsible investment and client-facing global relationship teams from each global region. The initial program of work is progressing and aims to deliver the following:

1. **Analyse climate impacts**
   How do we apply climate scenarios when considering transition risk and alignment with the goals of the Paris Agreement? What are the transition pathways for key sectors?
2. **Establish clear frameworks and guidance**
   How should we address transition risks and opportunities related to our current assets and new investments?
3. **Determine required capabilities**
   What expertise, tools and systems do we need to deliver our climate strategy?

We are aiming to share our strategy, including defined commitments and targets, with investors in 2021.

[4] https://www.gov.uk/government/publications/the-ten-point-plan-for-a-green-industrial-revolution
[5] https://www.nytimes.com/2020/07/14/us/politics/biden-climate-plan.html
[6] IGCC (2020a): https://igcc.org.au/wp-content/uploads/2020/10/Oct2020__Final-IGCC-Net-Zero-Investment-Report.pdf?mc_cid=6fc6b3d4b3&mc_eid=5b69c7f4dc

Our climate change journey



- Commenced development of firm-wide climate change strategy
- Sustainability Forum with non-Australian infrastructure assets
- Support non-Australian infrastructure assets to set emissions reduction targets
- Physical climate risk assessment of debt portfolio
- Net Zero 2050 firm-wide commitment
- Climate Change Strategy Taskforce established.

- Support Australian infrastructure assets to set emissions reduction targets
- Preliminary desktop-based climate change transition and physical risk assessment of Australian and Global ex-Australian infrastructure portfolios
- Third year of carbon footprint reporting for infrastructure assets
- Developed Climate Change Statement.

- Sustainability Forum with Australian infrastructure assets
- Clean Energy Finance Corporation invests in the Australian infrastructure portfolio which fast-tracks efforts to reduce the carbon footprint of portfolio assets
- Second carbon footprint reporting for infrastructure assets
- Commenced offsetting corporate carbon emissions.

- First carbon footprint report developed for infrastructure assets
- ESG due diligence checklists updated.

- IFM Responsible Investment Charter – Principle 4 acknowledges IFM's responsibility to act on climate change
- IFM's ESG Roadmap (2017-19) including:
  - ESG Strategy and Policy
  - ESG integration into investment processes and asset management processes
  - Actions include developing position on climate change and climate change impact assessment.

About this report

In 2017, the Financial Stability Board developed the Task Force on Climate-Related Financial Disclosures (TCFD) reporting framework to help companies understand what financial markets want from public financial disclosures. Since its release, the TCFD framework has been gaining momentum as an accepted standard for climate-related reporting, and it has been adopted by a growing number of companies and investors alike. It has also been recommended for adoption by the Australian Securities and Investments Commission (ASIC). According to the TCFD 2020 Status Report, more than 1500 organisations expressed their support for the TCFD recommendations, an increase of over 85 per cent since 2019, with nearly 60 per cent of the world's 100 largest companies in support of the framework.

This report documents our progress to December 2020 and our current position and work plan in the format recommended by the TCFD.

We aim to demonstrate our ongoing commitment to the TCFD recommendations and our actions to mitigate climate risks in line with our principles and our purpose, which is to protect and grow the long-term retirement savings of working people. This report also serves as a marker for our progress, while recognising that there is still more work to do.

The strategy work outlined in this report, which aims to set our long-term (next 30 years) direction, will extend the significant program of work we have undertaken to date to understand and manage climate change impacts across each asset class we invest in.

While we recognise scope for IFM to improve in a number of areas, this report seeks to address the broad set of disclosures outlined in Table 1.

TABLE 01 TCFD FRAMEWORK

Governance	**Recommended Disclosures**
Disclose the organization's governance around climate-related risks and opportunities	a) Describe the board's oversight of climate-related risks and opportunities. b) Describe management's role in assessing and managing climate-related risks and opportunities.
Strategy	**Recommended Disclosures**
Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term. b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning. c) Describe the resilience of the organization's strategy, taking into consideration different climate-related.
Risk Management	**Recommended Disclosures**
Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks. b) Describe the organization's processes for managing climate-related risks. c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.
Metrics and Targets	**Recommended Disclosures**
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process. b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks. c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Source: FSB-TCFD (2017), "Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures".

[7] https://www.fsb.org/2020/10/2020-status-report-task-force-on-climate-related-financial-disclosures/

In FY2020, one of the projects from which IFM secured carbon credits to help offset its operational carbon emissions was the Klawock Heenya – Improved Forest Management Project in Prince Wales Island, Alaska. Photo credit: Bluesource - Klawock Heenya IFM Project

"We aim to demonstrate our ongoing commitment to the TCFD recommendations and our actions to mitigate climate risks in line with our principles and our purpose, which is to protect and grow the retirement savings of working people."

Advocacy and Active Ownership

As a global fund manager we engage with listed and unlisted companies in two ways:

1. We engage directly with unlisted companies via our board representation and by working with the management teams of the companies we hold direct investments in.
2. We engage with listed companies both directly and, more frequently, via collaborative engagements with like-minded investors.

Annual scores by the Principle for Responsible Investment

Enterprise-wide measure of Strategy & Governance

2017	2018	2019	2020
A+	A+	A+	A+

"IFM has been a signatory to the United Nations-supported Principles for Responsible Investment (PRI) since 2008. We have voluntarily responded to the PRI Climate Change reporting module since its inception.

Active Ownership: Sustainability Strategy and Reporting Initiative

In October 2018, we held the inaugural IFM Investors Australian Infrastructure Sustainability Forum, bringing together representatives from our major Australian Infrastructure (AI) portfolio companies. The objective was to support assets in their progress on climate change management and sustainability strategy, performance and reporting.

Participating companies agreed to progress their sustainability strategies and committed to:

- Annual Global Reporting Initiative (GRI)-aligned sustainability reporting from FY 2019, if not already doing so; and
- Developing an emissions reduction strategy, including targets and pathway projects.

The two-day forum supported company representatives to develop a roadmap to advance their respective company's sustainability strategy and reporting activity.

The Sustainability Forum received global recognition as a shortlisted candidate for the 2019 Principles for Responsible Investment (PRI) Excellence Awards 'Active Ownership Project of the Year'.

Collaboration

We actively engage and participate in investor working groups, industry forums and roundtable events, and broader market consultation in relation to climate change. IFM has been a signatory to the United Nations-supported Principles for Responsible Investment (PRI) since 2008. We have voluntarily responded to the PRI Climate Change reporting module since its inception. Our 2020 PRI assessment report indicates continued competitive performance across all assessment categories.

We are members of, or signatories to, a number of responsible investment-related organisations and initiatives, and we seek to actively contribute by serving on committees and working groups or participating in collaborative work programs. Over the past two years, our climate change related engagement has been conducted alongside other investors and/or the Australian Council of Superannuation Investors (ACSI), or through initiatives such as the Climate Action 100+ (CA100+) and the IGCC. During 2020, we focused on the following initiatives:

CA100+ is a global, investor-led initiative working to help ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The initiative frames engagement around the recommendations put forward by the TCFD and strongly advocates for TCFD framework adoption.

Australian Sustainable Finance Initiative (ASFI) is a collaboration formed to help shape an Australian economy that prioritises human well-being, social equity and environmental protection, while underpinning financial system resilience and stability. IFM's Executive Director, Responsible Investment, Chris Newton and Executive Director, Strategy & Policy, Zachary May are active members of the ASFI Coordinating Working Group.

Climate League 2030 was launched in October 2020. This private sector-led initiative aims to help reduce Australia's annual greenhouse gas emissions by at least 230 million tonnes by 2030, in line with our commitments under the Paris Agreement.

IFM contributed to the development of the Climate Measurement Standards Initiative (CMSI) guidelines via representation on the CMSI Finance Committee – as a representative of the IGCC. In September 2020, the CMSI announced it had developed a set of open-source voluntary guidelines that provide Australian banks, financial institutions and insurers with consistent scientific and technical guidance for assessing the risk of climate-related damage to their buildings and critical infrastructure from extreme weather events.

The Climate Disclosure Project (CDP) is an international non-profit organisation helping companies and cities disclose their environmental impact. For the past three years IFM has supported the annual CDP disclosure campaign by assuming a campaign lead role and writing to more than 100 Australian companies who had not yet publicly reported their greenhouse gas emissions.

We also hold membership and are active signatories to the following organisations committed to acting on climate change:

Governance

As long term investors, we believe it is in the financial interests of our investors and beneficiaries that we have a plan that addresses the risks of climate change. We also believe we have a responsibility to seek ways of harnessing the unprecedented investment opportunities emerging from a decarbonising economy. Establishing a robust governance structure to oversee and help steer our approach is a core element of our strategy.

Our climate governance is illustrated in Figure 1.

Board oversight

The IFM Group Board recognises the need to assess the impact that policy, technology and market changes associated with the transition to a decarbonised global economy could have on our investment returns. The IFM Group Board Responsible Investment and Sustainability Committee (BRISC), established in 2018, has been delegated responsibility for the oversight of our climate change management approach and monitoring progress against key firm-wide commitments.

Since the inception of the BRISC, climate change has been a key discussion item at every BRISC meeting. All relevant business units and investment teams are required to present on their process for managing climate change and what they are doing to improve the rigour of climate change integration into decision making processes. The BRISC convenes on a quarterly basis and also receives written updates between sessions if required.

In 2019, the BRISC supported the recommendation to develop IFM's longer term, top-down climate change strategy. This strategy is designed to guidance for IFM's longer term vision, incorporating how we both manage risk and seek to capture opportunities from climate change. This work was originally scheduled to commence in early 2020, but was delayed due to disruptions caused by the COVID-19 pandemic. We are pleased to report that this work is now well under way and in October 2020 we announced our net zero 2050 target, which defines our ambition.

Management's role

We believe embedding climate change into all aspects of our investment and business decision-making processes is crucial to achieving competitive risk-adjusted investment returns. That's why our executive team, and cascading through the committees and investment teams, share a commitment to act.

Our Chief Executive Officer (CEO), taking guidance from the BRISC, helps to ensure climate change is embedded in IFM's strategy and

Examples of climate change presentations to our board committee

- An overview of the TCFD and a gap analysis of IFM's progress.
- An outline of climate change related initiatives both under way and planned.
- Discussion and endorsement of IFM's Climate Change Position Statement.
- External presentation to the BRISC from Emma Herd (CEO of IGCC) on changing expectations on climate change for asset owners and managers.
- AI portfolio asset target setting workshops and carbon reduction targets.
- How climate change is considered in the due diligence process (infrastructure).
- Proposal to develop a firm-wide Climate Change Strategy - requirements and deliverables.

