



Responsible Business Report

2021

ifm
investors

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IFM's responsible business reporting and disclosure suite:



Responsible Business Report – this report



Climate Report 2020



Australian Listed Equities Engagement and Voting Reports



Infrastructure Carbon Footprint Reports

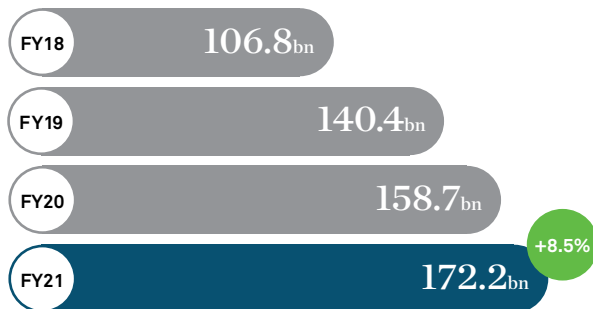


The year at a glance

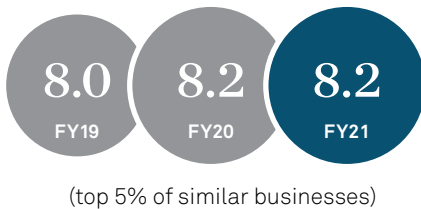
BUSINESS HIGHLIGHTS*

Delivering on our purpose – To protect and grow the long-term retirement savings of working people.

Funds Under Management (A\$)

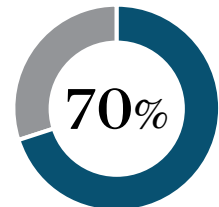


Investor Satisfaction Questionnaire (ISQ)

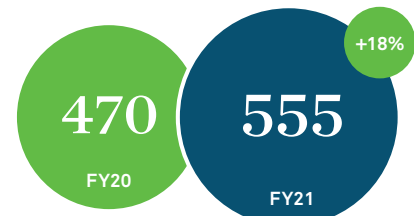


Product performance

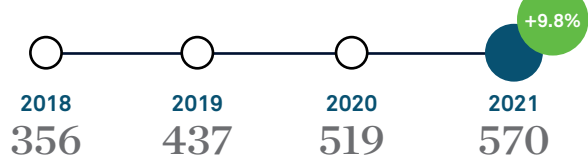
% of strategies performed at or ahead of investor objectives¹



Growth in global clients



Growth in staff numbers[†]



Our financial performance for our investors is underpinned by our responsible business activities that aim to manage investment risks and opportunities in ways that contribute to a strong global economy, inclusive societies and a cleaner environment:



Committed to net zero greenhouse gas emissions by 2050 across all IFM asset classes



Set a scope 1 and 2 emissions reduction target of at least **1.16 million tonnes of CO₂e** for our infrastructure portfolio by 2030



42% of Infrastructure Debt capital deployment was in **renewable energy assets**



50,000+ jobs supported across our 33 infrastructure investments globally



Infrastructure portfolio safety performance significantly exceeds industry standards – **LTIFR² 59% below benchmarks**



Partnered with the University of Sydney to understand the **gendered impact of COVID-19**



1400+ resolutions voted on by our listed equities team in line with our ESG Policy



Infrastructure Community Grants program supported **9 projects globally**, each with up to A\$40,000 funding.

*Figures are for 30 June 2021.

[†] Full time equivalent.

¹ After tax and management fees, on a rolling five-year basis. Past performance does not guarantee future results.

² LTIFR = long-term injury frequency rate



Enwave



Nala Renewables



Zuuse

The year at a glance

ASSET CLASS HIGHLIGHTS

Infrastructure

- Completed a deal with Ontario Teachers Pension Plan Board to jointly acquire Enwave Energy Corporation, a fully integrated district energy business that provides innovative and sustainable district cooling and heating solutions in Canada.
- Sold a 15% interest in the Indiana Toll Road to Caisse de dépôt et placement du Québec (CDPQ).
- Made a partial voluntary tender offer for shares in Naturgy Energy Group, a global gas and electric utility headquartered in Spain.³
- Major announcements from our portfolio companies:
 - Global ports provider Impala Terminals announced the formation of Nala Renewables to invest in solar, wind and power storage projects globally.
 - Midstream logistics solutions company Buckeye Partners and Nala Renewables acquired a majority stake in Swift Current Energy, a US-based solar and wind power development company.
 - Global toll-road provider Aleatica acquired a controlling stake in Italian toll road Brebemi, expanding its footprint to 20 concessions across six countries.

Debt Investments

- Deployed US\$875 million across 28 infrastructure debt investments globally, 42% of which was in renewable energy companies including solar, wind and hydro.

- First Australian institutional investor to introduce Climate Bond Initiative-certified Green Term Deposit exposure into IFM-managed cash portfolios with Commonwealth Bank of Australia.
- Launched Special Situations Credit strategy – a broad investment mandate designed to support capital constrained borrowers, such as growth businesses and those impacted by COVID-19.

Listed Equities

- Majority of IFM equities strategies met or exceeded their benchmarks.⁴ The Australian Core Equities, Extended Alpha and Small Cap Composite strategies significantly outperformed.
- The Active Equity business saw a significant uptick in funds under management.
- Global equities saw significant inflows reflecting our ability to tailor to client objectives.

Private Equity

- Acquired a significant minority interest in Zuuse, a fast growing, global provider of construction payment management solutions.
- Baselined the carbon footprint of portfolio companies and established plans for emissions reduction and pathway to net zero.
- Launched the Growth Partners Strategy, targeting investments in the healthcare, technology and business services companies in the Australian mid-market.
- Two portfolio companies were recognised in the Deloitte Technology Fast 50 – My Plan Manager (2nd overall and 1st place for female leadership) and Zuuse (22nd).

³ On 24 October 2021, IFM announced it will shortly complete its voluntary tender offer. [Media release](#).

⁴ For the 12 months to 30 June 2021

The year at a glance

INFRASTRUCTURE ASSET MANAGEMENT

We aim to drive value over the long term by actively working with asset management teams, governments and other stakeholders to identify projects that increase operational capacity and efficiency and create wider social and economic value. Over the next five years, US\$4.5 billion will be invested in major projects across our portfolios.⁵



NSW Ports (Australia) completed Phase 1 of a project to double existing rail capacity at Patrick Terminals, Sydney. Other project benefits include reducing truck movements around Sydney by 10 million kilometres-travelled each year.

Aleatica (Mexico) announced the signing of a concession amendment to provide for a new road junction. The project is expected to create 3,100 jobs.



Indiana Toll Road (US) completed the second phase of its Intelligent Transportation System project. Since completion, there has been a 50% reduction in severe crashes and a 16% reduction in lane closure times.⁶

Ausgrid (Australia) announced a partnership with JOLT to provide state-of-the-art electric vehicle charging facilities.

Anglian Water (UK) broke ground on a significant drinking water grid project, comprising a 500km-network of pipes to help ensure ensure sustainable supply for its 7 million customers.

The Australian Government announced it will invest more than A\$31 million in the first tranche of a project that will provide additional infrastructure for **Defence HQ (Australia)**.

Already the largest container terminal on the Baltic Sea, **DCT Gdansk (Poland)** is now building a third terminal with an additional planned capacity of 1.5 million TEUs⁷.



Melbourne Airport (Australia) completed a 12-megawatt solar farm, which will provide 15% of the airport's annual energy consumption.

Biotechnology company CSL announced A\$800 million vaccine manufacturing plant at the **Melbourne Airport (Australia)** business park.



A new terminal extension at **Manchester Airport (UK)** has been opened as part of a £1 billion transformation program. More than 1,800 jobs and 100 apprenticeships have been created since the project commenced, 80% in local businesses.

LEGEND:

Global ex-Australian Infrastructure portfolio company

Australian Infrastructure portfolio company

⁵ Represents the major project investment undertaken by our portfolio companies.

⁶ Compared with 2018 data.

⁷ TEU = twenty-foot equivalent unit



As long-term investors, we recognise the need to have a plan to mitigate the risks of climate change, promote fair and equitable standards for working people, build inclusive and diverse workplaces and meet the expectations of the communities where we invest and operate. We champion these ideals through our investment decision making and stewardship activities, as well as in our own practices as a global employer and corporate citizen.”

Deborah Kiers, Chair, Board Responsible Investment and Sustainability Committee.



About this report

Our 2021 Responsible Business Report aims to provide our shareholders, investors, people and other industry and community stakeholders with a clear picture of our responsible business approach and outcomes for the financial year 1 July 2020 to 30 June 2021 (FY21). Given the timing of publication, this report also includes selected updates from the time period 1 July to 31 October 2021 as they related to work undertaken in FY21.

We have used a variety of processes and sources to select the topics discussed in this report including stakeholder feedback and external commentary.

Our responsible business commitments

In our 2020 Responsible Business Report, we made a number of commitments that aimed to contribute to advancing our responsible business activities. While it has been another year of interrupted work patterns, we have made progress on these commitments, many of which represent multi-year strategies and initiatives. An update on our progress is outlined below.



→ FIND OUT MORE

We remain committed to operating under robust and transparent governance frameworks. An overview of our responsible business governance and oversight is provided on our website www.ifminvestors.com.





Degree of completion



Completed



Ongoing

COMMITMENT	STATUS†	FY21 PROGRESS
Investment analysis and decision making		
Refresh ESG due diligence processes to align with strategy development in priority areas of climate change, workplace leadership*, and inclusion and diversity.		We have made significant enhancements to our investment processes in relation to climate change, as outlined on page 30. We will continue to embed these changes during FY22. An external adviser is assisting us with a refresh of our ESG due diligence processes and policies to better reflect our priority area strategies. This will reflect global regulatory frameworks, including the European Union's Sustainable Finance Disclosure Regulation (SFDR).
Explore integrating global frameworks e.g. the Sustainable Development Goals (SDGs) into pre-investment analysis for private assets.		Our focus in 2021 has been alignment of SFDR requirements for our private asset portfolios. Incorporation of other global frameworks (e.g., the SDGs) will be included in work with an external adviser, as noted above.
Stewardship and active management monitoring		
Continue to evolve measurement of investment and business activity contribution to the SDGs.		We commenced analysis to determine our Private Equity portfolio companies' alignment with and contribution to the SDGs. Further iterations of this work will be completed in FY22.
Develop Listed Equities engagement prioritisation and tracking system to support accountability and improve outcomes measurement.		We have integrated engagement notes and tracking of company meetings into our proxy voting platform and established an annual engagement prioritisation list and objectives.
Advocacy and collaboration		
Extend work with key peak bodies and investor-driven collaborations.		In FY21, we commenced active involvement in the Net Zero Asset Managers Initiative, the Paris Aligned Investor Initiative and Investors Against Slavery and Trafficking – Asia Pacific (IAST-APAC). See page 21 for details.
Firm-wide climate change strategy		
Develop a strategy that builds upon our work to-date and gives effect to our net zero 2050 commitment.		The initial strategy development work is almost complete. The next stage will focus on building the systems, data and resources we need for implementation. See page 29 for details.
Firm-wide workplace leadership strategy		
Develop a strategy that builds upon our work to-date in promoting fair, safe and equitable standards for working people.		We have developed a five-year Workplace Leadership Strategy focused on the continued promotion of safe, fair, inclusive and diverse workplaces across our investment portfolios. See page 39 for details.
Firm-wide inclusion and diversity (I&D) strategy		
Develop a strategy that addresses I&D across investment asset classes.		This work is part of our Workplace Leadership Strategy, as outlined on page 39.
Operationalise IFM's refreshed internal I&D strategy.		The refreshed strategy was rolled out in FY21. An ongoing program of work will be undertaken to embed I&D principles across business operations and decision-making. See page 44 for details.
Modern slavery		
Continued focus on integrating modern slavery considerations into investment and procurement life cycles and collaborating with industry peers.		See page 41 for an update on our approach to modern slavery, including our participation in the investor-led engagement collaboration IAST-APAC.
Corporate responsibility (CR)		
Define our CR priorities via a refresh of our CR framework and strategy.		A review and refresh of our CR priorities commenced in FY21. We are defining our guiding principles and developing a strategy for endorsement and implementation in FY22.

*Workplace leadership as a thematic area has been referred to as 'labour rights' and 'working people' in previous reporting.

†Status on progress for commitments, most of which are multi-year or ongoing activities.

About us

IFM Investors was established more than 25 years ago to protect and grow the long-term retirement savings of working people. Our purpose drives our strategic approach to our investment and corporate practices.

Today we invest on behalf of more than 555 like-minded institutions worldwide, including pension, superannuation and sovereign wealth funds, universities, insurers, endowment funds and foundations.⁸ The A\$172 billion entrusted to us by these investors incorporates the retirement savings of more than 30 million working people worldwide.⁹

Operating from 10 offices globally, we seek to maximise long-term returns to millions of working people worldwide through investments that generate social and economic benefits for the wider community.