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business planning and integrated within each investment team's process and investment decisions. Our CEO also plays a leading role in articulating IFM's climate change principles and management approach to our investors and other key stakeholders. Our CEO is supported by the **Investment Committee**, which helps to ensure climate change is factored into our investment programs, portfolios and new acquisition decisions. Any proposed investments must include an assessment of climate change-related impacts and risks. Our capability to fulfil this requirement is improving over time as assessment methodologies and frameworks develop.

Global Investment Heads and the Executive Director of Global Asset Management, Infrastructure are responsible for the execution and implementation of IFM's Responsible Investment Charter and ESG Policy in the investment and asset management process. The Charter and ESG Policy provide guidance to teams regarding explicit climate change considerations in the investment process. Our investment teams across four asset classes operate within a decentralised structure. Each investment team is responsible for managing climate change considerations in their respective investment and asset management processes.

Our Executive Director, Responsible Investment works closely with each Global Investment Head, the Global Head of Asset Management and their teams to provide specialist advice on climate change issues. The Executive Director, Responsible Investment manages a team of five dedicated ESG and Sustainability professionals and is responsible for strategy development and implementation of IFM's Responsible Investment Charter and ESG Policy.

The **Proxy voting and Engagement Committee (PEC)** provides oversight of all proxy voting activity on listed securities. The PEC comprises the Global Head of Equities, Executive Director, Responsible Investment and Executive Directors of the Large Cap, Small Cap and Indexed and Quantitative Equities teams. While the PEC has delegated authority for day-to-day engagement and voting on listed securities to representative members in the team, it is responsible for reviewing and approving votes cast in relation to shareholder proposals, an increasing number of which are climate change related.

Investment team professionals are responsible for integrating climate change risks and opportunities into investment management activities and transactional decision making processes. They are supported by the **Responsible Investment team**, which provides subject matter and data support. All teams draw on research and data from external fund managers and brokers, ESG research and data service providers, and via our membership of specialist climate change related investor organisations. Investment team representatives also coordinate knowledge sharing between assets, and attend conferences, forums and signatory working group sessions to build knowledge and share information back to investment teams and management on climate change related trends and developments.

A multi-disciplinary task force was established in October 2020 to develop IFM's longer-term climate change strategy. This team is working on a clear framework and policy to guide and support sustainable decision-making processes that aim to mitigate climate change risk exposure and help meet IFM's net zero by 2050 committment.

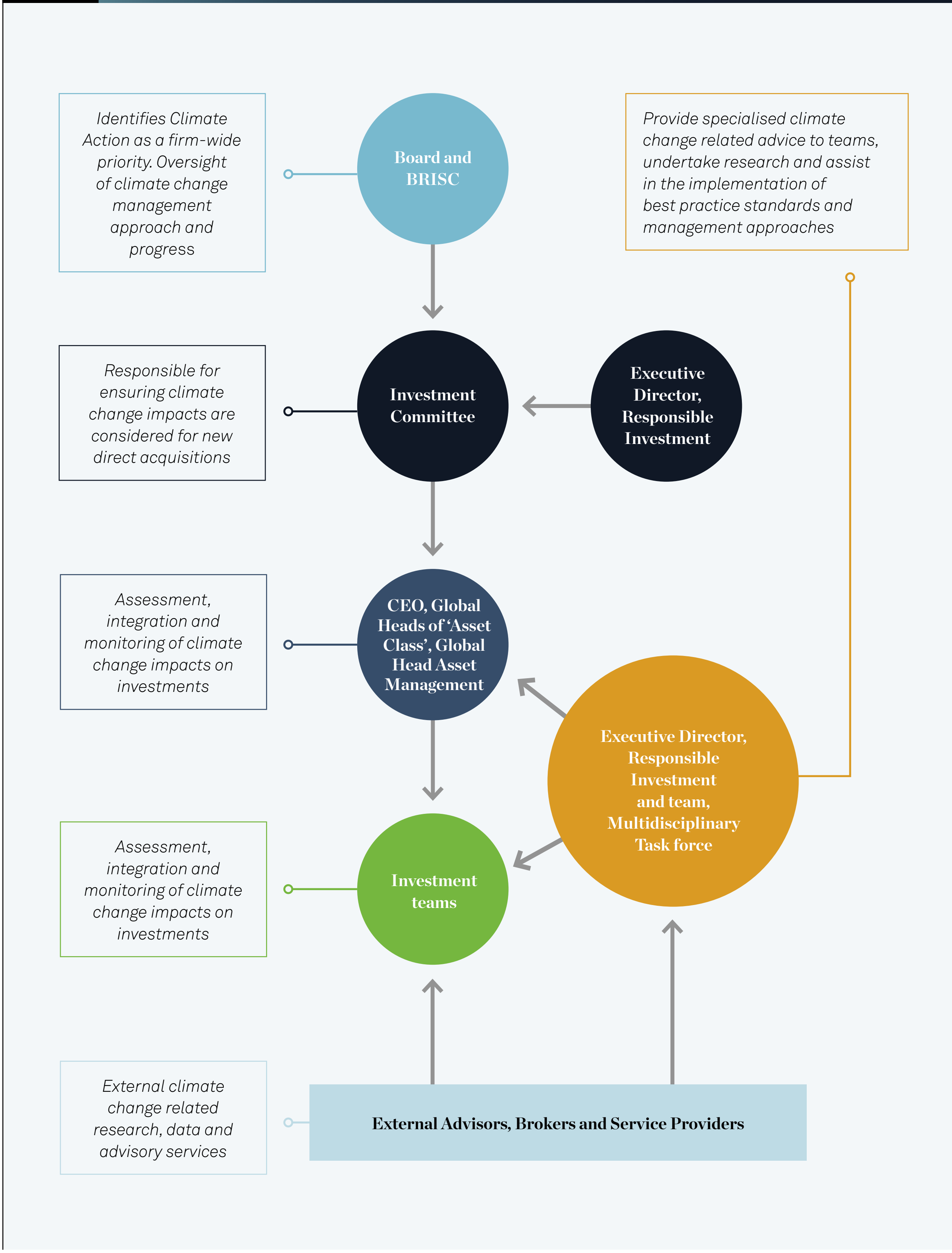
Policies

Our climate action beliefs and principles are encapsulated in our Responsible Investment Charter and ESG Policy. Principle 4 of the Charter recognises that climate change is real and we all have a shared responsibility for its impact and mitigation.

Our ESG Policy sets out the key elements of IFM's approach to identifying and managing ESG matters (including climate change) in our investment analysis, decision making and asset management across all asset classes. Climate change is a firm-wide ESG priority area and is explicitly considered in our investment processes and corporate initiatives.

In addition to the Charter and Policy, which provide a high level overview of the importance we place on Responsible Investment and our approach to managing ESG, we have published a Climate Change Position Statement which outlines the climate change principles that underpin our actions.

FIGURE 01 CLIMATE CHANGE GOVERNANCE AND OVERSIGHT ROLES AND RESPONSIBILITIES



Strategy

Climate related risks and opportunities

We recognise that climate change poses significant financial challenges for investors, whose decisions over the next decade will play a critical role in determining the pathway to 2050. The Net Zero Emissions 2050 case explored by the International Energy Agency makes it clear that achieving this goal would "involve a significant further acceleration in the deployment of clean technologies".[8] Limiting the global temperature rise to below 1.5°C is estimated to require an additional A$1 trillion of investments a year in clean energy for the foreseeable future.[9]

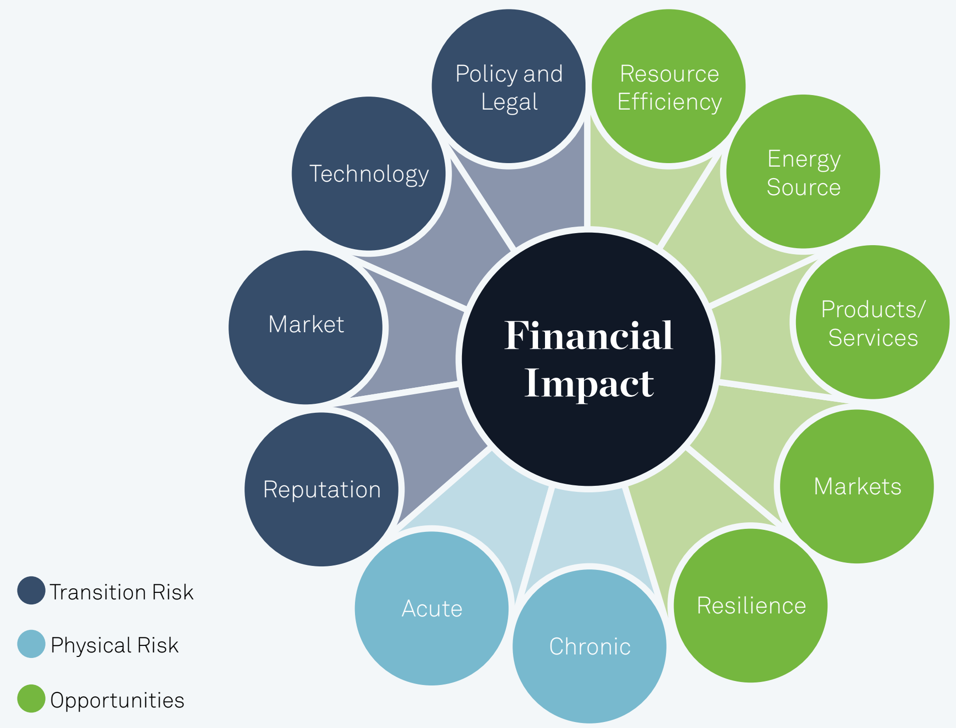
The risk-return profile of organisations exposed to climate-related risks and opportunities will likely change significantly due to actions taken to mitigate negative impacts. However, while there are considerable risks for investors to understand and navigate, the level of change will also generate significant new investment opportunities.

As Figure 2 illustrates, the TCFD divides climate-related impacts into two categories – transition risk and opportunity, and physical risk – both with the potential to financially impact our investments, negatively and positively.

Transition risk and opportunities result from transitioning to a lower-carbon economy and will vary depending on the region, market and industry in which an organisation operates. Transition risks can result from extensive policy, legal, technological and market changes aimed at addressing climate change through mitigation strategies. Transition opportunities can include increased resource efficiency, cost savings, the adoption of low-emission energy sources, the development of new products and services and building resilience along the supply chain.

Physical risks can be event-driven (acute) or longer-term shifts (chronic) in climate patterns. Event-driven acute physical risks include the increased severity of extreme weather events, such as cyclones, hurricanes, floods or bushfires. Chronic physical risks are longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea levels to rise or more frequent heat waves. Physical risks may have financial implications for organisations, such as direct damage to assets and indirect impacts from supply chain disruption.Transition risks are expected to have a greater impact over the short to medium term as the world starts taking action

FIGURE 02 CLIMATE-RELATED RISKS, OPPORTUNITIES AND FINANCIAL IMPACT



[8] https://www.iea.org/reports/world-energy-outlook-2020/overview-and-key-findings#abstract
[9] Ceres, "Investing in the Clean Trillion" https://www.ceres.org/initiatives/clean-trillion

to limit climate change and global temperature rises. Physical risk factors will likely be most significant in the latter half of this century and are, therefore, generally considered to be a longer-term risk. However, given events such as the recent bushfires in Australia and the US and other severe weather events disrupting and harming global communities, we are already experiencing physical risk impacts.

Our approach

Our four asset classes incorporate climate change impact assessment in their respective investment processes. However, our approach to managing climate change is most mature in Infrastructure (equity). This reflects funds under management, the influence we have through our ownership stakes and the open-ended structure of our funds. When we acquire an infrastructure asset, our intention is to hold it over decades, as opposed to years, and we recognise that some of these assets face varying degrees of transition risk over time that must be carefully managed to protect and grow investment value.

Our ambition for reducing emissions across all asset classes, targeting net zero by 2050 is clear, and the framework and policies that will underpin our commitment are in the process of being developed. We are investing considerable resources into this process, drawing on best practice from around the world and bringing our own considerable expertise and distinctive capabilities to the task. We expect our strategy to include concrete targets set at the asset class and fund level, combined with smart capital allocation and engagement and advocacy activity. We intend to use the levers appropriate to each asset class to achieve their respective emissions reductions targets.

Transition over divestment

Our investment philosophy is to work with our listed and unlisted assets to help them transition and be ready to prosper in a net zero future.

As long-term investors, we own and operate infrastructure assets that provide essential services and are crucial for the functioning of

Potential climate-related investment risks for Infrastructure

- Increasing frequency of severe weather events may heighten the risk of physical damage to infrastructure assets as well as disrupt operations and supply chains leading to associated costs and impacting revenue.
- Infrastructure investors may need to review insurance coverage and uninsured loss implications, together with additional capital expenditure requirements.
- Adaptation and mitigation actions to increase the resilience of assets to physical climate risks may require increased investment from infrastructure owners with the added risk of delays/refusals for planned business expansion projects.
- Increasing regulation and/or changes in policy designed to curve the rise in greenhouse gas emissions and support low or no-carbon technologies may result in a drop in demand for fossil fuel reliant products and services, leading to potential asset stranding and/or loss of asset value.
- The introduction of a price on carbon may increase operating or compliance costs. If restrictions are imposed on passing these costs on to the end consumer, there will likely be a financial impact to portfolio companies.
- A shift in consumer preferences or market sentiment could lead to reputation damage for investors who don’t recognise and actively manage their portfolios as the economy transitions.
- A substitution of existing products and services with low emissions options could lead to reduced volumes and revenue from existing products and services or earlier than planned asset retirement.

In October 2020, IFM committed to reducing greenhouse gas emissions across all asset classes, targeting net zero by 2050.

society, generating wide-ranging social and economic benefits to communities across the world.

Due to the open-ended nature of our infrastructure funds, we remain committed to working with the management teams of the assets we are invested in to improve their operational performance and support their efforts to make a positive difference to climate change - rather than divesting assets that are seen as problematic due to their emissions intensity. The infrastructure assets we are invested in are likely to continue serving an important function in economies around the world for decades to come. That is why we believe that it is important for long-term investors like us, who take climate change seriously, to retain these assets and support their transition, rather than sell them off to others who may not share this same view.

For new investments, our approach is twofold: first, we assess climate change risk and opportunity factors and their impact during due diligence; and second, we aim to be responsible stewards of investee companies post investment, focusing on improving performance while minimising environmental impact. Our ongoing investment management program aims to understand and support our investments' transition to a net zero economy, while continuing to serve their purpose and prosper.

We have already established emissions reduction targets for our larger Australian-based assets and expect the assets in our Global ex-Australia (GI) portfolio to set emissions reduction targets during 2021.

A complex portfolio

Our approach needs to be multi-faceted to meet the needs of hundreds of investors based in different regions of the world and invested across multiple asset class portfolios.

We invest on behalf of our 26 shareholder funds and approximately 510 institutional investors globally, all with varying attitudes and priorities in relation to climate change. Therefore, we are methodically thinking through how we approach climate change to help ensure we develop a credible approach to assessing and managing our portfolio.

We believe it is important to understand the varying dimensions of climate risk across our investment portfolios, which span a range of investment classes and industry sectors globally. It is also important for us to engage with our assets to understand the actions they are taking to adapt to and/or mitigate the worst impacts of climate change. This understanding informs our approach to working with our assets to protect and increase their resilience over the long term.

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Asset class strategies

We take a differentiated approach to managing climate change risks and opportunities across our portfolios in each asset class, drawing on three primary levers of action:

1. **Asset exposure** - we explicitly consider climate change in our direct investment due diligence processes to identify key risks and opportunities. We also consider climate change in the ongoing management of our infrastructure assets and have applied scenario analysis to create a heat map of the transition and physical risks impacting these assets.
2. **Measure and drive improvement** - we measure and disclose the carbon footprint of our infrastructure assets annually and are currently exploring methodologies to analyse and assess transition in our listed equities portfolios.
3. **Engage and build capacity** - we leverage our size and position to advocate for positive changes across both our listed and unlisted investments. We also educate and raise awareness amongst our own employees to increase their capacity to manage climate change impacts throughout the investment process.

"

Our infrastructure assets are where we have the greatest degree of influence through significant ownership stakes. This means we can work with our assets to encourage, support and drive change.

Infrastructure

We play an active role in all the infrastructure assets in which we are invested, and we have embedded sustainable business practices in our asset management approach. We aim to take controlling or influencing stakes in each infrastructure investment we make. Our approach aims to protect and build investment value through the implementation of sustainability and strategic initiatives, financial management, capital expenditure and regulatory improvements. We actively integrate climate change risks and opportunities throughout all phases of the investment cycle to inform our decisions.

Our infrastructure assets are where we have the greatest degree of influence through significant ownership stakes. This means we can work with our assets to encourage, support and drive change. The following examples demonstrate progress or improvements made in 2020 to manage climate change risks and opportunities:

- Following the desktop scenario analysis work, our asset management teams are engaging with each of the assets on the initial results to better understand what mitigation or adaptation projects are already occurring.
- We reviewed and revised our data collection and consolidation process in order to make sure we are collecting accurate data with as much granularity as possible.
- We hosted two days of online forums, with representatives from our GI portfolio companies to provide guidance on Science Based Targets (SBT) methodologies, and encourage the assets to investigate different emissions reduction levers and set reduction targets. We are also working with assets on an individual basis during FY 20/21 to support improvements in sustainability strategy and reporting. These workshops build upon successful workshops conducted with assets across the AI portfolio in FY18/19.

The process for managing identified climate risks is outlined further within the Risk Management section of this report.

Listed Equities

IFM applies an ESG Integration strategy for listed assets, leveraging our size and position to advocate for positive change through engagement and proxy voting. We do not currently exclude stocks unless otherwise stipulated by a segregated investment mandate for an investor. See the breakout box for a recent example of our efforts to assist investors to explore and develop climate change strategies.

Our active equities teams apply a proprietary process that draws on internal and external research for determining which stocks should be invested in. In our active portfolios, we seek to undertake targeted engagement with management and/or boards where significant ESG risks are identified and where there is scope to influence. If engagement fails to bring about a satisfactory change, we will avoid the stock.

Over the past year we have expanded on our climate data sets to help assess transition risk, and we are currently developing a framework and tool to assess the potential valuation impact on individual stocks and our equities portfolio by including a shadow carbon price.

Our ability to assess the climate actions and progress of the largest Australian emitters has recently become more straightforward due to the launch of the CA100+ Benchmarking tool in September 2020. This benchmarking tool assesses companies' progress against ten indicators and 22 sub-indicators, which help determine how well they are transitioning their operations and strategic approaches. The tool will be used to inform both assessment of, and engagement with, companies.

We are also exploring a range of indicators and tools being offered by external providers to assist with analysis of the transition efforts and resilience of our listed equities portfolios. This should complement our analysis and provide further input into our engagement conversations.

Equities low-carbon and climate transition strategies

Over the past year, our Indexed and Quant team has been assisting investors to explore and develop low-carbon or climate transition strategies. These strategies generally apply fossil fuel exclusions or carbon minimisation strategies. We have also researched the application of forward looking data sets, such as temperature scores or climate opportunity data sets to capture transition opportunities.

This work builds on the team's experience managing low-carbon equities strategies designed to overweight low-carbon companies and underweight high carbon companies, while maintaining minimum tracking error to the benchmark.

We see this collaborative work as a win-win. It helps to build our team's capabilities and understanding of investor needs, while assisting our investors to meet the needs of their members and beneficiaries who wish to align their superannuation choices with their values and/or target specific environmental and social outcomes.

Debt

An ESG integration strategy is applied within the debt asset class. Climate change risks and opportunities are identified within the investment screening and due diligence phases using tools and assessments to help identify climate risks.

The degree of climate change assessment and integration differs across the various products and product categories. For example, we have recently reviewed several requests for finance from the gas sector, and we are using scenario analysis to understand the likely demand profile for gas globally and in different regions. At this point in time, significant variation exists depending on the climate scenario used.

ESG-focused bond strategy[11]

In November 2018, we launched an Australian company bond strategy with a specific ESG focus. The strategy actively seeks to invest in bonds that generate a positive impact without giving up a financial return at the portfolio level.