We look to achieve this by focusing on sustainable investment in Infrastructure, Debt, Listed Equities

and Private Equity assets, and through the ongoing management of our essential infrastructure assets, which include 33 portfolio companies with operations spanning more than 20 countries.

As a signatory to the United Nations-supported Principles for Responsible Investment, we actively engage on responsible investment and stewardship issues with the companies in which we invest.

We champion respect for the environment, commitment to an inclusive society, and good governance – a practice that we believe enhances a company's productive capacity and net performance over the long term, while minimising investment risk.

OUR PURPOSE



To protect and grow the long term retirement savings of working people



OUR STRATEGIC PILLARS



We are owned by Australian profit-to-member industry super funds. Our shareholders and investors are aligned and invest alongside each other.



We are a global private markets specialist with a strong multi-asset capability in Australia.



We are responsible stewards of the investments we manage, distinguished by our respect for the environment, working people and local communities.



⁸ As at 30 June 2021

⁹ FUM as at 30 June 2021

Note from the Board

While the last year has been challenging as COVID-19 continued to impact financial markets, businesses and communities globally, IFM Investors again demonstrated agility and continued to go from strength to strength.

Funds under management grew 8.5% to A\$172.2 billion and we now serve 555 investors (up from 470 last year) globally. Pleasingly, 70% of our investment strategies performed at or ahead of investor objectives.¹⁰

These results are testament to the resilience and capability of the IFM team, and we thank them for their immense efforts to deliver on our purpose – to protect and grow the long-term retirement savings of working people.

In June this year, we welcomed Theresa Whitmarsh as an independent director on the IFM Board. Her experience as a global leader in the public pension capital sector includes two decades spent leading the Washington State Investment Board. Theresa's track record of delivering results will help to strengthen our representation in the United States as IFM continues to grow globally.

Investing responsibly is at the centre of our business strategy and represents an approach we share with our like-minded investors. Investing on behalf of millions of working people across the globe, pension funds have grown rapidly over the past decade and now manage the largest pool of investment capital in the world, estimated at US\$50 trillion.¹¹ We acknowledge the significant responsibility this immense scale brings for pension fund managers whose investment decisions (made on behalf of working people) can drive positive change, competitive investment performance and innovative investment products and processes. Effective management of ESG-related risks and opportunities is central to their creation and our focus on protecting durable and profitable investment portfolios.

As long-term investors of pension capital, we know that our success and the sustainability of our business is linked to the shared economic and social value we create for a wide range of stakeholders. This is an essential reason for our focus on climate action, workplace leadership, inclusion, and diversity. We are determined to be distinguished by our contribution to advancing these agendas. A number of initiatives linked with these themes are included in this report.

Cultivating a unifying and purpose-aligned culture across the organisation has been a significant focus for the Board for several years. While we did not achieve our gender diversity ambitions for FY21, we remain steadfastly committed to progress in this area. We were pleased to see a range of inclusion and diversity initiatives delivered in FY21, which we believe have contributed to IFM's high performance and a strengthened strategy for FY22 and beyond.

IFM looks forward to continuing to play a role in the global recovery from COVID-19. We believe the responsible investment of the patient, long-term capital entrusted to us helps to create jobs, rebuild economies and support competitive investment performance, and we thank our shareholders and investors for their ongoing support.



Greg Combet
Chair, IFM Group Board



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



¹⁰ State objectives, after-tax and management fees, on a five-year basis. Past performance does not guarantee future results.

¹¹ Thinking Ahead Institute, Global Pension Asset Study, 2021.

Chief Executive's Note

During FY21, IFM continued to monitor the effects of the COVID-19 pandemic on global communities. We focused on the safety and wellbeing of the people in our business, our investments and our communities, and we worked closely with our investors to navigate this difficult time. Our FY21 financial performance is a testament to our hardworking and disciplined team, underpinned by our responsible business approach.

At IFM, our investors and the 30 million working people globally they invest on behalf of, are at the heart of everything we do. This focus has not wavered through the pandemic, which has reminded us again of the fundamental interdependence of the communities, environments and economies where we invest and operate. Through this period, we have seen extraordinary momentum build for sustainable investing. I believe there is a clear role for pension capital and IFM in fostering long-term sustainable investing and supporting the transition to a net zero carbon global economy.

IFM has committed to reducing greenhouse gas emissions across our asset classes, targeting net zero by 2050, because we believe having a plan to mitigate the effects of climate change is in the best interests of our investors. Our Climate Strategy update explains our work to date on this commitment, which shows that our preference is to take a 'transition over divestment' approach, working within our sphere of influence to be part of the solution to the climate challenge. We provide examples from across our asset classes that aim to demonstrate our commitment to using our influence, capabilities and capital to support our investments' transition, as well as harness attractive investment opportunities as economies decarbonise.

As part of our responsible investment approach, we have also commenced work on our Workplace Leadership Strategy. It focuses on the continued promotion of safe, fair, inclusive and diverse workplaces across our investment portfolios. The strategy aims to bring our extensive body of work in this area into one firm-wide strategy, including our work in the area of best practice safety management across our Infrastructure portfolio.

Within the IFM business, we have implemented a number of initiatives that aim to strengthen our culture. We have also continued to focus on embedding our Inclusion and Diversity (I&D) Strategy. Part of this was to establish an "inclusion index," which will enable us to track and measure the experience of our people. I&D remains a priority for the Board and Global Management Team in FY22 and beyond.

I want to thank the IFM team for their adaptability, commitment and incredible contribution to our FY21 performance in support of our investors and in pursuit of our purpose. I also want to thank our shareholders and investors for their support and the value they place on our long-term focus on investing pension capital for working people across the globe.

I firmly believe that our disciplined and responsible investment approach is in the best interests of our investors' members and beneficiaries, and the communities in which they live. I look forward to continuing our work to protect and grow the long-term retirement savings of working people.



David Neal
Chief Executive





Reflections from COVID-19

The challenges of the last 12 months have provided an opportunity to examine every aspect of our business. As we have adapted our operations to respond to pandemic impacts, we have also reflected on the value of our active stewardship approach in supporting our assets and investors; the resilience of our investment strategy; and the role we can play in helping to build back better.

When change is the only constant, shift to new ways of working

For more than a year, over 600 IFM employees across eight countries have spent most of their time working from home. Through this challenging period, we supported our people working remotely by helping them set up their home offices and providing access to a range of programs and extra leave days to focus on their wellbeing. We also invested in our internal communications strategy and developed a wide range of events and channels to listen to and engage with our people in a virtual environment. Pleasingly, in our annual employee survey, 88% of respondents said that IFM's virtual work arrangements enabled us to meet the needs of our investors; and 82% agreed that virtual work arrangements provided flexibility to manage work and personal obligations.

We acknowledge that the future of work has changed. Balancing virtual work and office time has become the new normal for our business, and over the next year we will further embed our hybrid working model, with the safety of our people guiding our approach.

Look after the people who look after your businesses, customers and communities

The impacts from the pandemic placed significant pressure on many of our infrastructure assets – which provide essential services such as water, electricity and home heating. Our priority was ensuring these assets continued to operate safely and efficiently by focusing on the health and wellbeing of the 50,000-strong collective workforce and communities of our portfolio companies. Initiatives such as work-from-home policies, travel restrictions, management of operationally critical roles, issuing protective equipment, increased employee communication, and health and wellbeing programs were rolled out by our portfolio companies to support their workforces.

We acknowledge the significant efforts our assets have taken to support their employees, customers and wider communities. Some examples of initiatives undertaken at different assets throughout the pandemic period include:

Arqiva, an owner and operator of broadcast and wireless communications infrastructure in the

»

UK, provided employees with a 10-week program focusing on mental, physical and financial health. More broadly, the business provided financial support to 77 smaller commercial stations through a discount on transmission fees. This followed Arqiva's substantial industry-wide package of support announced in June 2020.

Melbourne Airport and **Brisbane Airport** approved assistance packages for airport tenants affected by the reduction in aviation activity due to travel restrictions and border closures. Similarly, **Southern Cross Station** in Melbourne provided rent relief and deferrals for station tenants.

Anglian Water (UK) launched the Positive Difference Fund, with £500k being allocated to support charities and community groups in regions most impacted by the COVID-19 crisis. While **Veolia Energia Polska**, through the Veolia Foundation, focussed on providing support to healthcare facilities, medical personnel and affected community members such as food packages and face masks for seniors.

Aleática - a global transportation infrastructure operator - supported local communities by providing food, water, hygiene kits and/or emotional health support to families in Mexico, Peru and Colombia. In addition, Aleática provided protective equipment and safe housing to support doctors in Mexico. Employee support included mental health and wellbeing support.

Trusted partnerships are built on responsiveness and understanding

Working closely with our investors and supporting the management teams at our portfolio companies is always a key priority and we continued this focus during this difficult year. For our Debt practice, this

meant responding quickly to investor queries and providing regular updates to inform decision-making given the impact of the global pandemic. Our Listed Equities team worked daily with clients to monitor and successfully manage liquidity requirements. By the end of 2020, we had delivered more than 280 extra daily reports across our asset classes to support clients' liquidity management needs.

Our Diversified Credit team maintained close dialogue with borrowers throughout the crisis to understand the severity of their operating conditions and work collaboratively on solutions. These included, where appropriate, providing covenant relief and temporary deferment of debt amortisation. Considering risks and opportunities beyond the pandemic was a focus for our Private Equity team which worked to stimulate a collaborative dialogue with investors about managing ESG matters. Our team worked with investee companies to monitor and manage COVID-19 risks across the portfolio.

Our Infrastructure Team also worked closely with portfolio companies to progress business objectives during the pandemic. One example of these strong partnerships was the completion of a major US\$350 million debt financing transaction for the Autopista del Norte (Aunor) highway in Peru by Aleatica. The transaction was awarded the LatinFinance Infrastructure Financing of the Year Award for the Andean region.

Across our asset classes, our client satisfaction score for the period was 8.2 out of 10, putting IFM in the top 5% of similar businesses. This acknowledgement of our efforts is especially pleasing considering the challenging operating conditions faced by our business and our clients globally.

FIGURE 01

Impact of COVID-19 on infrastructure sectors



Disciplined investment creates resilience to disruptions

While the pandemic still presents many challenges, this experience has again demonstrated that, despite periods of intense volatility, the responsible, active management of a diverse range of energy, utility, transport and social infrastructure assets is critical to operational and financial resilience.

The flow-on effects from COVID-19 impacted infrastructure sectors to varying degrees, as illustrated in Figure 1. Transport assets were particularly impacted through this period, with airports experiencing significant revenue reductions from travel and border restrictions and quarantine requirements. Across our toll road assets, heavy-vehicle traffic demonstrated resilience, and commuter traffic showed signs of recovery in areas where travel restrictions had eased. Ports also continued to show resilience and have now largely reached or exceeded pre-

pandemic volumes. The benefits of a diversified portfolio were further demonstrated through other investments that have a track-record of counter-cyclical performance, such as certain midstream assets, which showed a measured recovery.

Diversification across sectors is also an integral feature of our Infrastructure Debt portfolio, which showed significant resilience to the volatility caused by COVID-19. This is a feature that we expect will drive further interest in these investments.

There is a clear role for private capital in building back better

Companies and governments are using the pandemic as an opportunity to re-think how economies operate and are focusing on rebuilding in a more sustainable way. Significant investment will be needed to transition the world's businesses and infrastructure to be less resource-intensive, and we believe private capital will have a significant role to play. For example, two midstream assets in our Global ex-Australian Infrastructure portfolio – Buckeye Partners and VTTI – recently acquired renewable energy projects that augment their core businesses. Investing in renewable and alternative energy helps these businesses meet growing consumer demand for renewable energy while reinforcing their long-term resilience by evolving into more diversified energy companies.

Our Infrastructure Debt team is also seeing a growing opportunity set in companies supporting decarbonisation. In FY21, investments in renewable energy assets, including solar, wind and hydro, represented 42% of total capital deployed.

New decarbonisation initiatives are creating investment opportunities for other asset classes too. Battery materials, for example, is now a growing area of focus for our small cap listed equities practice, and we continue to manage tailored and bespoke ESG equities portfolios, including low carbon solutions. We believe there are many opportunities to generate long-term value for investors, and we seek to carefully identify, structure, and analyse those investments that can help transition the global economy to a more sustainable future.

We have also been thinking about the broader role the investment community can play in the economic recovery. During FY21 we commissioned research from the University of Sydney Business School to understand the impacts of COVID-19 on women's participation in the labour market and how applying a gender lens might help drive economic growth and build gender equality. Supporting an inclusive recovery is strongly aligned with our purpose.

→ FIND OUT MORE

IFM Insight: Read our view on opportunities for infrastructure debt in the post-COVID recovery.



→ FIND OUT MORE

IFM Insight: Read about the rise of electric vehicles and what it means for Australian small cap miners.