The strategy prohibits investments in manufacturers of tobacco and cluster munitions and issuers that derive more than 20 per cent of their revenue from the extraction, processing or transportation of fossil fuels (thermal coal, oil and gas), gambling and tobacco distribution. It also holds an overweight position (versus its benchmark) in sustainability themed investments, including green bonds, sustainable bonds and securities issued by companies heavily involved in low-carbon electricity generation, sustainable water, green building and climate change adaptation.

[11] Data as at 30 September 2020

Private Equity

Climate change impacts are considered and assessed in due diligence and on an ongoing basis post-investment. We engage directly with the individual company management teams and provide guidance as needed with the aim of improving performance on material ESG issues to enhance asset value.

Our current direct investment portfolio is comprised of service sector companies that are underpinned by strong technology. As a result, we believe the private equity portfolio's current exposure to climate change risk is relatively low. We do, however, believe there are likely to be opportunities for our private equity team to seek out companies that are potential beneficiaries of the transition to a decarbonised economy.

Developing our long-term, climate change strategy

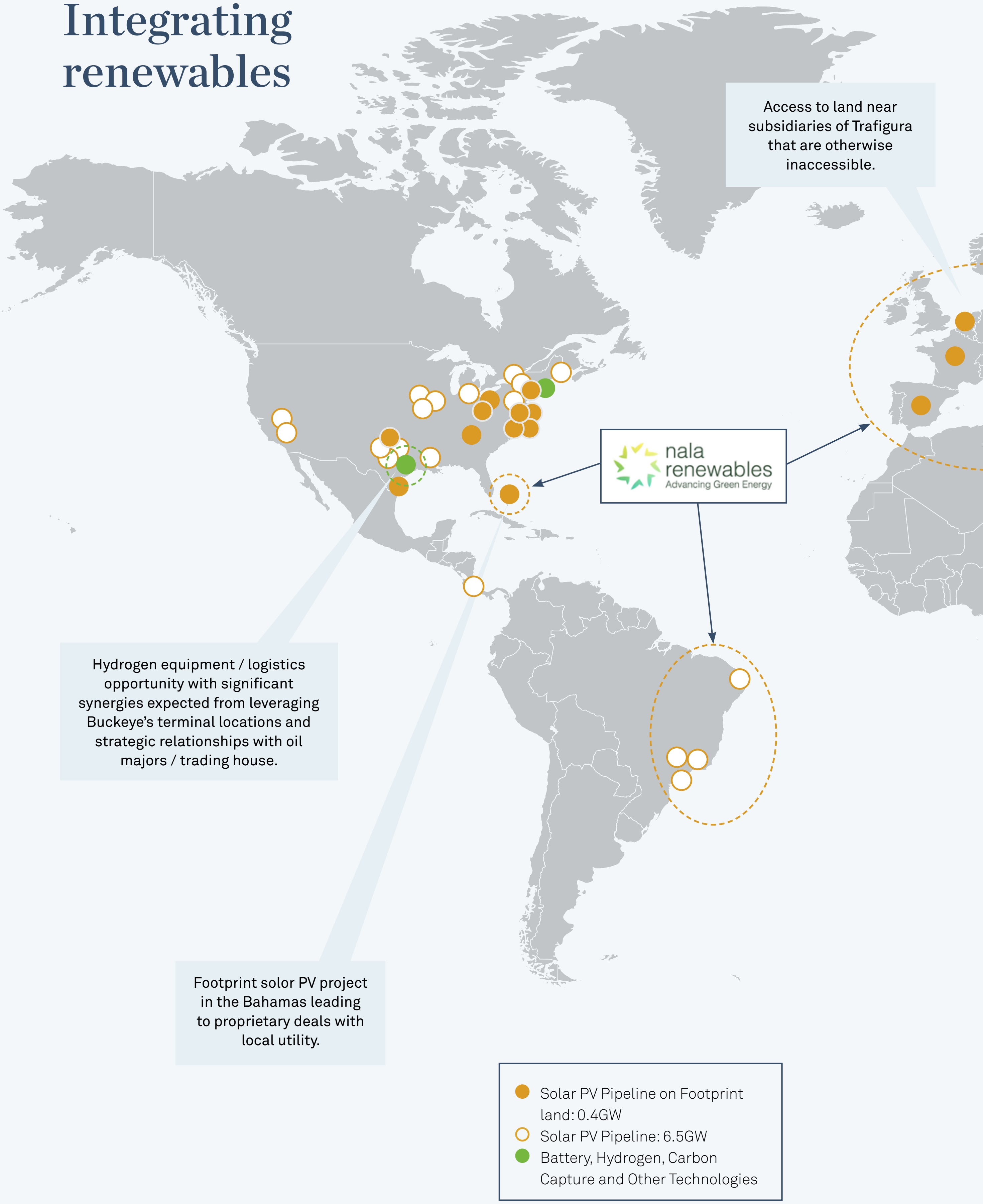
With increased regulatory and investor pressure to better understand climate change risk and manage the transition to a net zero world, we are developing an organisation-wide climate change strategy. This strategy will extend across all asset classes. The multidisciplinary internal task force we have established will work alongside an external consultancy group, which has specialist expertise, to develop strategy and frameworks for implementation.

The strategy will outline the actions IFM will undertake in order set a path and meet our net zero 2050 target. Deliverables may vary by asset class, but are likely to include:

- Establishing top-down, goals and commitments – eventually covering all asset classes;
- Developing supporting internal policies, guidance, decision making frameworks and credible net-zero transition plans for new and existing assets;
- Developing the capabilities we need to build new products and investment solutions that contribute to a decarbonising economy; and
- Establishing measurable asset, portfolio and/or firm wide targets to hold ourselves to account.

We are aiming to share our strategy, including defined commitments and targets, with investors in 2021.

Integrating renewables



CASE STUDY

Integrating renewables at Buckeye Partners

In November 2019, IFM completed the full acquisition of Buckeye Partners (Buckeye). The acquisition provides IFM with a platform for growth in the midstream sector, as well as an opportunity to position the GI portfolio to better manage the transition risks associated with a decarbonising world via investment in low or no-carbon opportunities, including renewable energy infrastructure. A continuation of that strategy in 2020 saw the creation of Nala Renewables, a 50:50 joint venture with strategic partner Trafigura.

Today, IFM's GI portfolio midstream companies have identified and are executing on 7GW of renewable pipeline opportunities globally, including immediately actionable solar photovoltaic opportunities on footprint land and proprietary deals through existing partners, clients and networks with similar energy transition ambitions.

Scenario analysis

In 2019, we utilised climate scenario analysis to complete a desktop-based risk exposure assessment of our infrastructure portfolios. The assessment helped us understand the potential impact that different climate scenarios may have at the sector and portfolio level, and in some cases, the asset level. This assessment augments the due diligence we undertake during our infrastructure acquisition process outlined within the risk management section of this report.

The assessment provided a view of the potential unmitigated impacts of climate change for the industry sub-sectors that we are invested in, across our AI and GI portfolio assets. We are aware that a number of assets in our infrastructure portfolios have initiated their own climate change strategies and commenced climate change adaptation and mitigation projects independently. Our assessment was undertaken as a means to engage with our portfolio assets on climate change and better understand and assess their approach. Hence the climate change strategies already underway were not taken into account and included in our initial findings of this assessment.

The data sets used for the two risk assessments covered different timeframes, both of which had near, medium and long-term horizons that were combined to generate a composite risk exposure. The first timeframe covered transition risk and was assessed for 2020, 2030 and 2040 and the second covered the physical risk assessed for the near term, 2030 and 2050.

Which scenarios?

The analysis covers a range of scenarios. The Representative Concentration Pathway (RCP) scenarios developed by the Intergovernmental Panel on Climate Change (IPCC) were referenced for the physical risk assessment and the International Energy Agency (IEA) scenarios referenced for the transition risk assessment. Similar to the time horizon, the transition and physical risk scenarios were combined to provide a complete view of the risks and opportunities that exist.

Transition risk

At the time our scenario analysis work was conducted, the IEA's Sustainable Development Scenario (~2°C) provided the best estimate of transition risk in alignment with the Paris Agreement, as a credible 1.5°C scenario was not available. Transition risk and opportunity was assessed across 14 industry sub-sectors of relevance and three key geographies – Australia, Europe (EU) and North America.

Physical risk

The IPCC RCP4.5 and RCP 8.5 scenarios were used to assess physical risk vulnerabilities and the assessment was undertaken in two phases:

1. Assess climate change vulnerability across relevant industry sub-sectors (desktop); and
2. Assess climate change vulnerability for a selected number of assets in the AI and GI portfolios at a more granular level (desktop).

It is important to note, that while the second phase of the assessment was targeted more specifically to the asset and/or site location, the information inputs informing the findings were limited. In most cases, existing adaptation and mitigation efforts being implemented by the assets were not reflected in the asset risk exposure profile.

Assessment findings

The results of this early stage scenario analysis provided a high level indication of potential risk exposures in our infrastructure portfolio. Our Asset Management team is using these findings to determine which assets may need deeper engagement and/or assessment.

IFM portfolio analysis scenario descriptions

Analysis	Scenario	Scenario	Scenario
Transition risk and opportunity	+2°C	~2.7°C	~3.7°C
Physical risk analysis	**RCP 2.6** Constrains energy-related emissions within a level that provides a 50% chance of limiting global warming to 2°C	**RCP 4.5** Pathway consistent with the nationally determined contributions (NDCs) from signatory countries. Considers most likely new policies for climate-change mitigation.	**RCP 8.5** Pathway assuming no change in policies from today. Projects a temperature rise of 3.7°C, which is the physical climate change worst-case scenario.

Physical risk - Weighting each portfolio asset by value, this assessment indicates that our infrastructure portfolios have limited exposure to physical climate change risks in the near term. However, all the industry subsectors represented in our portfolio will likely experience increasing vulnerability to climate hazards over the long term. Moving out to 2030 and 2050, under both the RCP 4.5 and RCP 8.5 scenarios, the portfolios' vulnerability to physical hazards is expected to increase further in the absence of mitigation.