→ FIND OUT MORE

IFM Insight Video: Taking a gender lens to building back better

A blurred photograph of several business professionals in a modern office environment. The people are walking and talking, creating a sense of movement and activity. The background is bright and out of focus, emphasizing the foreground figures.

Responsible business at IFM

We recognise that we play a dual role as a steward of working people's retirement savings and as a corporate citizen, in each of which we seek to create shared economic and social value for a broad range of stakeholders. To us, these roles are mutually reinforcing as we seek to act in the best interests of our investors and the 30 million pension and superannuation members that they represent.

Our financial performance for investors is underpinned by our responsible business activities.



We systematically consider ESG data alongside financial data to shape our decisions throughout our investment analysis and decision-making processes.

Across our investment processes, asset stewardship, corporate practices, and advocacy and collaboration approach we have embedded ESG considerations that aim to help us manage risk, build value and support strong and effective markets.

We have identified three priority areas that we believe we must address to deliver on our purpose. These are:

- Managing the long-term risks of global climate change and transitioning to a low carbon economy.
- Promoting workplace leadership with a focus on labour rights, employee safety and workplace inclusivity.
- Championing inclusion and diversity.

We work with our portfolio companies to collect data about their ESG performance and practices and to continuously improve their reporting capabilities. This data informs our asset management approach and the creation of organisation-wide ESG strategies.

Integrating ESG considerations in our investment analysis and decision making

We systematically consider ESG data alongside financial data to shape our decisions throughout our investment analysis and decision-making processes. This approach enables us to identify, understand and manage investment risks and opportunities that we believe can affect investment value and returns in the short, medium and long term.

Our investment teams work closely with the Responsible Investment team to help ensure

practices align to our [Responsible Investment Charter](#) and [ESG Policy](#) and that they continue to evolve over time. We collaborate with investors to develop bespoke sustainability-themed strategies, such as our low carbon listed equities strategies, as outlined on page 32. To complement our bespoke strategies, we continue to incorporate sustainability themes in new products, such as Green Term Deposits, as outlined on page 32.

Active asset stewardship

We also embed ESG considerations in our investment stewardship and asset management activities across asset classes. We actively use our shareholder position to influence corporate behaviour and the responsible management of ESG risks and opportunities.

Taking an active approach to asset management,

engagement and voting helps us to enhance long-term net performance and market reputation of investee companies, while contributing to a stronger economy, inclusive society and cleaner environment. Each investment team tailors its approach to their specific strategy, reflecting materiality and the degree of influence we have as owners.

Our active stewardship approach to Australian Listed Equities involves engagement and exercising our voting rights. A summary of our voting activity and FY21 engagement focus areas is provided on page 18. Active asset management examples from our Infrastructure asset class are outlined on page 19.

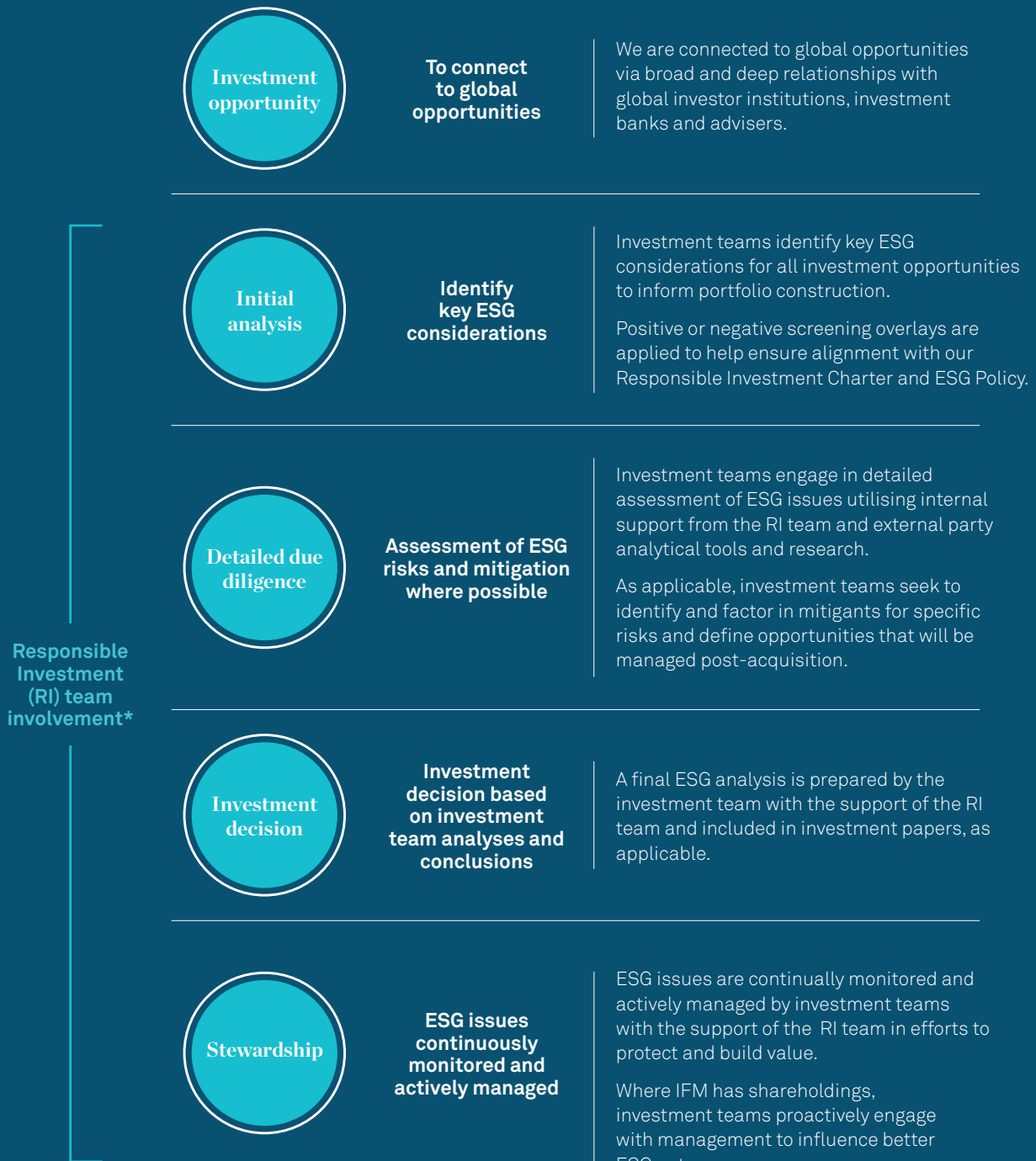
→ FIND OUT MORE

IFM Insight: How we manage ESG risk in debt portfolios

Our responsible business approach



ESG integration throughout the investment process



* Degree of RI Team involvement depends on asset class and investment strategy

→ IFM INSIGHT

Learn more about our ESG integration and active stewardship approaches across our asset classes on our [website](#)

FY21 Australian Listed Equities Engagement & Voting Summary

We believe actively engaging with companies and exercising our voting rights are critical to advancing responsible investment considerations across the broader corporate and financial sectors and that they help to enhance long-term investment value and returns.



228
company meetings



1416
resolutions



9%
of votes were against management



- Director elections **32%**
- Executive Remuneration **28%**
- Remuneration Reports **34%**
- Other* **6%**

Other includes resolutions regarding shareholder proposals relating to cultural heritage, industry associations, board spills, indemnification of board directors and related party transactions.

Listed Equities FY21 priority engagement themes:

Climate change

Most of our listed equities portfolio is invested passively. As such, we focus on engaging both directly and collaboratively (via CA100+ and the Australian Council of Superannuation Investors (ACSI), for example) with the largest carbon emitters in the index to encourage robust climate risk management strategies. Key topics of discussion include:

- setting credible emissions reduction targets;
- establishing robust governance structures that support climate risk management;
- disclosing climate change risks publicly using the Taskforce on Climate-related Financial Disclosures framework;
- establishing links between targets and executive remuneration; and
- giving shareholders a 'say on climate', that is, a non-binding advisory vote on company activity and disclosure relating to climate change.

Working people

Promoting fair and equitable standards for working people is another priority stewardship theme for IFM. This theme encompasses modern slavery and, more broadly, human rights. Engagements during FY21 focused on:

- the ongoing impact of COVID-19 on the Australian workforce, including discussion about the adequacy of company responses and impact disclosures;
- the pandemic-induced increased pressure on agricultural supply chains, which has limited company capacity to undertake supply chain audits of workers' health and safety; and
- Modern slavery risk management and disclosure compliance.

Diversity

Gender diversity at the board level and within executive leadership teams was a focus area of our engagement in 2021. We engage with companies on these themes in collaboration with other investors through ACSI, the 30% Club and 40:40 Vision. Our engagements as part of 40:40 Vision focus on two of Australia's largest fresh food retailers: Woolworths (ASX: WOW) and Coles (ASX: COL). Key topics of discussion include:

- gender balance commitments and targets; and
- the need for workplace cultures and systems to achieve and maintain gender balance. »

→ FIND OUT MORE

Please refer to our 6-monthly [Australian Listed Equities Engagement and Voting Reports](#) and our searchable [record of voting activity](#) for details about our Listed Equities stewardship activities and voting guidelines.

Infrastructure's active asset management approach to cyber risk

Our Global Infrastructure Asset Management Team continues to work with portfolio companies on multi-year initiatives that seek to improve our management of key areas of ESG risk and opportunity. These strategic initiatives include carbon reduction and energy efficiency improvements (see page 34), workplace health and safety (see page 40); inclusion and diversity (see page 39) and cyber-security.

During FY21, the frequency, scope and impact of cyber-attacks continued to be an ever-present threat for governments, businesses, investors and other organisations around the world. Attacks on insurance giant AXA's offices in Asia, global meat processor JBS's multi-country operations, and the Colonial Pipeline (Colonial) in the US - a company in our Global ex-Australian Infrastructure portfolio - are just three examples of significant attacks in 2021.

Employee and Community safety central to Colonial's response to cyber-attack

On 7 May 2021, Colonial became aware that it was the victim of a ransomware-related cybersecurity attack. The company took immediate proactive measures to contain the threat, including temporarily halting pipeline operations, while working with law enforcement and other federal agencies, including the Federal Bureau of Investigation.

Colonial's decision to shut down the pipeline was made with consideration to the safety of its employees and the communities it serves. The shutdown between 7 – 13 May caused significant disruption to tens of millions of Americans who rely on Colonial to safely deliver refined products for their use. The company was in control of critical systems at all times and took a phased approach to safely restarting operations.

Since the attack, Colonial has retained a global consultancy to conduct a review of its cybersecurity governance and reporting practices, and to oversee cybersecurity restoration and system hardening efforts. In parallel, the company is working with the Transportation Security Administration and the



Cybersecurity and Infrastructure Security Agency to conduct a design review, which will assess the company's systems architecture.

IFM's portfolio-wide approach to cyber-risk management

Given the ever-evolving nature of cyber risk, IFM has reviewed and strengthened our approach to supporting our portfolio companies' cyber risk management. This has included the appointment of a new cyber security consultant, CYE Security, with whom we have developed an enhanced approach to our existing cybersecurity program. This includes ongoing training, deeper assessments and annual workshops for portfolio company chief information and security officers (CISOs). We aim to ensure that each portfolio company benefits from an appropriate level of assessment, addresses assessment findings, and receives appropriate follow-on support

Quarterly cyber forums

IFM-hosted quarterly cyber forums remain an important element of our approach. The forums are facilitated by expert consultants, bringing portfolio companies together to promote learning and knowledge sharing. FY21 forum topics included:

- addressing cybersecurity challenges in the COVID-19 environment, including best practice incident response and developments in cyber insurance;
- managing digital supply chain risks; and
- cyber threat landscape updates, including ransomware, the accelerating proliferation of cyber capabilities, and best practices for securing digital transformation.

Benchmarking against global standards

Independent assessment of ESG policy and processes

During this reporting period, IFM commissioned global consultants EY to undertake an independent assessment of our ESG integration policy and process alignment and performance across all investment teams. The assessment indicated that we are on par with or ahead of global peers. It also highlighted areas to strengthen, which we have incorporated into our FY22 responsible business roadmap on page 53.

United Nations Principles for Responsible Investment (PRI)

The PRI's annual assessment process benchmarks our responsible investment and stewardship approach against its responsible investment principles and our signatory peers around the globe. This process helps ensure we remain accountable to our responsible investment and stewardship commitments, while also highlighting areas for improvement. We completed our 2021 submission in April and, according to the PRI, we will receive our results in early 2022. Our 2020 assessment and transparency reports are available on our Responsible Investment webpage.

PRI Assessment Scores 2017 - 2020

Category	IFM Score 2017	IFM Score 2018	IFM Score 2019	IFM Score 2020	Peer Median 2020
Strategy & Governance	A+	A+	A+	A+	A
Listed Equity – Incorporation	A	B	A+	A	A
Listed Equity – Active Ownership	A	B	A+	A+	B
Fixed Income*	B	B	A	A	B
Private Equity	B	A	A+	A+	A
Infrastructure	A	A	A+	A+	A

*IFM's score was the same across all three fixed income categories.

Responsible Investment Association of Australasia (RIAA)

RIAA produces an annual Benchmark Report of Australian investment managers that apply a responsible investment approach. In the competitive context of a growing number of managers assessed each year (198 for the 2020 calendar year assessment), we maintained our place, for the fifth consecutive year, among the leading 27% of the investment managers assessed who scored 15 out of 20 or above on RIAA's Responsible Investment Scorecard.¹²



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¹² RIAA Benchmark Report <https://responsibleinvestment.org/resources/benchmark-report/>

Advocacy and collaboration

Collaborating with like-minded stakeholders

We are active signatories or members of a number of organisations and initiatives promoting responsible investment and sustainable business principles globally, the logos of which are listed below.

We believe these collaborations leverage the resources and influence of like-minded stakeholders to help achieve the outcomes we seek in a more efficient and timely manner.

During FY21, we became active participants of the following organisations and initiatives:

40:40 Vision: An inaugural signatory to this investor-led initiative founded by HESTA, we are actively engaging with ASX200 listed companies to promote women filling 40% of executive level roles.

Institutional Limited Partners Association (ILPA) Diversity in Action Initiative: One of Australia's first asset manager signatories, we have committed to several essential actions that aim to progress diversity, equity and inclusion at IFM and in the wider private equity industry.

Investors Against Slavery and Trafficking, Asia Pacific (IAST-APAC): We are a signatory and active participant of this collaborative investor engagement group convened to engage companies in the APAC region to promote effective action to 'find, fix and prevent' modern slavery, labour exploitation and human trafficking.

Climate League 2030: We are a founding partner of this private-sector-led initiative focused on reducing Australia's greenhouse gas emissions by at least 230 million tonnes by 2030.

International Investor Group on Climate Change (IGCC): We signed up to IIGCC, as sister organisation to CERES, to strengthen our presence in the EU, and we participate in policy working groups.

Net Zero Asset Managers Initiative (NZAMI): IFM Investors is one of NZAMI's 30 founding signatories and was one of Australia's first asset managers to sign up. See page 31 for details.

Paris Aligned Investment Initiative (PAII): We were invited to join PAII and lend our infrastructure expertise to a working group via our association with IIGCC. See page 31 for details.

Organisations we actively engage with:



Advocating for public policy that supports economies and communities

The long-term nature of pension funds and the global investment reach of their portfolios highlight the importance of ensuring that the broader investment system is strong and supports efficient and effective markets. This focus on the health of the wider system underpins our responsible investment ethos. It is an essential reason for our engagement with political, government and industry stakeholders to advocate for sound superannuation, investment and industry policy.

Over the last 12 months, we have engaged with stakeholders on legislative and regulatory matters either directly or through participation in industry events and parliamentary inquiries (see key examples below). Through several external presentations, our Chief Executive demonstrated how pension capital could be mobilised to support the economic recovery from COVID-19, while generating returns for members; how better inclusion and diversity was needed in the finance sector; and how long-term investment had a vital role to play in managing and mitigating the risks of climate change.

Australian superannuation and investment policy

In response to the Australian Government's *Your Future, Your Super* reforms, we worked with government, our shareholders and other industry stakeholders to understand the regulatory changes and data requirements. We also successfully advocated for updated benchmarks that support and encourage investment in unlisted infrastructure.

We continue to contribute to the national debate on superannuation and other policies, with IFM representatives appearing before and providing submissions to Parliamentary inquiries on climate change, infrastructure financing and procurement, portfolio holding disclosure, proxy voting and common ownership of listed companies.

Supporting infrastructure investment in the US and UK

As economies across the world move into a phase of economic recovery from COVID-19, many governments are promoting infrastructure agendas to create jobs and drive wider economic benefits. As one of the world's largest infrastructure investors, we have been actively promoting the role pension capital could play in



The long-term nature of pension funds and the global investment reach of their portfolios highlight the importance of ensuring that the broader investment system is strong and supports efficient and effective markets.

building back better after the pandemic.

In the US, we joined a coalition of other investment firms and policy advocacy organisations, such as the National Governors Association, to advocate for the enactment of provisions promoting Public-Private Partnerships (P3s). The resulting law provides formal recognition by the federal government of the role P3s can play in strengthening America's infrastructure. This is a first and represents noteworthy progress that IFM will continue to shape and amplify with stakeholders, with the aim of highlighting the benefits of leveraging pension capital for public infrastructure and creating more investment opportunities.

In response to the policy landscape in the UK, during the year we launched the Build Britain model, which promotes an end-to-end partnership between government and institutional investors in economic infrastructure. Through parliamentary inquiries and other engagement channels, we highlighted to key stakeholders that the model would facilitate institutional investors investing alongside government in new infrastructure projects, with returns being generated through optimal operations and asset management over the long term.

During FY21, we also participated in consultations led by the OECD on the Blue Dot Network, which will provide an internationally recognised certification framework to assist countries in pursuing investments that maximise the positive economic, social, environmental and development impact of infrastructure.





We have continued to focus on building an inclusive and diverse workplace; supporting the wellbeing and resilience of our people; offsetting our operational emissions; and contributing to the communities in which we invest and operate.



Responsible corporate practices

Acting in the long-term best interests of investors, their members and communities goes beyond our investment and stewardship activities. Our own practices as a global employer, business and corporate citizen provide us with further opportunity to build the trust of our people, our investors and the communities where we invest and operate.

During FY21, we have continued to focus on building an inclusive and diverse workplace; supporting the wellbeing and resilience of our people; offsetting our operational emissions; and contributing to the communities in which we invest and operate. Updates on these activities are included throughout this report.

Our responsible corporate practices also extend to our global operational platform, how we manage risk at the enterprise level, the principles and standards underpinning the way we conduct ourselves, and our approach to fair taxation and remuneration structures, as outlined below.

A stable and resilient global operating platform

Our Global Operations Team plays a crucial role in building a stable, resilient, and efficient business that aims to deliver value to our shareholders and

investors. During FY21, the team has responded to unprecedented shifts in how we work, supporting the transition of our people to remote and/or hybrid working. Transaction processing increased due to pandemic-fuelled market volatility and there was an increase in investor onboarding and reporting.

In this context, with the aim of ensuring that business-as-usual activities were successfully delivered under remote working conditions, the team focused on:

- Monitoring and enhancing our cyber resilience and capability and upgrading networks and security systems;
- Deploying digital collaboration tools as a significant enabler for workforce performance and stability in the remote working environment; and
- Continued deployment of new technology platforms to help deliver efficiencies and support faster data processing and compliance with global regulatory obligations.

Investing in enterprise risk management

To support our global growth aspirations, we have continued to invest in our enterprise risk management (ERM) framework. Underpinning our strong risk culture, we have focused on continued

enhancements to our ERM risk management practices during FY21, ensuring that they remain flexible, scalable, data-enabled and fit for purpose over the long term.

We continue to focus on ensuring that key areas of ESG risk, including climate change and modern slavery, are embedded in our ERM framework.

Refreshed Code of Conduct

Our Code of Conduct guides our conduct as individuals and collectively to pursue our purpose. It is the cornerstone of our culture, reflecting our commitment to conducting business ethically and responsibly, which is essential to preserving the trust of our shareholders, investors, and other stakeholders. We refreshed our Code of Conduct in early 2021. At 30 June 2021, 94.5% of employees have completed the Code of Conduct training.¹³



Fair taxation

We understand that taxes are key to the world's economies, and that fair tax policy is essential to a just society. Responsible tax conduct supports a fairer allocation of economic resources and can help increase economic and social equality, creating market and societal conditions that support long-term investment value and returns.

We recognise the growing international focus on the need to improve tax transparency and prevent aggressive tax planning. We support the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) framework and action plan, and we support efforts to improve corporate tax law and reduce tax avoidance and evasion.¹⁴

IFM believes in harnessing the power of collective investment to build scale and enhance benefits for individual investors. We seek to ensure that the structure of our investments and products will enable our investors to be taxed on investment income in their jurisdiction, as if they were directly invested in each asset. Using global fund vehicles based in jurisdictions like the Cayman Islands, supports us to achieve this tax neutrality outcome.

IFM is responsible for efficiently managing the investments we make on behalf of our investors. We undertake non-aggressive tax planning, which aims to ensure fair competition while also mitigating double taxation to improve after-tax returns for investors. This includes applying double tax treaties, including through holding company structures that have robust operational substance and are justified by business objectives.

Remuneration structures

Our remuneration structures are designed to attract, retain, and motivate the best people in a competitive global marketplace.

Our remuneration outcomes are aligned to our results for investors. Our performance-based remuneration is based primarily on whether our products exceed investor return benchmarks, net of all fees.

IFM's remuneration is also tied to our aspiration to build a stronger collective culture. We include gender diversity targets for senior management and, in recent years, have increased weighting for demonstrated culture and behavioural alignment for all employees' performance assessments.

IFM complies with all laws and regulations for remuneration disclosure in each jurisdiction in which we operate. We voluntarily disclose more than our legal obligation in the interests of openness and transparency.

¹³ As of 30 June 2021. The remaining 5.5% of employees are recent new starters who have 45 days from their day of joining to complete the training.

¹⁴ OECD's BEPS framework aims to "stop countries and companies from competing on the basis of a lack of transparency, artificially locating profit where there is little or no economic activity, or the exploitation of loopholes or differences in countries' tax systems." (OECD/G20 Inclusive Framework on BEPS, Progress report July 2017-June 2018, OECD.)

Enhancing ESG reporting and disclosures

ESG data, reporting and disclosures are key to integrating ESG considerations into investment processes. We are focusing on enhancing our ESG data and reporting capabilities to support decision making, provide greater transparency to our stakeholders, and meet growing regulatory reporting requirements.

We regularly engage on this subject with our listed portfolio companies to communicate our expectations with respect to the public disclosure of ESG issues management. The value we place on ESG disclosure also extends to our infrastructure portfolio, where we have also supported many of our portfolio companies to advance their sustainability reporting through focused workshops.

We support voluntary and regulatory initiatives that aim to drive better ESG disclosure by companies and asset managers alike, including:

Climate change reporting

We support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as a critical framework for financial market participants to assess and communicate climate change-related risks and opportunities. In early 2021 we published our inaugural Climate Change Report in the TCFD-recommended format.

As part of our annual infrastructure portfolio carbon footprint reporting, we will include disclosure on progress against our portfolio's 2030 emissions reduction target. This reporting will include changes to portfolio-level targets due to acquisitions and divestments, as well as updates on key emission reduction initiatives across the portfolio.

Sustainable Finance Disclosure Regulation (SFDR)

With the emergence of the European Union's SFDR, we established a working group and engaged independent advisers to assess its implications for IFM. This included how the regulation applies to our organisational and product-level disclosures, as well as the development of a plan that aims to ensure we comply with the relevant requirements. We have determined that our Global ex-Australian Infrastructure portfolio aligns to Article 8 (light green) of the regulations. This classification reflects our approach to incorporating environmental and social factors into our decision making, as well as our strategy to reduce emissions across the portfolio and incorporate labour rights and diversity factors into our portfolio management approach. We will be reporting in compliance with the relevant disclosure requirements by 2023.

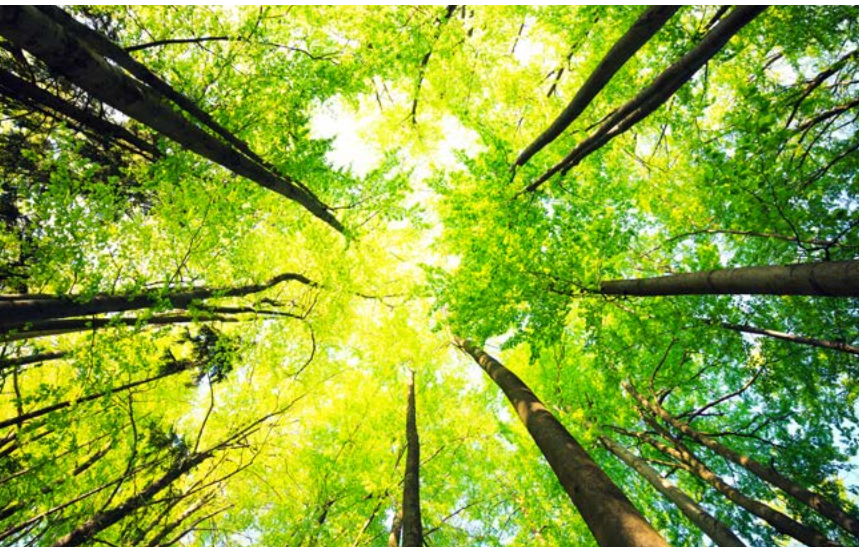


Sustainable Development Goals

We recognise global frameworks such as the United Nations Sustainable Development Goals (SDGs) and the call to action they represent in the areas of social, environmental and economic sustainability and development issues. In implementing our responsible business approach, we can focus beyond pure risk management to consider how our activities positively align with and contribute to the SDGs. At the same time, we are aware that our activities can have negative real-world impacts that detract from them.