Transition risk – The assessment indicated that two sectors, district heating and refined products pipelines, face medium to high risk exposure over the next decade under a 2°C scenario. At the time the analysis was undertaken, these sectors did not make up a significant portion of the portfolio by value. With the acquisition of Buckeye Partners in 2019, portfolio exposure to refined product pipelines has increased. As a result, we are revising our transition risk assessment to incorporate recent acquisitions and incorporate a 1.5°C scenario, to help reassess our risk exposure and determine what levers can be pulled to mitigate the risk and transition these assets over time.

Scenario analysis is a core component of our longer term climate change strategy and the revised 1.5°C scenario analysis should:

- Continue to serve as a tool to support engagement with our assets;
- Inform the targets and commitments we develop to hold ourselves to account; and
- Be a critical input in the valuation and decision making framework used to assess new investments.

Regardless of scenario, we recognise that infrastructure assets are exposed to climate change risks and opportunities. Therefore, we believe that it is in the financial interests of our investors, and their members and beneficiaries, that we have a plan to decarbonise our assets and increase their resilience in order to protect and grow their value.

Risk Management

Risk identification and management

The TCFD's ultimate goal is to drive effective integration of climate change risk identification and management into existing practices. The steps below outline our current approach to identifying, assessing and managing the process of climate change risk identification for new and existing assets. While the emphasis at each step varies by asset class, one or more step is applicable to all of our investments.

Screening and due diligence: climate change is explicitly considered in our due diligence processes, particularly in infrastructure and debt asset classes due to the longer and generally less liquid nature of these investments.

Transition and adapt: we aim to hold and transition the assets in our portfolio, rather than divest. Existing assets, therefore, undergo assessment for risks and opportunities associated with decarbonisation.

Acquisition outcome: the risks and opportunities identified through screening and due diligence are assessed, informing the acquisition decision.

Ongoing management: oversight and ongoing management of existing investments.

Developing a more consistent approach

Our investors are sharpening their focus on climate change risk and increasing their scrutiny of how we assess climate risk for existing and new acquisitions. Drawing on updated methodologies, guidance and scenarios that have been published in the last year, we see an opportunity to improve climate risk assessment in our due diligence process.

Part of the work program underlying the climate strategy is a review of recent industry developments to better understand what effective climate risk assessment and management looks like. The findings of this review, together with a revised transition risk assessment, will inform our assessment of the improvements required to formalise and develop a more systematic approach to climate risk management at IFM.

Our aim is to develop a top down, overarching set of principles and guidance applicable to all investment teams, yet tailored to each asset class, taking account of our level of control and ability to influence.

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Asset class risk management processes

We use the understanding, insights and data that we obtain from our climate risk assessment activities to inform how we manage climate risk management at the portfolio and individual asset level. Our approach, and the extent to which we have the ability to drive change at the portfolio and individual asset level, varies by asset class and the degree of influence we have as owners.

Infrastructure

Our approach to assessing climate change risks and opportunities differs depending on whether we already own the asset or if we are considering it as a new acquisition.

New investments – A fundamental component of our due diligence for potential acquisitions is ensuring the businesses are well-positioned to manage climate change risks and opportunities. This includes working closely with our specialist advisors to determine potential risks, including transitional risk, physical risk, and business continuity assessments at key locations to better understand the impact of weather events. Furthermore, where appropriate, we seek to develop scenarios to test our assets' physical resilience to withstand any potential climate change impact factors.

Our due diligence framework enables our Infrastructure team to focus on factors that drive value or represent a material risk or opportunity to long-term performance at a company or portfolio level. A case study outlining the due diligence performed prior to investing in DCT Gdańsk is detailed in the breakout box on the opposite page.

Existing assets – Our priority is to work with the assets in which we are invested to encourage and support them to transition and adapt.

We have been measuring and reporting the carbon footprint of our AI and GI portfolios for the past three years, and in 2019 we worked with the larger AI portfolio assets to set emissions reduction targets. In 2020, we held workshops with representatives from GI portfolio assets to commence the same target setting process.

In 2019, we undertook a high-level risk exposure assessment of our infrastructure portfolios under different climate scenarios. The assessment was designed to help us understand sector and asset level exposure to climate change and the potential impact different climate scenarios will have at the sector and portfolio level, and in some cases, the asset level. This assessment augments the due diligence we undertake during our infrastructure acquisition process.

IFM's Infrastructure Asset Management team maintains an open and ongoing dialogue with the management teams at each of the assets. They use learnings from assets that have already developed robust climate change strategies to encourage other assets to develop their own medium to long-term climate change adaptation and mitigation plans. Furthermore, we continue to monitor potential risks and seek to undertake additional work at an asset level where we assess there may be an increased exposure to hazards.

Listed equities - Stewardship

With over 95 per cent of our listed equity portfolios passively invested, our stewardship program (engagement and voting) is central to our risk management approach. Our portfolio climate analytics indicate that 10 companies in the ASX200 are responsible for approximately 80 per cent of emissions, as listed in Table 2. As a result, we prioritise these companies for climate related analysis and engagement.

The quality of listed company climate data and disclosure influences our ability to assess transition risk and understand how companies are managing and adapting their businesses in response to climate change risks. Our engagement, therefore, continues to focus on encouraging more robust climate related disclosures and reporting using the TCFD framework. In discussions with companies, we also seek to understand a company's strategic recognition of the need to manage climate change risks, as evidenced by a business plan that reflects material risks and actions they are taking (including their lobbying activity).

We recognise that some businesses may not exist in a low-or no-carbon world as they do today. Therefore, we understand that we will need to make decisions around the re-allocation of capital and help ensure a fair transition for workers affected by a changing economy. How companies and governments are thinking about and planning for a 'Just Transition' is another topic of engagement, albeit one that needs more attention.

We frequently engage with company boards and management alongside ACSI, and collaboratively with like-minded investors, through initiatives such as the CA100+. As outlined on page 15, we are also members of, or signatories to, several investor groups that are collaborating to understand and analyse climate change impacts for listed entities,

Physical climate risk assessment in due diligence: DCT Gdańsk

During the due diligence (DD) phase of IFM's acquisition of Polish sea port Deepwater Container Terminal Gdańsk (DCT Gdańsk) in 2019, we undertook extensive ESG-related DD. A key element of this DD was an assessment of long-term climate change-related physical risks. Potential increases in sea levels and severe weather events caused by global warming were analysed as potential risks. We engaged with two external advisers to assist us in understanding the risks. Detailed analysis was carried out about the port's resilience against sea level rises and severe weather events, as well as the exposure of surrounding infrastructure to severe weather events.

It was noted in IFM's Investment Committee proposal that DCT Gdańsk had been constructed to continue operations and withstand sea level rises of up to 3.5 metres. The assessment in relation to severe weather events indicated that the port and surrounding infrastructure would be resilient to a number of potentially extreme weather events. IFM explicitly considers climate change risk in the DD process for all infrastructure acquisitions.

A greater understanding of climate-related material risks and opportunities at this pre-acquisition stage not only feeds into the investment decision, but also supports our understanding of issues we would need to manage in our post-acquisition asset management activities.

TABLE 02 TOP 10 CARBON EMITTERS IN THE ASX200 AS AT 30 JUNE 2020

Company name	Sector
AGL Energy	Utilities
Rio Tinto	Materials
South32	Materials
Origin Energy	Energy
BHP Group	Materials
Qantas Airways	Industrials
BlueScope Steel	Materials
Santos	Energy
Alumina	Materials
Incitec Pivot	Materials
Top 10 Companies	

The top 10 emitters make up approximately 12 per cent of portfolio weight, but contribute approximately 80 per cent of the portfolio's emissions.

Source: MSCI

including IGCC, IIGCC and Climate League 2030. We are active participants in these groups and representatives from across IFM sit on a range of sub-committees and working groups.

Further to our engagement with companies, we exercise our right to vote on company resolutions at annual general meetings (AGM). Climate change related shareholder resolutions are becoming increasingly common during the Australian AGM season, with the number of resolutions lodged and the shareholder support for these resolutions increasing. IFM assesses climate change-related shareholder resolutions on a case-by-case basis with consideration given to:

- Strategic-level recognition of climate risk and maturity of transition plan;
- Existence of medium and long-term targets;
- The quality of climate change disclosures and adoption of TCFD; and
- Climate-related lobbying activity.

The Australian gas company case study below provides an example of a recent climate related voting decision.

Debt investments

Early stage screening enables us to avoid investments that face a higher level of climate related risk (transition or reputational), while more comprehensive due diligence in the underwriting process helps to ensure that climate risks are appropriately elevated in our credit assessment. Climate change considerations are assessed within our proprietary Credit Assessment Memorandum (CAM). A credit analyst will typically prepare the CAM with input from senior team members and the Responsible Investment team, which is then reviewed and submitted for approval to the Global Head of Debt Investments and the Debt Investments Committee.

In late 2019, our Diversified Credit team enhanced the process and implemented a new ESG Scorecard to enable a deliberate and concentrated focus on meaningful ESG issues, including climate change risks and opportunities, as they relate to specific transactions. This provides greater transparency of ESG-related risks and is incorporated into the CAM for investment committee consideration and discussion.

Whilst we do not typically exclude companies, IFM has declined to participate in several debt offerings principally due to a lack of alignment with our Responsible Investment Charter and ESG Policy, or due to ownership, governance or other ESG issues of the borrower (or parent of the borrower). For example, refinance for a power station was rejected due to concerns relating to the use of coal as the main fuel, as well as the plant's revenue reliance on a particular company that we believe lacked appropriate governance structures.

Investors expect greater action on climate from oil and gas companies

IFM voted for the shareholder resolutions that asked Santos and Woodside to set short, medium and long-term targets in line with the goals of the Paris Agreement. We believe both companies face exposure to significant climate change related transition risks. Neither company has established robust policies or targets that demonstrate adequate recognition or mitigation of the risks they face.

While Santos has set a 2050 aspirational net zero operational emissions target and Woodside has set shorter-term targets, neither company has identified clear plans or a roadmap outlining how they aim to achieve their emissions reduction aspirations. It is also our view that both companies are lagging global oil and gas sector peers with regards to action on climate change.

IFM believes the resolutions encourage both companies to add additional rigour to their target-setting process and reassure investors that they are preparing to meet the decarbonisation challenge

"Whilst we do not typically exclude companies, IFM has declined to participate in several debt offerings principally due to a lack of alignment with our Responsible Investment Charter and ESG Policy."