IFM does not have an explicit objective to allocate capital in alignment with the SDGs. However, we believe our organisation-wide responsible business priority themes - climate change, workplace leadership, inclusion and diversity and sustainable communities - and related stewardship activities can align with and contribute to the SDGs and the positive real world impacts they represent.

In FY21, we commenced analysis to determine our Private Equity portfolio companies' alignment with and contribution to the SDGs. Further iterations of this work will be completed in FY22, when we will also continue to explore potential opportunities to incorporate the SDGs into pre-investment analysis for private assets.



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Understanding what is important to our stakeholders

We actively engage with our people, our investors and our investments via formal and informal channels. Our aim in doing so is to foster and maintain alignment and mutual understanding of priorities so that we can effectively respond to and manage them over the long term.

STAKEHOLDER	ENGAGEMENT CHANNEL	TOPICS
<p>Our people</p>	<ul style="list-style-type: none"> ■ Employee engagement survey ■ Global and Business Unit Town Halls ■ Fortnightly updates from the Chief Executive ■ Fortnightly updates to people leaders ■ Interactive internal communications platforms e.g., intranet, Yammer ■ Employee events and training ■ Business Ethics Contact Line ■ Employee-led I&D fora 	<ul style="list-style-type: none"> ■ Inclusion and diversity ■ Mental health and wellbeing ■ Learning and career development opportunities ■ Leadership accountability ■ Ways of working and flexibility ■ Purpose-driven and meaningful work ■ Recognition and benefits ■ IFM's cultural foundations and behaviours (our values) ■ Code of Conduct & Policies
<p>Our investors</p>	<ul style="list-style-type: none"> ■ Annual investor satisfaction survey ■ Quarterly and annual reporting ■ Investor meetings, roundtables, masterclasses and industry conferences ■ Industry collaborations ■ Periodic shareholder and investor updates ■ Website and investor-only portal 	<ul style="list-style-type: none"> ■ Investment performance ■ Major transactions ■ ESG risk management ■ Health and safety management (infra) ■ Climate change ■ Sustainability benchmarking ■ Transparency / ESG reporting ■ Corporate culture
<p>Our investments</p>	<ul style="list-style-type: none"> ■ Company engagements ■ Shareholder voting ■ IFM director board appointments ■ IFM-hosted roundtables (e.g., workplace safety, cybersecurity) ■ Due diligence and asset monitoring 	<ul style="list-style-type: none"> ■ Adherence to global ESG regulations ■ Alignment with shareholder expectations on critical ESG matters e.g., climate change ■ Growing importance of acknowledging wider stakeholder issues as they related to their respective business (e.g., cultural heritage management)



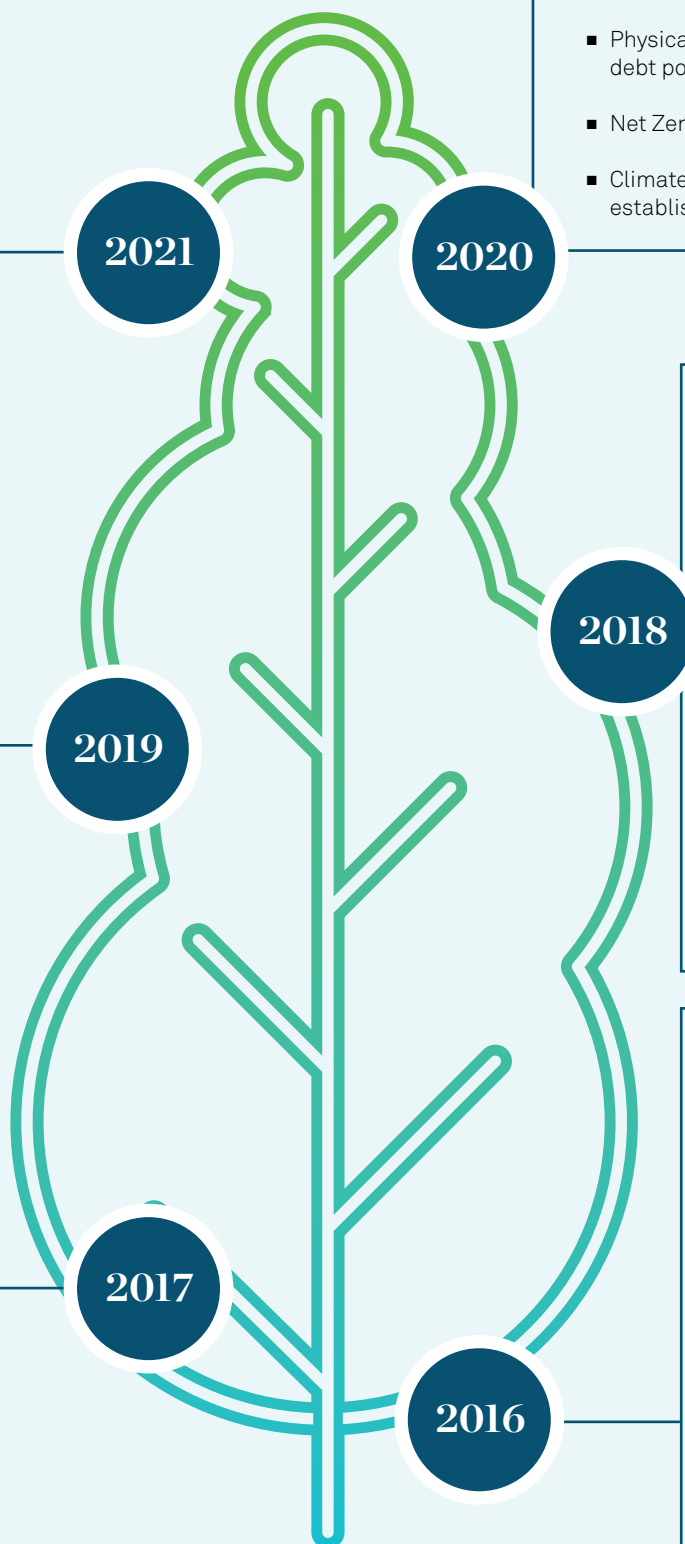
Climate change

Our climate change journey 2021

- Published inaugural TCFD framework-aligned Climate Change Report
- Firm-wide climate change strategy development.

- 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.

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

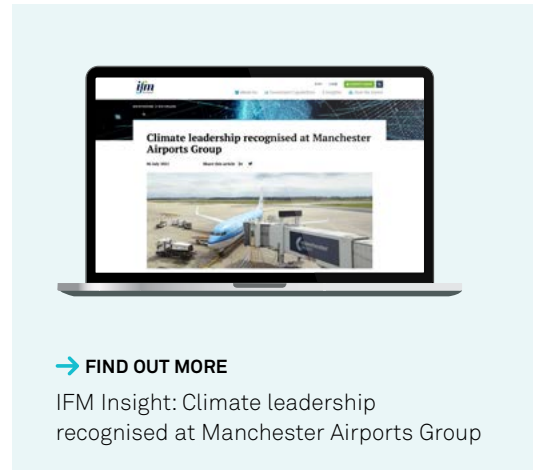


- Commenced development of firm-wide climate change strategy
- Sustainability Forum with non-Australian infrastructure assets
- Support non-Australian infrastructure assets to set emissions reduction targets
- Physical climate risk assessment of debt portfolio
- Net Zero 2050 firm-wide commitment
- Climate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

- 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.

- 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.

As a global asset manager, we recognise that our actions over the next decade and beyond will help to support the transition of the economies we invest in, support our own investment performance, and help to ensure that the essential services our portfolio companies provide can be continued in a net zero world.



Development of an organisation-wide climate strategy

In October last year we announced our commitment to reducing greenhouse gas emissions across our asset classes, targeting net



Our climate commitments and actions reflect our investors' best interests, as well as the shared interests of government, business, civil society and investment managers around the world also pushing for net zero by 2050.

Anna Engwerda-Smith, Director, Policy and Research

zero by 2050. At this time, we commenced work on a firm-wide strategy that would build upon the actions we were already taking and map pathways for our asset classes' journeys to net zero.

We established a multi-disciplinary taskforce to identify how each asset class would contribute to our 2050 commitment, recognising that our journey to net zero will require decades of effort in a dynamic context, particularly over the next decade to 2030.

The multistage approach to developing our climate strategy began with a focus on infrastructure, as outlined below. The next stage addresses our other asset classes - Debt Investments, Listed Equities and Private Equity. This work is underway, and we look forward to announcing our 2030 commitments and actions for these other asset classes when they are finalised.



Strategy development update: Infrastructure portfolio

The focus of our infrastructure strategy is on transition, rather than divestment, which effectively shifts the problem to someone else. Our goal is to be part of the solution, harnessing opportunities for our investors while helping to create benefits for our assets' employees and the communities they serve.

Infrastructure assets provide essential services to communities around the globe, and a net zero economy is going to rely heavily on existing infrastructure. For infrastructure investors like ourselves, the onus is on us to transition our existing portfolio to support assets to continue to generate strong, long-term returns for our investors.

We have developed the commitments and actions on the right hand side of this page with consideration to our fiduciary duty, the scientific evidence of climate change, our drive to have real world impact and the existing investment processes and systems at IFM.

The task we have taken on is complex and challenging. We must transition at a pace and in a manner that is patient, prudent and methodical. The task calls for detailed, strategic long-term planning, because no two infrastructure assets are the same. Decarbonisation pathways are likely to be different for each asset and will depend on multiple factors, including: the source of the emissions, the level of control the asset has over the emissions, the commercial viability of existing abatement options, technological advances and the prevailing policy and regulatory environment.



→ **FIND OUT MORE**

IFM Insight: Anglian Water has unveiled its 2030 net zero carbon routemap



Interim target

IFM has set a scope 1 and 2 emissions reduction target of at least 1.16 million tonnes of CO₂e for the infrastructure asset class. This translates to a 40% decrease across our existing infrastructure portfolio by 2030 (from a 2019 baseline).

We will adjust this target annually for divestments and new investments.



Pursuing climate solutions

We, and our portfolio companies, will continue to seek to increase the amount we invest in the significant investment opportunities that are arising from the energy transition



Asset management processes

We have enhanced our asset management processes so that climate change transition and physical risks are assessed on a periodic basis, utilising reference scenarios, including 1.5-degree scenarios. We will also continue to work closely with our infrastructure assets to implement emission reduction initiatives.



Increased reporting

We will enhance our annual carbon footprint reporting by including disclosure on progress against IFM's 2030 emissions reduction target, changes to portfolio level targets due to acquisitions and divestments, and updates on key emission reduction initiatives across the portfolio.



Investment restrictions

We will phase out exposure to thermal coal by 2030 and will not make new investments in assets that derive material revenue from thermal coal.¹⁵



Investment processes

We have enhanced our investment decision-making processes to help ensure that new acquisitions are net zero by 2050 aligned, and that new acquisitions have considered climate change transition and physical risks under reference scenarios, including 1.5-degree reference scenarios.

¹⁵ Revenue greater than 20% of total

Bringing infrastructure expertise to climate collaborations

IFM continues to work collaboratively with our investors and other investment industry stakeholders globally to promote improved management and disclosure of climate-related risks. We are a founding signatory of the Net Zero Asset Managers Initiative (NZAMI), and we are excited to be working with a growing number of co-signatories to share our infrastructure expertise and help galvanise the asset management industry to commit to net zero emissions by 2050 or sooner. Ongoing collaboration will be vital as we move towards a low-carbon future.

Our Executive Director (ED), Responsible Investment, is a member of the NZAMI Advisory Group. The group, comprising six signatory members, aims to champion the objectives of the initiative, to act as spokespeople for NZAMI, and to provide recommendations and advice to its steering committee on operations and engagement activities.



Our ED, Responsible Investment, also sits on the Paris Aligned Investment Initiative (PAII) working group, a collaborative investor-led global forum established by the Institutional Investors Group on Climate Change (IIGCC). It focuses on supporting investors to align their portfolios and activities to the goals of the Paris Agreement. The PAII working group focuses on developing guidance to support infrastructure managers' net zero ambitions.

As a major global infrastructure manager, we believe that we bring a breadth of infrastructure investing experience to these initiatives, as well as a different perspective to that of other signatories, many of whom have a stronger focus on listed equities and debt.

Targeting net zero operational emissions

IFM's organisation-wide net zero 2050 commitment encompasses our operational emissions across ten global office locations. Our climate strategy incorporates a plan targeting carbon neutral corporate emissions by 30 June 2022, which we aim to achieve through the purchase of carbon credits.

Expanded corporate emissions offset program

In FY21, we have expanded our carbon offset program beyond our FY20 program, which offset emissions associated with air travel and energy consumption at our largest global offices. For FY21, we have calculated emissions associated with all global operational activities across the

entire value chain including scope 1, 2, and 3 emissions, with an estimated total of 7,994 tCO₂e.¹⁶ To offset our FY21 emissions, we are targeting in-region projects with certifiable benefits that extend beyond GHG emissions mitigation; for example, projects that support local job creation.

Developing our corporate emissions reduction strategy

We are developing a comprehensive emissions reduction strategy, which aims to incorporate a greater use of renewable electricity. We expect to finalise the strategy by the end of 2021 and start implementation during the remainder of FY22.

¹⁶ We expect the accuracy of our data to increase as our understanding and measurement of carbon emissions in our supply chain (scope 3) improves.

Green Term Deposits supporting the low carbon transition

During FY21, our Treasury Services team worked closely with Commonwealth Bank of Australia (CBA) to introduce Green Term Deposit exposure into IFM-managed cash portfolios. In May 2021, IFM was the first institutional investor in CBA's Green Term Deposits, making an initial commitment of A\$10 million.

Green Term Deposits are structured like conventional term deposits; however, the proceeds of Green Term Deposits are used to invest in assets that facilitate and support the transition to a low carbon, climate-resilient and sustainable economy. Such assets are also referred to as 'Green Eligible Assets' that align with specific UN SDGs. These assets can include:

- Renewable energy projects
- Green commercial and residential buildings
- Projects that increase energy efficiency
- Clean transportation
- Sustainable water and wastewater management
- Pollution prevention and control



CBA's Green Term Deposits are certified by the Climate Bond Initiative (CBI) as meeting the Climate Bonds Standard criteria for delivering a low carbon and climate resilient economy.¹⁷

We look forward to working with CBA to encourage more Green Term Deposits to the market.

Reducing carbon exposure in core equity portfolios

IFM has been running low carbon portfolios since 2012, and now we do so across both Australian and Global equities. We do this for our investors by optimising the portfolio's positions designed to achieve the desired level of carbon reduction, whilst minimising the risk against the index (tracking error).

The strategies we use to reduce carbon exposure include:

- Reducing exposure to scope 1 and 2 emissions; and
- Controlling exposure to fossil fuel reserves to reduce stranded asset exposure

The benefits can include a measurable

reduction in carbon exposure, increased capital flows to 'cleaner' companies and the potential to lower exposure to carbon pricing, if it becomes a material cost.

We partner with investors to develop bespoke low carbon solutions. Bespoke solutions can better address an investor's specific goals for reductions in portfolio emissions, with the additional benefit of being adjustable over time if those goals change. They can also be set to target the client's general portfolio objectives as well as their other ESG objectives, for instance excluding or underweighting certain stocks.

Beyond low carbon, it is possible to target companies that are involved in the transition to a low carbon economy, those that have greater resilience to climate change, or those with emissions levels more compatible with a lower global temperature rise.

¹⁷ CBI is a not-for-profit organisation that has produced the Climate Bonds Standard to provide clear, sector-specific eligibility criteria for low carbon assets and projects. To secure CBI certification, a product must pass a stringent review against the standard. <https://www.climatebonds.net/>

Strategy implementation

Over the next couple of years, we aim to implement and embed our commitments and actions with a focus on ensuring our practices align with emerging global best practice.

We will review our governance structure with a view to enhancing current oversight of climate change, and we will consider capability building for our people and additional resourcing.

Robust data and systems will be critical to supporting investment teams to execute on risk management actions and our decarbonisation targets. We will focus on enhancing our data collection and management systems to support investment decision-making and monitoring in our asset management activities.

Decarbonising Private Equity

IFM's Private Equity team has commenced implementation of an emissions reduction plan, as part of IFM's firm-wide net zero by 2050 commitment.

During FY21, the team set a target of achieving carbon neutral certification through Climate Active for each portfolio company by the end of calendar year 2021.¹⁸ We aim to achieve this through the purchase of offsets. In FY22, we will work with existing portfolio companies to develop emissions reduction plans that aim to reduce real emissions and our reliance on purchasing offsets to help achieve carbon neutrality. Informing this work is emissions baseline data that has been calculated for all portfolio companies for FY20. We will report this data and our progress in our 2021 Climate Report, to be published in early 2022.

An enhanced approach to screening new opportunities

To enhance our approach to screening new opportunities, we have added a Decarbonisation

Framework to our deal assessment tool.

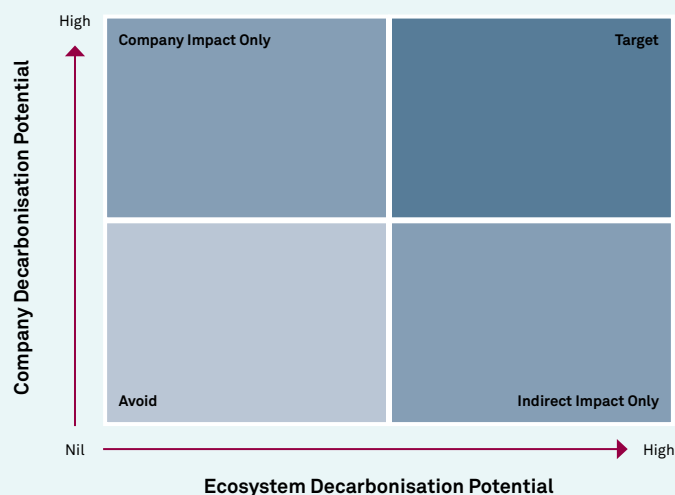
The framework, as illustrated below, aims to support the team to identify where companies have unrealised, actionable opportunities for decarbonisation. It also aims to quantify the scale of the opportunity and to set up the measurement approach to track benefits through the ownership phase.

The decarbonisation impact is assessed across two key dimensions:

- 1 Opportunities for a material reduction in scope 1, 2, and 3 emissions, supported by the purchase of offsets where full decarbonisation is not feasible.
- 2 Potential for the company to facilitate material decarbonisation across the broader ecosystem in which it operates, including upstream suppliers and downstream customers in the value chain, channel partners and industry peers.

FIGURE 04

IFM Private Equity Decarbonisation Framework



¹⁸ Climate Active is the Australian government-backed program with the most widely acknowledged certification in Australia currently: www.climateactive.org.au

Infrastructure and the energy transition

We remain committed to working closely with portfolio companies to support their critical role in the transition to a net zero economy. Many of our portfolio companies are implementing a range of strategies that aim to build resilience to climate change, harness opportunities in a decarbonising economy and create long-term value for stakeholders.

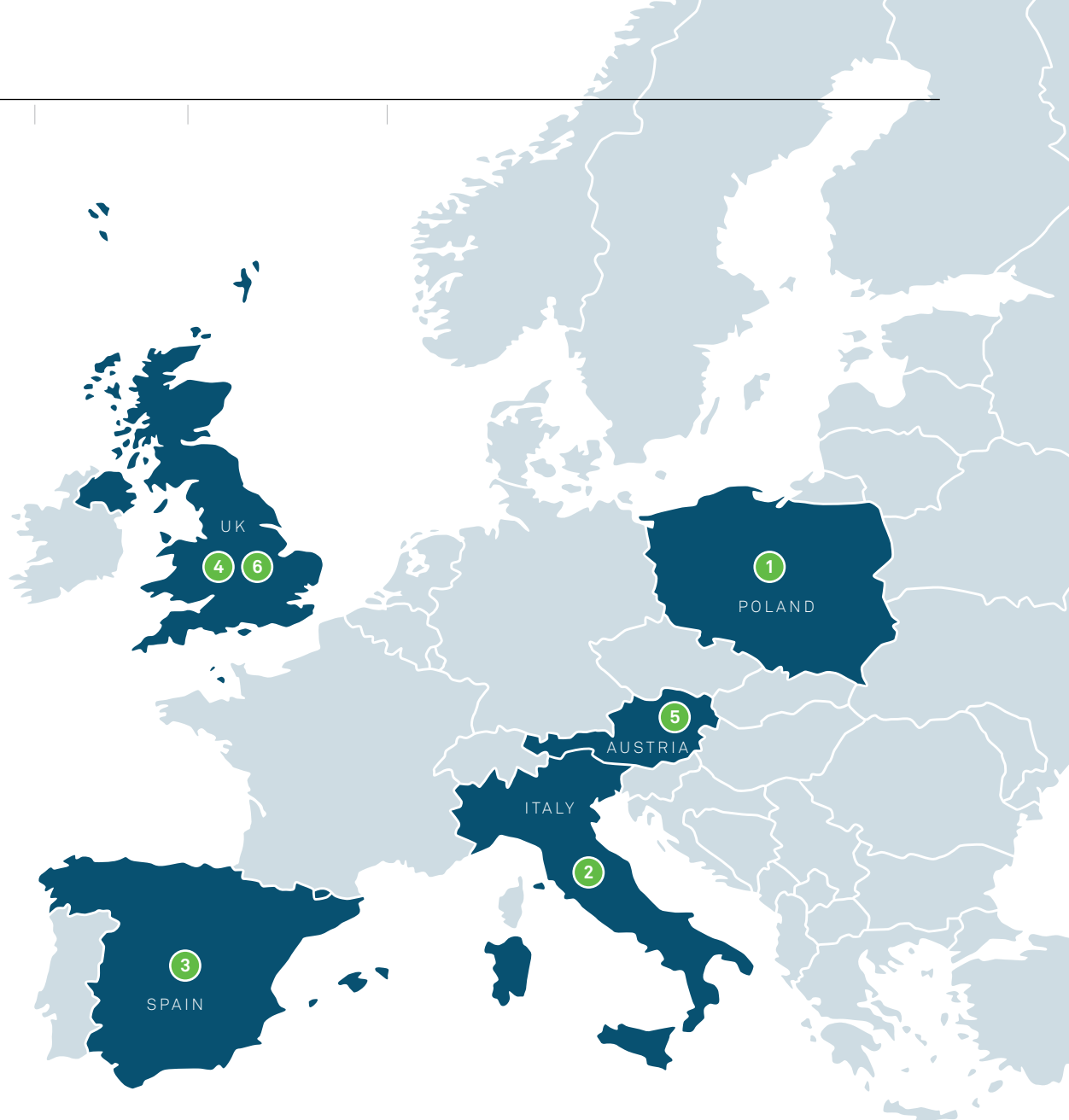
These strategies range from renewable energy installations and energy efficiency improvements to strategic acquisitions of renewable energy projects.



Australia

- 1** Total 30 megawatt (MW) behind the meter (BTM) solar capacity installed across Australian Infrastructure portfolio; +9 MW capacity planned to be online by 2025.¹⁹
- 2** **Melbourne Airport** - 12 MW solar farm to generate up to 15% of airport's p.a. electricity.
- 3** **Brisbane Airport** - 6 MW onsite solar generating energy supplying c.18% of airport operator's annual energy.
- 4** **NT Airports** - 6.9 MW of solar capacity across Darwin and Alice Springs airports supplying c.84% of p.a. energy needs. In the next 12 months, the group aims to cover 100% of its own annual energy consumption as well as 40% of its precinct tenants' energy consumption.
- 5** **Ausgrid** - Launched community battery trial in 2021; partnering with JOLT to develop free and fast EV charging network across Sydney.

¹⁹ Applies to portfolio companies in Australian Infrastructure portfolio at 30 June 2021.