Funding renewable energy

IFM commenced due diligence for a project company that owned and operated hydro power generation facilities in North America. One of the appealing aspects of the deal was that the company was a regional leader in renewable energy.

The company represented critical power infrastructure as a large conventional hydroelectric system in its region, providing approximately 23 per cent of generation and approximately 40 per cent of qualified capacity from conventional hydro power generation at the time of investment. Storage capabilities of key assets and central coordinated dispatch of the project provides generating flexibility, allowing it to provide incremental reserve, regulation and ancillary services, which help it maintain system frequency for grid reliability.

The investment in 2019 was one of several investments with the sponsor, who has been prominent in the energy infrastructure space for more than two decades. IFM was able to leverage our relationship and knowledge of the assets to win the mandate to arrange the debt structure and was the largest investor in the debt issue.

> **Early in the due diligence process, the Private Equity team prepares an initial screening paper and shares it with the Responsible Investment team for review and comment.**

Private equity (PE)

We have an ESG due diligence framework with a defined set of criteria that is incorporated into the investment process for our private equity investments. ESG risks and opportunities are identified and assessed in collaboration with the Responsible Investment team. Early in the due diligence process, the Private Equity team prepares an initial screening paper and shares it with the Responsible Investment team for review and comment. Following this, Investment Committee papers are prepared to identify additional concerns or close out previous lines of inquiry.

We identify material climate change risks and opportunities when assessing potential investment opportunities. Should the investment opportunity progress to full diligence, the team conducts deeper analysis of identified climate change risks and opportunities while assessing company performance more comprehensively.

Any potential risks identified pre-acquisition are integrated into post-acquisition management work plans. They are assessed on a live basis throughout the life of the investment with a view to mitigating risks and identifying value creation opportunities.

For our PE direct investment program, we monitor oversight and management of climate change risks and opportunities through board membership, observer rights and attendance at briefings and meetings.

For our fund-of-funds program, we monitor management of ESG issues at portfolio companies via participation in Investor Advisory Committees, maintaining regular dialogue with General Partners and attending investor briefings and meetings.

Enhancing our Enterprise Risk Management framework

As the regulatory regimes and standards relating to climate change continue to develop, the importance of understanding the different requirements and obligations of each region that we invest and operate in has increased.

IFM has recently appointed a Chief Risk Officer (CRO) who is a member of our Global Strategy Team and part of the broader Reference Group providing input into the development of our climate change strategy. Our CRO's initial program of work includes a review of IFM's existing risk framework and appetite. While this work is in its preliminary stages, we expect a level of development and maturation of the Risk Management Framework and processes across the business in all regions.

We have not yet fully integrated climate change into our existing Enterprise Risk Management Framework, but we are conscious of the need to do so. We will work with the CRO to identify how climate change can be integrated into this framework as part of the second program of work following the climate change strategy development work.

As long-term investors, we are eager to progress our identification and understanding of climate risk. We recognise that we must actively implement risk and strategy processes to provide a clear and consistent way for our business to assess climate risk. Our next steps focus on ensuring our teams actively support these processes and assist in the development of effective and integrated implementation plans to embed climate change throughout the business.

Metrics and Targets

Metrics

We understand the importance of using metrics to assess, monitor and measure climate related risks and opportunities in line with our strategic and management approach. We currently disclose the carbon footprint of our infrastructure assets on an annual basis, but we have not developed a full suite of metrics for reporting consistently across all of our asset classes. As we undertake our climate change strategy, we will develop additional measures and metrics to help understand and communicate our exposure, gauge our progress, and hold ourselves to account for our commitments.

Portfolio carbon footprint

We use carbon footprinting to measure the GHG emissions associated with the underlying assets and investee companies of our portfolios. While recognising carbon footprint analysis on its own has limitations with respect to informing investment decisions and the relationship to risk, we believe measurement is a pre-requisite to improvement. Carbon footprint analysis contributes to our understanding of the relative impacts of portfolio investments and sectors and informs the design of pathways for emissions reduction.

Infrastructure

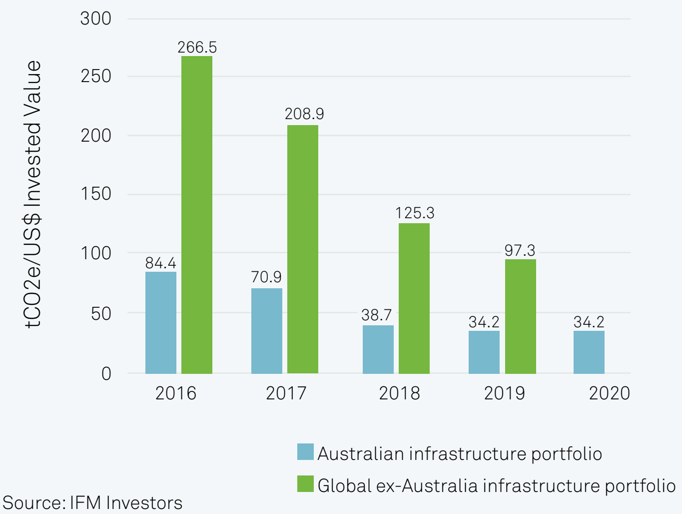
IFM has been measuring and reporting annually on the carbon footprint of our infrastructure assets since 2017, when we reported on 2016 emissions. We report on the total scope 1 and 2 emissions and IFM's financed emissions for the majority of assets in both our AI and GI portfolios. Measuring our financed emissions helps us understand our portfolios' impact on climate change, manage key risks and determine opportunities for improvement.

Figures 4 and 5 provide a summary of the financed emissions associated with IFM's AI and GI portfolios, using an 'equity share' approach.[12]

The financed emissions associated with assets in the AI portfolio for the year ending 30 June 2020 total 262,296 tCO2e. The financed emissions associated with assets in the GI portfolio for the year ending 31 December 2019 total 2,740,843 tCO2e.[13] The total financed emissions associated with our combined infrastructure assets for these two reporting periods is 3,003,139 tCO2e.

Emissions associated with companies in the AI portfolio have continued to decrease on both an absolute and intensity basis. For the year ending 30 June 2020, financed emissions decreased 4 per cent, while emissions intensity per US$1M decreased by 0.1 per cent.

FIGURE 03 EMISSIONS INTENSITY TREND FOR INFRASTRUCTURE PORTFOLIOS



Source: IFM Investors

Emissions associated with companies in the GI portfolio increased by 11 per cent in the year ending 31 December 2019. This is due to emissions associated with Buckeye Partners and DCT Gdansk, which were acquired in 2019, as well as an increase in our ownership share of VTTI. Emissions intensity per US$1M for the same reporting period continues to trend downwards with a decrease of 22 per cent.

Figure 3 depicts the downward trend of emissions intensity for both portfolios since we started measuring and reporting carbon emissions. Between 30 June 2016 and 30 June 2020, emissions intensity for the AI portfolio decreased 59.5 per cent. Between 31 December 2016 and 31 December 2019, the GI portfolio decreased 63.5 per cent.

Energy efficiency improvements and behind the meter solar, wind and biogas invesments, as well as grid decarbonisation, have contributed to reductions in absolute emissions and emissions intensity across both portfolios.

Our Infrastructure Portfolio Carbon Footprint Summary Reports are publicly available on our website. → **FIND OUT MORE**

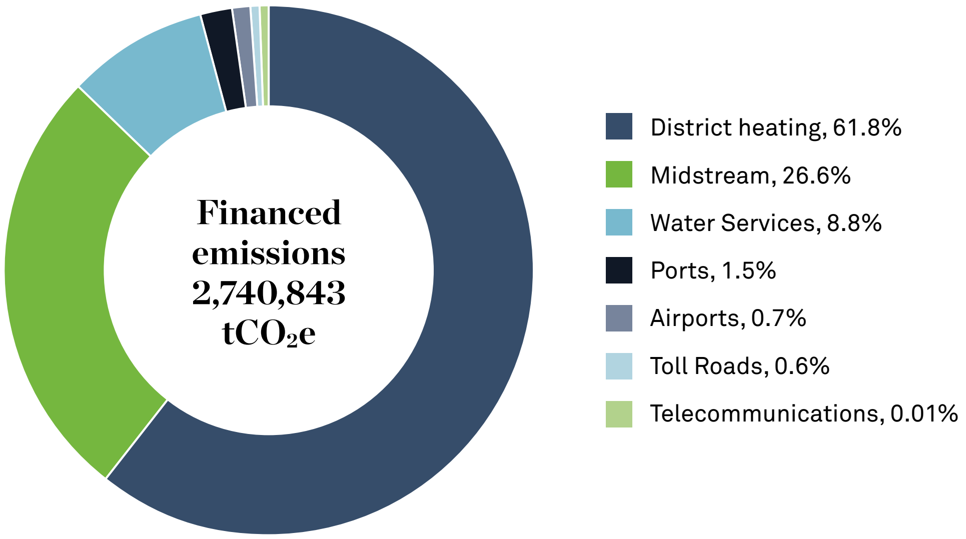
Listed Equities

We recognise we need to do more work to define the appropriate climate-related metrics for our listed equities portfolios. At this stage, while we measure and monitor carbon footprint data, we primarily use this data to help prioritise company

[12] Under the equity share approach, a company accounts for GHG emissions from operations according to its share of equity in the operation.
[13] The reporting periods are aligned to the common regional annual reporting year ends.
[14] COVID-19 caused a delay in normal data collection processes.