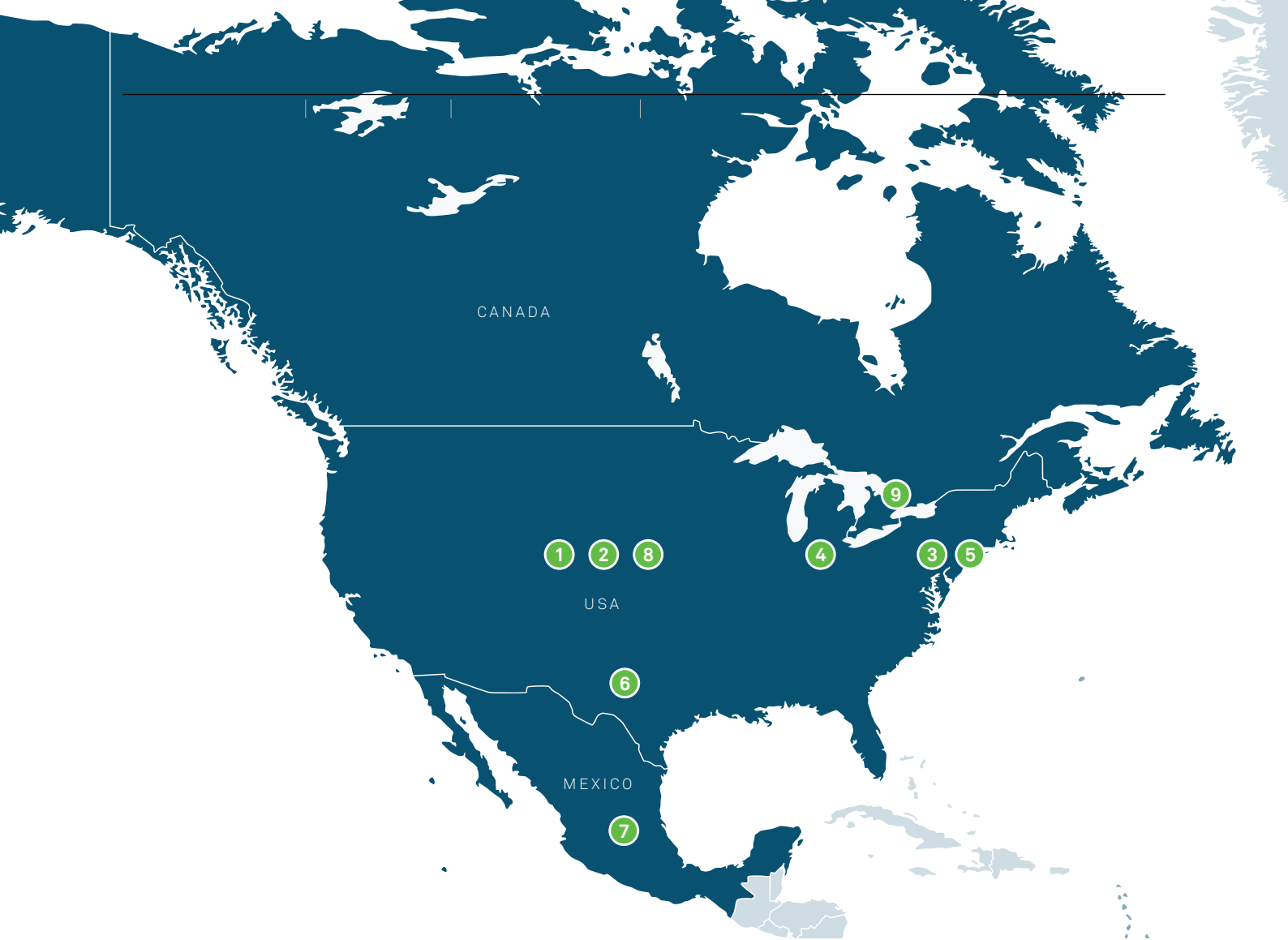
Europe

- 1 **DCT Gdansk** – Purchasing 100% renewable energy in 2021.
- 2 **Aleatica subsidiary Brebemi** – Plans to install electric vehicle charging infrastructure including 12 Tesla superchargers.
- 3 **Aqualia** – signed power purchase agreement to procure c. 17% of its electricity from solar sites across Spain.
- 4 **Manchester Airports Group (MAG)** – Low-energy lighting, energy-efficient buildings and 100% of electricity from renewable sources contributed to a 32.7% reduction in GHG intensity* between 2014 and 2019; MAG is targeting net zero carbon operations by 2038.
- 5 **Vienna Airport** – A planned 24 MW peak capacity solar farm is expected to contribute to meeting one third of the airport's electricity demand through renewables.
- 6 **Anglian Water** – Generated 131.1 gigawatt hours (GWh) from renewables in 2020; 2030 net zero routemap targeting 44% of energy requirements from renewables by 2025, and commitment to cut capital carbon** by 70%***.

* A measure of tonnes of CO2 emissions equivalent per €1m of revenue

** Direct emissions from construction processes

*** against a 2010 baseline



The Americas

- 1 Swift Current Energy** – Nala Renewables and Buckeye Partners acquired a majority stake; 6 GW pipeline of solar, wind and energy storage projects located close to US demand centres.
- 2 OneH2** – Buckeye Partners invested in this US-based hydrogen supply and logistics solutions provider, currently servicing clients in the forklift market and well-positioned to capturing future opportunities in the heavy truck market.
- 3 Global Container Terminals** – Truck reservation system at Bayonne saves 21,000 tonnes of CO₂e p.a.
- 4 Indiana Toll Road** – installed four electric vehicle DC fast charging stations and 8 Tesla supercharging stations at the Rolling Prairie Travel Plaza.
- 5 Colonial Pipeline** – Installed ~7.5 MW of solar capacity across two of its sites in New Jersey, which will provide renewable energy production for 20+ years.
- 6 Buckeye Partners** - Developing solar projects totalling c.600 MW generation capacity to offset 200+% of Buckeye's 2019 electricity consumption. Developments include two Texas-based solar projects acquired in Q3 2021, in addition to numerous footprint solar projects on and adjacent to existing Buckeye locations across North America.
- 7 Aleatica** - ~7.8% of global electricity needs generated by on-site solar installations, with almost 60% of electricity generated by on-site solar at Aleatica's Vías Urbanas.
- 8 Nala Renewables** is targeting solar, battery storage and wind projects in the Americas and Europe.
- 9 Enwave's Deep Lake Water Cooling** system expansion capitalises on environmental benefits of the current system, which displaces 61 MW of peak energy demand, saving 220 million gallons (833 million litres) of water annually and using approximately 75% less electricity relative to traditional chillers.

»



Workplace leadership

Working people are at the heart of everything we do, and they are central to our company purpose, which is to protect and grow their long-term retirement savings. We rely on our people and the workforces of our portfolio companies to generate long-term investment value.

IFM's direct workforce is made up of almost 600 employees (permanent, fixed-term and casual), while the combined workforce across our infrastructure portfolio companies exceeds 50,000 people, spanning 20 countries. We work with our investee companies to promote fair and equitable working standards across our portfolios.

Workplace leadership – our journey so far

2008 Became a signatory to the UN PRI.

2016 Developed ISO 45001-aligned resource to assess infrastructure portfolio company safety culture and performance.

2017 Launched Responsible Investment Charter, acknowledging working people's rights and the value of diverse workplaces.

2017 Commenced post-acquisition safety reviews of infrastructure assets.

2017 First corporate Inclusion and Diversity (I&D) strategy with a gender focus.

2017 Launched corporate I&D employee forums.

2018 Released ISO 45001-aligned Infrastructure Safety Standard & Guideline resource.

2018 Developed resource to enhance board-level safety reporting at infrastructure assets.

2018 I&D and labour rights factors added to ESG Policy.

2018 Desktop gender diversity data collection for infrastructure assets.

2019 Signed MOU with ITUC regarding labour rights.

2019 IFM Board achieved 50/50 gender balance.

2019 Gender diversity KRAs for Global Strategy Team.

2019 Launched regular infrastructure safety roundtables.

2020 Infrastructure portfolio-wide safety performance benchmarking.

2020 Launched refreshed corporate I&D strategy.

2020 Dedicated I&D resource recruited.

2020 Developed in-house I&D maturity self-assessment data tool for infrastructure assets and broadened data collection beyond gender.

2021 Partnered with University of Sydney Business School on Gender Lens Investing research.

2021 Commenced development of firm-wide Workplace Leadership strategy.

LEGEND:

Blue text = specific to IFM's own internal corporate practices



Development of an organisation-wide strategy

In 2021 we committed to develop a five-year Workplace Leadership Strategy focused on the continued promotion of safe, fair, inclusive and diverse workplaces across our investment portfolios.

The strategy is underpinned by the commitments made in the memorandum of understanding we signed with the International Trade Union Confederation (ITUC) in May 2019; and will be further developed with engagement from industrial stakeholders, investors and shareholders. It also builds on and unifies work already delivered across our asset classes.

Through the strategy, we aim to:

- develop firm-wide and asset-level indicators of workplace leadership that are appropriate for our asset classes and business strategy;
- commit to deepening our engagement with industrial stakeholders; and
- build internal capabilities, frameworks and policies to support the implementation of the strategy.

Over the coming year we will focus on two streams of work:

- **Workplace standards and practices across our Australian Infrastructure portfolio** - including

producing corporate and asset-level workplace leadership metrics; identifying engagement opportunities with key local and global labour stakeholders and priority initiatives.

- Continue to progress our **infrastructure inclusion and diversity roadmap**. This initiative aims to understand and support the I&D maturity of companies in our infrastructure portfolio by strengthening transparency, measurement and accountability both within and across asset classes and regions. In FY21, we completed development of an I&D assessment tool to help portfolio companies broaden their diversity considerations beyond gender and assess their maturity. We will also continue working across our portfolios to collect and analyse data that will enable improvement planning.

While the development of a firm-wide strategy is an important step in our ESG management capability, IFM has a long history of engaging with investee companies, like-minded investors and other stakeholders to champion high workplace standards. Our approach aligns with global labour rights frameworks, including the United Nations Global Compact and the International Labour Organisation.

Driving value in Private Equity through inclusion and diversity

Promoting and improving gender diversity through ownership is a strategic imperative for our Private Equity team, and we have invested in businesses that positively contribute to gender equality and promote good jobs for women.

In 2019, we invested in My Plan Manager, the largest Australian National Disability Insurance Scheme plan manager. Since then, we have worked closely with the management team to drive an accelerated growth strategy, resulting in three-year revenue growth of 1,621%.

Central to this strategy was investment in systems, people and governance, including policies that supported I&D outcomes, such as transitioning all casual workers to permanent contracts to increase job security. Initiatives like this helped the business to maintain 64% female representation across its broader workforce, despite a significant increase in headcount. In addition, over the last 12 months, female representation at the Board level increased from 20% to 40%.

The business was ranked second in the Deloitte Technology Fast 50 Australia in 2020, and first for female leadership. Similarly, another of our private equity investments, Genie Solutions, which provides medical management software in Australia, has been recognised for its results in the area of gender diversity.²⁰ The company was recognised in the 2019 Women in Technology Employer of Choice Awards and was highly commended in 2020 by the same awards program.

Genie Solutions also collaborated with SheDares, a free online interactive learning platform that aims to demystify technology careers for female professionals in non-tech industries and equip them to pivot into the sector. Genie Solutions aims to increase female representation in leadership roles to 50% and has recently increased female board representation to 60%. The business is also looking to broaden its I&D agenda beyond gender.

²⁰ It was announced in early October 2021 that Genie Solutions was to be acquired.

Health and safety: infrastructure

As one of the largest infrastructure investors in the world, the health and safety of our broader workforce is our highest priority. We are committed to continuously improving the safety performance of our assets and portfolio companies, and transparently reporting on our progress.

To date, our safety approach has made a positive difference, with incident data largely demonstrating a trend of overall improvement after we acquired each asset. However, we know the safe operation of infrastructure and creating the safest workplaces possible for our employees and contractors requires a continuous and vigilant focus. See the ESG in Action breakout box on the next page for some examples from our infrastructure portfolio.

As part of our commitment to best practice safety management, we take an enterprise-wide approach that governs how we:

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

In addition to managing COVID-19-related health and safety impacts, our Asset Management Team continued to progress a range of occupational health and safety initiatives during FY21.

Safety roundtables

Since 2019, we have hosted quarterly safety forums with our investee companies to share and leverage knowledge across the portfolio about best practices and solutions to mitigate occupational health and safety hazards. The roundtables are organised in conjunction with IFM's global safety partner, Environmental Resources Management (ERM).

Topics covered in roundtables have included:

- 1 end-to-end contractor safety management
- 2 business operational sustainability and implications for worker wellbeing during COVID-19
- 3 live traffic and moving vehicle hazards for employees and contractors
- 4 working at heights and risk management frameworks.

Infrastructure safety benchmarking

In March 2021, we compiled the results of our safety risk management performance benchmarking study. The study commenced in 2020 and was facilitated by ERM. The study measured our combined Australian and Global ex-Australian Infrastructure portfolios against a composite benchmark on overall and contractor safety performance. The analysis confirmed that the safety performance of IFM's infrastructure portfolios significantly exceeds representative benchmarks, with the lost time injury frequency rate (LTIFR) for employees and direct contractors 59% below a comparable representative industry benchmark.²¹

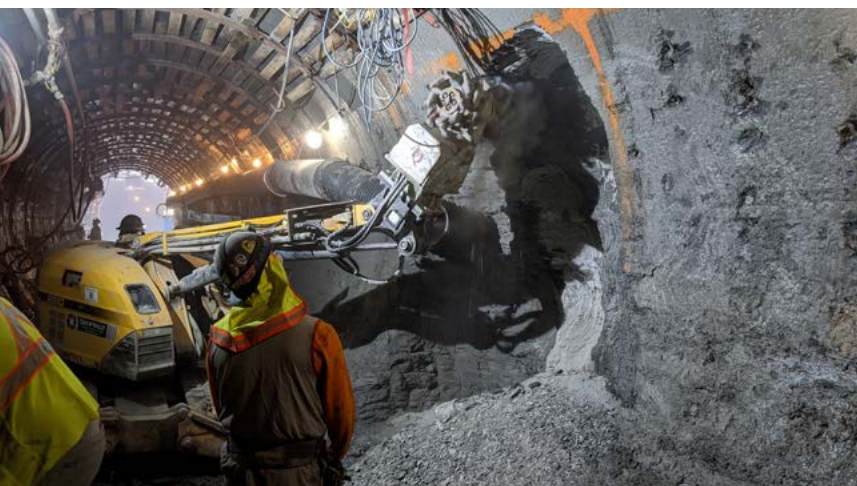
Asset reviews

In response to fatal incidents within the toll-road sector, we have worked with a global consulting firm to review safety practices and identify improvement opportunities at toll roads in our global portfolio.