FIGURE 04 FINANCED EMISSIONS GLOBAL EX-AUSTRALIA INFRASTRUCTURE PORTFOLIO*

YEAR ENDING 31 DECEMBER 2019 †

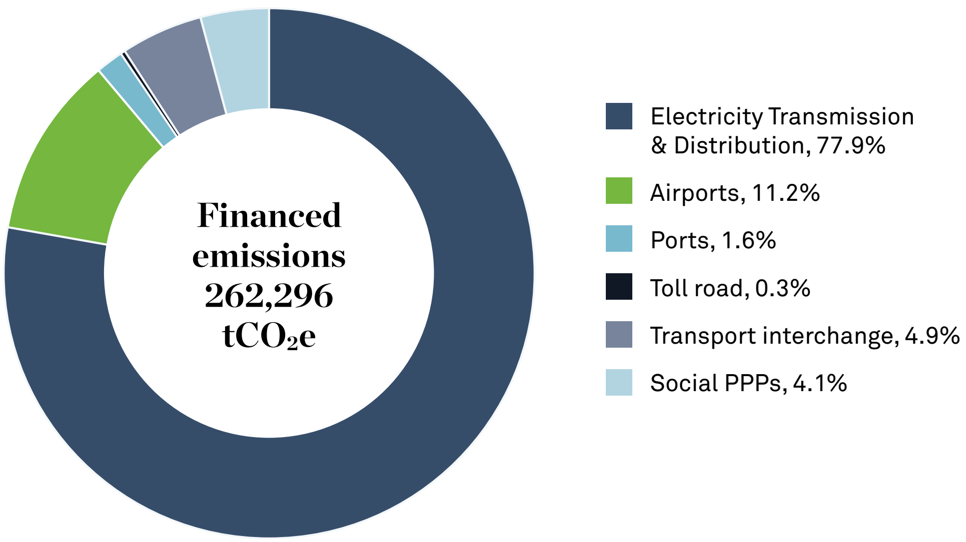


* All assets held in the portfolio are included in the footprint assessment including Buckeye Partners, DCT Gdansk, and increased ownership in VTTI B.V. Purchase of green electricity included for Arqiva and MAG (Manchester Airports Group).

† Different reporting periods are applicable to our Global and Australian infrastructure portfolios

FIGURE 05 FINANCED EMISSIONS AUSTRALIAN INFRASTRUCTURE PORTFOLIO**

YEAR ENDING 30 JUNE 2020



** All assets in the AI portfolio except for Perth Airport Property Trust, Wyuna Water and IFM Aged Care Financing Trust were included in the footprint assessment. These non-reported assets comprise less than approximately 2 per cent of the portfolio by value for the reporting period.

engagement and define our expectations for listed companies in our portfolio. Going forward, we hope to use carbon data, together with forward looking data sets, to help progress our carbon reduction and transition strategies.

Figure 6 includes the footprint data associated with our key active and passive portfolios as at 30 June 2020. Both the Small and Large Cap active portfolios had lower absolute and intensity of emissions than their standard passive index counterparts.

It is important to note that the portfolios listed below do not have an emissions reduction objective or mandate in place. For mandate strategies that have explicit climate change objectives or exclusions defined, the emissions footprint will be lower.

Debt Investments and Private Equity

We are not currently reporting the emissions data associated with our Debt Investments and Private Equity portfolios, but we plan to have established the process for measurement and be able to report this data in the next iteration of this report.

The dynamics of portfolio emissions over time

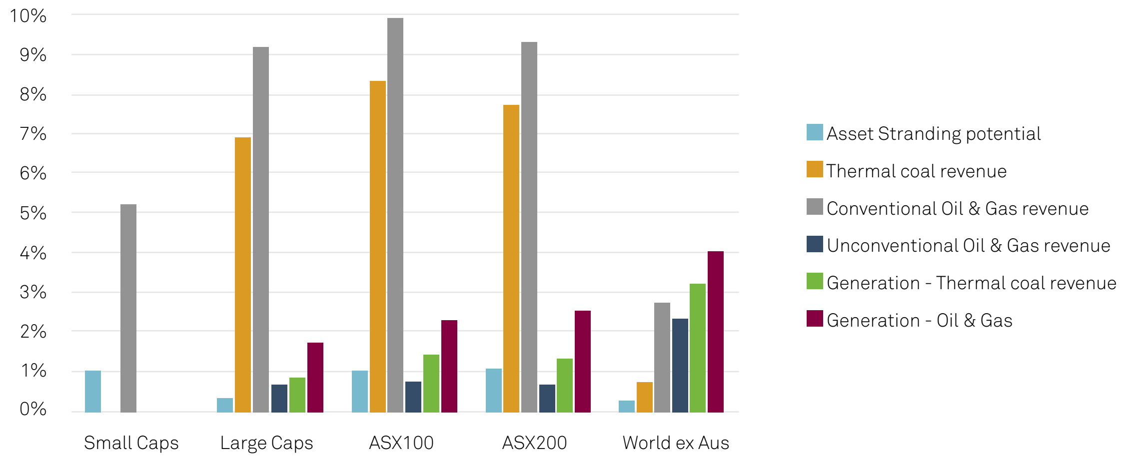
Achieving net zero by 2050 will require societies, economies, and companies to substantially reduce their greenhouse gas emissions. We believe an investor can reduce the emissions attributable to them by divesting from assets, but this does not necessarily reduce the volume of greenhouse gases being emitted into the atmosphere. Conversely, when an investor acquires a company, even if it is on a scientifically robust pathway to net zero, there can be an increase in emissions

FIGURE 06 LISTED EQUITIES PORTFOLIOS

Carbon footprint data[15]

Portfolios/Indexes	Small Caps tCO2e	Large Caps tCO2e	ASX100 tCO2e	ASX200 tCO2e	World ex Aus tCO2e
Carbon emissions/US$ million invested	**44.5**	**139.1**	**188.4**	**178.5**	**91.5**
Intensity (tCO2e/US$ million sales)	**151.5**	**273.5**	**374.8**	**352.4**	**173.5**
Weighted average carbon intensity	**187.8**	**194.1**	**229.0**	**221.1**	**144.4**

Fossil fuel exposure



Source: MSCI as at 30 June 2020

[15] Point in time data as at 30 June 2020. The footprint data for listed equities is constantly in flux due to changes in the value of market cap, buying/selling of stocks and index changes.

attributable to that investor.

As IFM works towards net zero across all asset classes, we will continue to acquire interests in companies where we can deploy our influence and support capital investments to reduce emissions, even if they have high emissions at the time of acquisition. Once companies are within IFM's perimeter of influence, our commitment is to reduce their emissions targeting net zero by 2050, in addition to other forms of climate risk management.

We encourage our investors and other stakeholders to focus on the real economy emission reductions that IFM helps achieve once a company is within our portfolio, recognising that total absolute portfolio emissions may increase or decrease depending on changes to the composition of assets held.

Operational emissions

In addition to managing emissions at the portfolio level, an important element of our responsible business strategy is taking responsibility for the carbon footprint of our own business operations. The energy purchased by our New York, London, Sydney and Melbourne offices, together with corporate air travel, represent our most significant operational emissions.

Building on our FY18/19 commitment to offset the carbon emissions associated with corporate air travel, in FY19/20 we also offset the emissions associated with the energy consumption of our larger offices around the globe. We secured carbon credits from projects in Alaska and Australia, to offset 5,395 tonnes of CO2e relating to FY19/20 emissions.

> **In 2020 we offset 5,395 tonnes of CO_2e of our operational emissions and supported community projects in Australia and Alaska**

Targets

Setting clear, long-term targets for transitioning to a net zero economy will evolve as we progress our climate change strategy work. For our non-infrastructure, we are in the early stage of determining our approach to compiling data and determining appropriate metrics.

Our recent commitment to reducing greenhouse gas emissions across our asset classes, targeting net zero by 2050, will be supported by credible targets to help ensure we reach our goal and report on our progress along the way. The work to develop these targets for each asset class portfolio is currently under way

In addition to establishing targets, we are also assessing the capabilities and additional resources we are likely to need to effectively deliver on the targets. This will involve developing and implementing metrics that can be tracked and audited across all asset classes and regular monitoring against targets. Once a firm wide climate strategy has been implemented, further work will be undertaken to establish appropriate monitoring and review processes.

This work follows significant action we have already taken to establish targets for the larger assets in our AI portfolio, and we are undertaking a similar program of work for assets in our GI portfolio.

Transparency and reporting

As we encourage our investee companies to improve climate risk-related disclosures and reporting, we remain committed to continuously improving our own reporting and maintaining transparency with our investors and the wider public.

Disclosure

We have been publicly disclosing the carbon footprint of our infrastructure portfolios since 2017. In 2020, we also prepared and provided our investors with the methodology and initial findings of a desktop transition and physical climate risk exposure assessment of our infrastructure assets. Other initiatives across our infrastructure portfolio are reported on annually in our Responsible Business Report.

We publish several reports containing information on our climate change management approach and portfolio exposures including:

- Biannual Australian Listed Equities Engagement and Voting reports, which include case studies on climate related engagement and shareholder resolutions;
- Australian Infrastructure Portfolio and Global Ex-Australia Infrastructure Portfolio Carbon Footprint reports;
- PRI Transparency and Assessment Reports; and
- IFM Investors Responsible Business Report

We also continue to write papers and case studies on a range of investment themes, including climate change, which are published on the Insights page of our website.

Anglian Water Group (AWG)

AWG is the largest water and wastewater company in England and Wales by geographic area and supplies water and water recycling services to more than six million domestic customers. AWG has publicly pledged to reach net zero carbon emissions. Its trajectory on this course is positive. Having already reduced embodied carbon by 55 per cent from a 2010 baseline, it is on course to reach a 61 per cent carbon reduction by the end of 2020.

In February 2019, AWG commenced a capital investment programme worth £470 million. The funds are being used to reduce leakage across its network, improve and continue providing quality drinking water, protect against severe weather such as drought and flooding, and tackle the impacts of climate change.

In 2019, AWG was the first European utility to issue a sterling Green Bond. Taking an 'environment first' approach so all capital investments in water and recycling assets meets the qualification tests of the Green Bond principles. Also in 2019, AWG unveiled the UK's first natural treatment wetland in west Norfolk with plans to replicate this across 24 locations. The site works as a natural treatment plant with millions of litres of recycled, treated water being filtered and cleaned by wetland plants before being returned to the River Ingol.

Award-winning Australian Infrastructure Carbon Reduction Initiative

During FY 2019/20 we worked with seven of our largest AI portfolio assets and co-owners to establish emissions reduction targets, as well as encourage investment in renewables and energy efficiencies. Our overarching goal was to protect investment value and returns by creating positive commercial and environmental outcomes and mitigating future business risks associated with the transition to a net zero economy.

Assets in the program include Ausgrid, Melbourne Airport, Brisbane Airport, NSW Ports (Botany and Kembla), the Port of Brisbane, Southern Cross Station in Melbourne and Northern Territory Airports. Each established individual emissions reduction targets ranging from 8-25 per cent by 2024 to 17-100 per cent by 2030.

Detail of the targets set by individual assets are published on our website at: www.ifminvestors.com

As part of this initiative, IFM committed to annual reporting on progress towards emissions targets.

The Initiative won IFM the 2019 IGCC Climate Award for 'Outstanding Initiative by an Asset Manager' and the Infrastructure Investor 2019 Award for Fund Manager of the Year, Asia Pacific. We also received global recognition as a shortlisted candidate for the 2019 PRI Awards' 'Real World Impact Initiative of the Year'.

In 2020, we extended the program to our Global Infrastructure portfolio assets. Our ambition is for these assets to set individual emissions reduction targets and pathways during 2021, if they have not already done so.

Reducing emissions, harnessing energy efficiency opportunities

Companies across IFM's infrastructure portfolios continue to develop and implement climate change adaptation and/or risk mitigation projects, many of which focus on reducing emissions and harnessing opportunities that improve operational efficiencies, including:

- Energy efficiency improvement programs such as upgrades to energy efficient LED lighting;
- Behind the meter (BTM) renewable energy installations and power purchase agreements (PPAs);
- Smart building design such as building efficiency upgrades;
- Deployment of low emissions fleet vehicles such as electric vehicles; and
- Electrification of operational plant and equipment using onsite renewable energy.

1 BTM renewable energy

Solar photovoltaic (PV) is the most widely deployed renewable energy source across our portfolio. However, energy generated by wind and biogas-fueled Combined Heat and Power (CHP) engines is also utilised.

It was a significant year for renewable energy generation at Anglian Water (UK) in 2019. Through a combination of new and existing solar PV installations, wind turbines and a fleet of Combined Heat and Power engines fuelled by biogas, the water utility generated a total of 131GWh across its estate – a 30 per cent increase on 2018 - and equivalent to the energy required to power 40,000 homes for a year.[16] In 2020, work was completed on an 11.6MW capacity solar PV array at Grafham. This development is expected to continue moving the company towards its 2025 target of meeting 44 per cent of its energy requirements from on-site renewable sources.

In 2020, Melbourne Airport (Australia) commenced a 12MW solar PV development at Tullamarine. It will be the largest of its kind at any Australian airport, capable of delivering approximately 17GWh of electricity each year, equivalent to powering 1,387 homes for a year.[17] When operational in 2021, the system is expected to meet up to 15 per cent of the airport's total electricity consumption (at normal capacity).

2 Electric vehicles

The benefits of low emissions vehicles and electrified plant and equipment can include lower running costs, lower emissions and less noise pollution. Brisbane Airport (Australia) operates a fleet of 11 electric buses for transporting customers within the airport precinct. The buses are 100 per cent electrically charged, which means there are no tail pipe emissions. In addition to reducing noise pollution, operating the buses has reduced annual carbon emissions by 250 metric tonnes of CO_2 emissions - equivalent to taking more than 50 cars off the road.[18] The operation of the buses required a dedicated base location for maintenance and electric charging. Following completion of this in June 2019, the bus fleet was fully up and running during FY20.

3 Energy efficient building design

In June 2020, Indiana Toll Road (US) achieved LEED Gold certification for the environmentally conscious design of its new administration building, which opened in 2019.[19] The building was architecturally designed to be environmentally sustainble. A number of technologies were incorporated into the design, including smart lighting, energy efficient heating, ventilation and air conditioning (HVAC), and a water conservation system. Solar PV panels installed on the building's roof are expected to offset up to 20 per cent of the building's energy costs each year.

[16] https://www.anglianwater.co.uk/siteassets/household/about-us/air-2020.pdf
[17] Calculated using EPA Equivalencies Calculator https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator
[18] Calculated using EPA Equivalencies Calculator https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator
[19] LEED (Leadership in Energy and Environmental Design) Certification, developed by the US Green Building Council, is a globally recognised green building rating system.


1. Anglian Water PV array, UK

2. Electric bus, Brisbane Airport, Australia


3. Indiana Toll Road administration building, US

What’s next for IFM?

In recent months, we have significantly advanced our investment approach to understanding and managing climate change. However, we recognise we can do more to effectively identify, price and manage climate change risk and opportunity across our investment portfolios.

IFM has committed to reducing greenhouse gas emissions across all asset classes targeting net zero by 2050. Our commitment aligns with the goals of the Paris Agreement to limit global temperature rises, and it is an extension of actions already underway across our infrastructure assets to reduce emissions through investment in renewable energy and other carbon reduction initiatives.

In October 2020, we established a multi-disciplinary task force to develop our long term climate change strategy. The task force's remit is to establish clear frameworks and policies to guide and support sustainable decision-making processes to mitigate climate change risk exposure and help meet our net zero by 2050 target. IFM will develop a comprehensive work plan aligned with the TCFD recommendations to support progress towards our aspiration.

Further steps

Governance

- Further integrate climate change into key governance processes and expand discussions to relevant board and executive committees;
- Define specific commitments, establish clear processes and define roles and responsibilities in teams across the business;
- Engage executives and the broader business on climate change trends, risks and opportunities.

Strategy

- Continue to refine IFM's climate change strategy objectives over the short, medium and long term and develop all supporting requirements;
- Develop and roll out education programs to all employees to increase understanding of climate related risks and opportunities;
- Further develop scenario analysis and expand transition and physical risk assessment across relevant asset classes;
- Develop new investment products and strategies that help investors capture the opportunities arising from decarbonisation;
- Collaborate with shareholders, investors and other key stakeholders on IFM's climate change strategy and integrate feedback; and
- Advocate for a policy framework that provides more clarity for investors to encourage investment in decarbonisation.

Risk Management

- Integrate climate change into IFM's Enterprise Risk Management framework;
- Leverage existing portfolio analysis tools to build a systematic assessment of climate change impact at the portfolio level;
- Review and revise due diligence and monitoring processes across all asset classes and teams to help ensure consistency in our approach;
- Repeat the transition risk assessment for our infrastructure portfolio and review all asset level mitigation and adaptation plans;
- Expand climate related data sets and analytics.
- Incorporate assessment of the impact of climate change on working people and their communities as the economy transitions to net zero.

Metrics & Targets

- Define a set of standard metrics that will be monitored and reported for all asset classes;
- Establish a broad suite of metrics that assess performance against the objectives developed for the strategy, including alignment with the 1.5°C scenario and Paris Agreement climate targets;
- Develop short and medium term interim targets that serve to measure progress towards our longer-term 2050 net zero commitment;
- Develop a net zero strategy for our operational emissions, with metrics and targets to determine progress; and
- Understand and develop methodologies for tracking and influencing scope 3 emissions.

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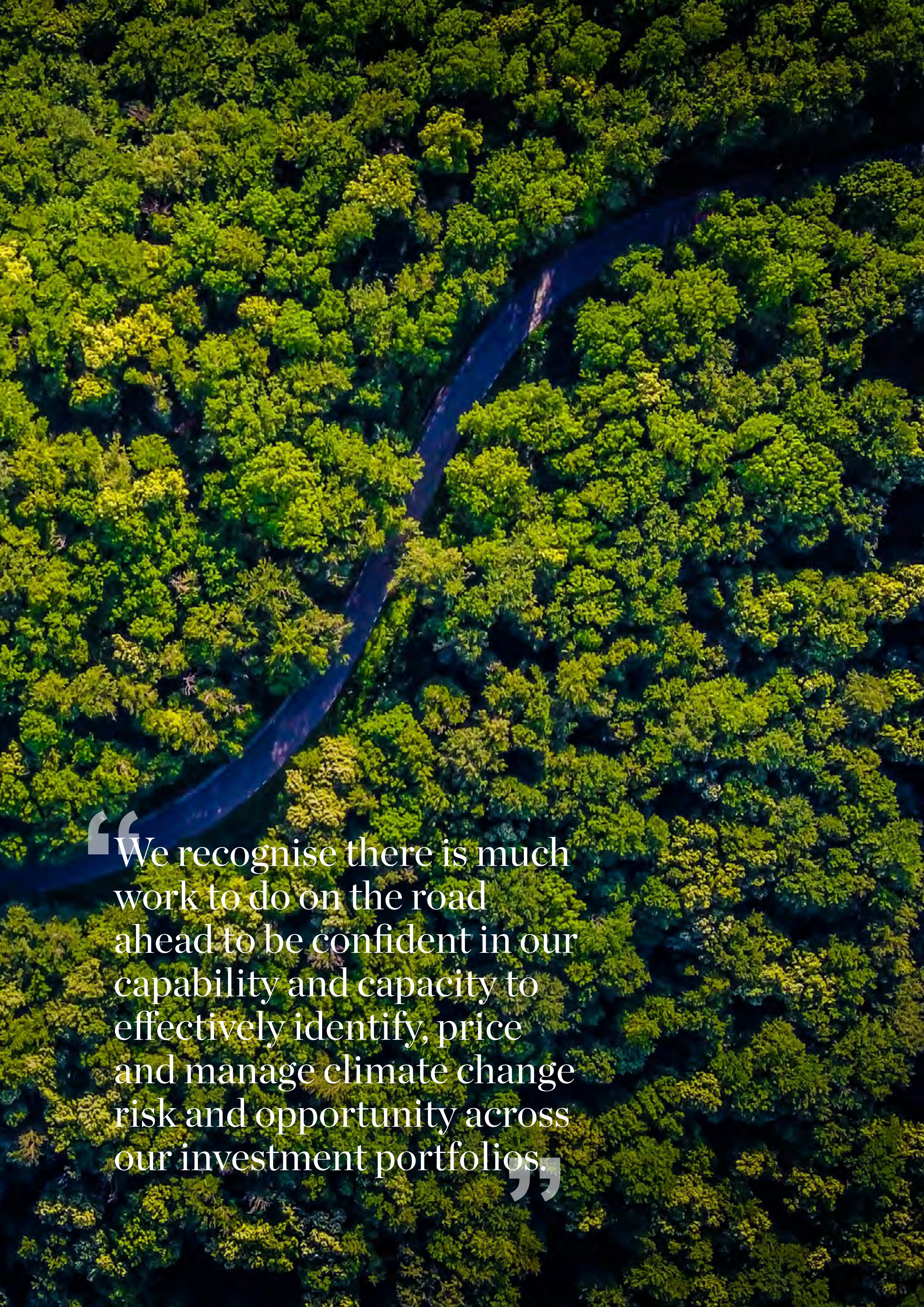

"We recognise there is much work to do on the road ahead to be confident in our capability and capacity to effectively identify, price and manage climate change risk and opportunity across our investment portfolios."

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