Phase One of the review was completed in December 2020 and included a review of safety policies and documentation, and interviews with senior members of our team and the toll-road management teams.

The review noted that since IFM acquired each of the toll road assets, workplace safety indicators have significantly improved at each portfolio company. Further improvement programs have been established to continue progressing the safety maturity at each toll road. The review also resulted in recommendations, which are being progressed.

In FY22 we aim to complete the next phase of the assessment program, which consists of on-site reviews at toll-road assets in our global portfolio. A key objective of this phase is reviewing assets' safety improvement programs and to identify further opportunities to increase safety maturity. A safety culture review will also be undertaken to help ensure that safety values are being internalised throughout the organisations, and that there is a commitment to safety at the management level that permeates the entire organisational structure.



²¹ Includes annual data from 27 assets across the Australian and Global ex-Australian Infrastructure portfolios, averaged over five years (or since acquisition) and compared with appropriate benchmark averages. Frequency rate is normalized as the number of lost time injuries occurring per 100 full time workers/200,000 hours worked.

Focusing on worker safety: examples from our Global ex-Australian Infrastructure portfolio



At **DCT Gdansk (Poland)** safety improvements continued, with the lost time injury rate significantly ahead of target at the end of 2020. At the end of FY21, the port had completed a range of safety governance, management systems, and contractor safety improvements.



To continue improving on its industry leading safety metrics, **Global Container Terminals (North America)** completed third-party safety audits, led by ERM, at all terminals. Following the audits, management acted upon and closed out flagged operational safety items.



Arqiva (UK) continued its focus on the best practice management of hazards relating to working at heights. Part of this focus included setting new rules and standards required for site access to help ensure workers and contractors have undergone safety training.



An annual Safety First Plan and strategy at **Indiana Toll Road (US)** has resulted in tangible improvements for workers, including a 70% reduction in the lost time injury frequency rate.²² The toll road has also rolled out a suite of road safety pilot programs for customers.

Addressing modern slavery risks

As a responsible asset manager, we are committed to understanding, identifying and mitigating the risk of modern slavery in our business operations, supply chain and investments. We recognise that failing to protect the labour and human rights of working people poses investment risks through unsustainable business models, reputation impacts and regulatory costs.

On our website we regularly publish our progress across our corporate and investment activities in accordance with the Modern Slavery Act (UK) 2015 and Modern Slavery Act (Australia) 2018 via annual Anti-slavery and Human Trafficking Statements.

In FY20 we conducted an independent

assessment of modern slavery risks in our supply chain (including the investments in our portfolio in which we have significant influence as owners) which provided a foundation for our understanding and activities.

Over the last 12 months, we have focused on educating our people about modern slavery risks and increasing the capabilities of key team members who can play an active role in driving outcomes in our portfolio companies and their supply chains.

We continue to work closely with ACSI and other investors to monitor compliance and quality of modern slavery reporting across ASX200 companies »

²² In 2019 compared with 2014 data

who are required to report under the Modern Slavery Act 2018 (Cth). We also collaborate with our industry peers through initiatives such as Investors Against Slavery and Trafficking Asia-Pacific (IAST-APAC), which we became a signatory to in October 2020. This is an investor-led initiative convened to promote effective action among companies to ‘find, fix and prevent’ modern slavery, labour exploitation and human trafficking in their value chains.

Through this initiative, we have led engagement with various large retailers, and we acknowledge their high level of understanding, governance and expertise in this area. However, there is a need to address factors limiting businesses with shared supply chains to collaborate on this issue. Despite this, across the sector, work is being

done to improve understanding of worker rights to help identify incidents of modern slavery; and to increase the capability and deployment of independent auditors.

Next steps

Our focus will remain on building capability and further integrating modern slavery risk identification and mitigation strategies into our supply chain and investment processes and practices – particularly using levers such as our board directorship positions, and company engagement with assets and listed equities, including through our participation in the IAST-APAC initiative.

Focusing on supply chains through collaboration

In response to media reporting highlighting forced labour and human rights abuses in the global polysilicon supply chain, the Solar Energy Industries Association (SEIA) issued a Forced Labour Prevention Pledge, which was signed by many large solar companies.

During FY21, our Infrastructure Debt Team reviewed a potential investment in a company that owns and operates photovoltaic (PV) solar projects in Chile. We requested that the company amend its supplier list to only include SEIA pledge signatories, or alternatively, agree to a “best efforts” approach in ensuring it used suppliers that are free of forced labour.

The company confirmed its intent to source PV panels only from suppliers on the SEIA list to the extent that it is commercially feasible. This included future solar panels purchased from the loan proceeds. It also committed to providing regular updates on new PV-panel supply contracts it enters.



Creating a purpose-led, inclusive culture

Our Cultural Foundations and Behaviours

- 1 Prioritise investors
- 2 Inspire innovation
- 3 Achieve excellence
- 4 Lead by example
- 5 Respect each other

We strive for a culture of high-performance, accountability, openness and collaboration, and we recognise that cultivating a unifying and purpose-aligned culture across the organisation is central to our success.

In our employee annual survey, 82% of respondents agreed that they have a good understanding of IFM's Cultural Foundations and Behaviours (our values). Seventy-three per cent of respondents agreed that IFM's purpose provides meaningful direction for them, while 95% agreed that their manager models our Cultural Foundations and Behaviours. The cohesion and engagement of our workforce has been particularly important at a time when many of our people across our global offices continued to work from home due to the COVID pandemic.

Throughout FY21, we continued our multi-year program to strengthen our culture and help ensure it aligns with our values, strategy and growth aspirations. More than 20 significant initiatives have been delivered since the program commenced in late 2019. Key highlights from FY21 include developing a firm-wide culture statement; diversity goals for the Executive Team; inclusive leadership programs; the introduction of enterprise and leadership capabilities; 360-degree feedback for senior leaders; and refreshing our Code of Conduct.

Inclusion and diversity

We believe workplaces that reflect the communities in which they operate and have an inclusive culture that welcomes and embraces distinct qualities, backgrounds and perspectives, enabling us to bring our authentic selves to work, will lead to innovative thinking, better decision-making and, ultimately, stronger performance over the long term.

This year we established an "inclusion index" that aims to help us to track and measure the inclusive experience of our people. In this year's survey, 80% of employees agreed that people are treated equally regardless of race/ethnicity and 75% agreed that IFM values diversity.

During FY21, and in collaboration with our global I&D employee forums, we rolled out our refreshed

corporate I&D Strategy, which has an emphasis on inclusion and belonging. This is defined by five pillars of focus: cultural and ethnic diversity, mental health and wellbeing, ability, LGTBIQ+, and gender (see Figure 6).

Over the last 12 months, we have worked to further embed I&D initiatives within our recruitment processes and employee lifecycle and provided specialised I&D and mental health awareness training for our leaders and global workforce.

Our employee-led regional I&D Forums also contributed to our strategy by implementing a wide range of initiatives, including acknowledging days/periods of significance such as International Women's Day, Black History Month, NAIDOC Week and LGTBIQ+ awareness activities.



FIGURE 06

The five pillars of Inclusion and Diversity at IFM:

Cultural & Ethnic Diversity

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

Mental Health & Wellbeing

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

Ability

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

LGBTIQ+

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

Gender

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

Supporting gender diversity

Since launching our Inclusion and Diversity Strategy in 2017, we have made positive progress in increasing female participation across our workforce. Our commitment to gender diversity is reflected with 56% female representation on our Board (up from 50% in 2020) and 36% on our Executive Team (up from 33% in 2020).

Across our workforce female representation grew from 36% in 2017 to 43% in 2020, however it decreased by 1% in FY21 to 42% (see Figure 7). While our focus on promoting gender equality through our talent acquisition practices continued in FY21, we attribute this slight decline to unrealised hiring goals and challenging talent market conditions. Female recruits accounted for 38% of new hires in FY21.

We remain focused on achieving gender equality across our workforce and have set gender diversity goals as part of senior management performance goals to help us achieve our objective.

FIGURE 07

Growing gender diversity

Female representation %



Building capability and resilience

With parts of our workforce continuing to work from home over the last twelve months, our Learning and Development program was redesigned to provide all training online via virtual webinars and eLearning modules. The program focused on:

- the safety and wellbeing of our global team, emphasising mental health and resilience;
- reinforcing our people’s contribution to meaningful, purpose-driven work through a series of learning cafes on topics such as modern slavery impacts and risks, gender lens investing, net zero and our climate change strategy;
- supporting performance and productivity by leveraging technology to help with prioritisation, working with MS Outlook and equipping our people to work virtually; and
- building leadership capability with a focus on trust and authentic leadership.

In addition, a range of other professional development, onboarding, management development and compliance courses were provided with employees completing an average of five courses.

Supporting parents at a critical time

In early 2021 we updated our corporate parental leave policy to provide equitable access to extended paid parental leave, reflecting our support for working parents and commitment to gender equity.

One of the key enhancements was removing the ‘primary caregiver’ requirement to access extended paid leave. Parents can also take leave concurrently with their spouse.

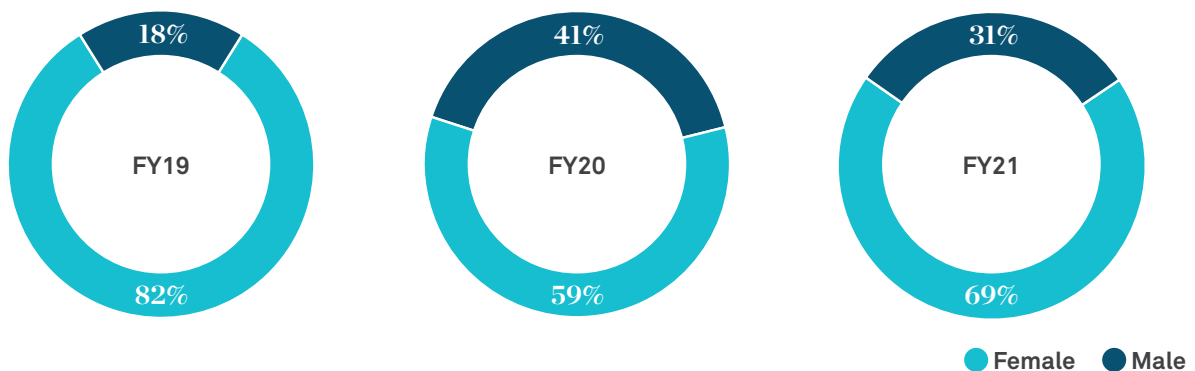
The parental leave policy complements our flexible working policy, which outlines options such as part-time hours, start and finish times outside of standard hours and job-sharing arrangements to support our people in managing their responsibilities.

Mohammed, a Senior Associate in our Policy & Strategy Team, described his three months of parental leave in early 2021 as a great opportunity to experience key milestones in his son’s development. He said, “Extended parental leave gave me time to fully immerse myself in child-rearing and consider how to make life work as our family grows.”

Please see Figure 8 below showing the gender split of employees accessing parental leave since FY19.

FIGURE 08

Employees accessing extended parental leave by gender



An aerial photograph of a busy public square paved with grey cobblestones. The square is filled with people of various ages and ethnicities walking in different directions. In the center of the image, there is a large, white, semi-transparent circle. Inside this circle, the words "Sustainable communities" are written in a bold, black, serif font. The text is centered within the circle and the square. The overall scene depicts a vibrant, active community space.

Sustainable communities

Activities that support the resilience and wellbeing of the communities in which we invest and operate are an important part of our responsible business approach. We contribute to the sustainability of these communities through our Infrastructure Community Grants Program, as well as our corporate and people-led community-focused activities.

Infrastructure community grants delivering for local communities

IFM's 2020 Infrastructure Community Grants Program supported nine projects in the UK, the Czech Republic, Spain, Poland and Australia with grant funding of up to A\$40,000 per project.

The initiative aims to promote partnerships between portfolio companies and local community organisations. Following a successful Australian trial in 2019, we launched the 2020 program globally. The program recognises that partnerships like this can produce mutual benefits and solutions to local environmental and social concerns.

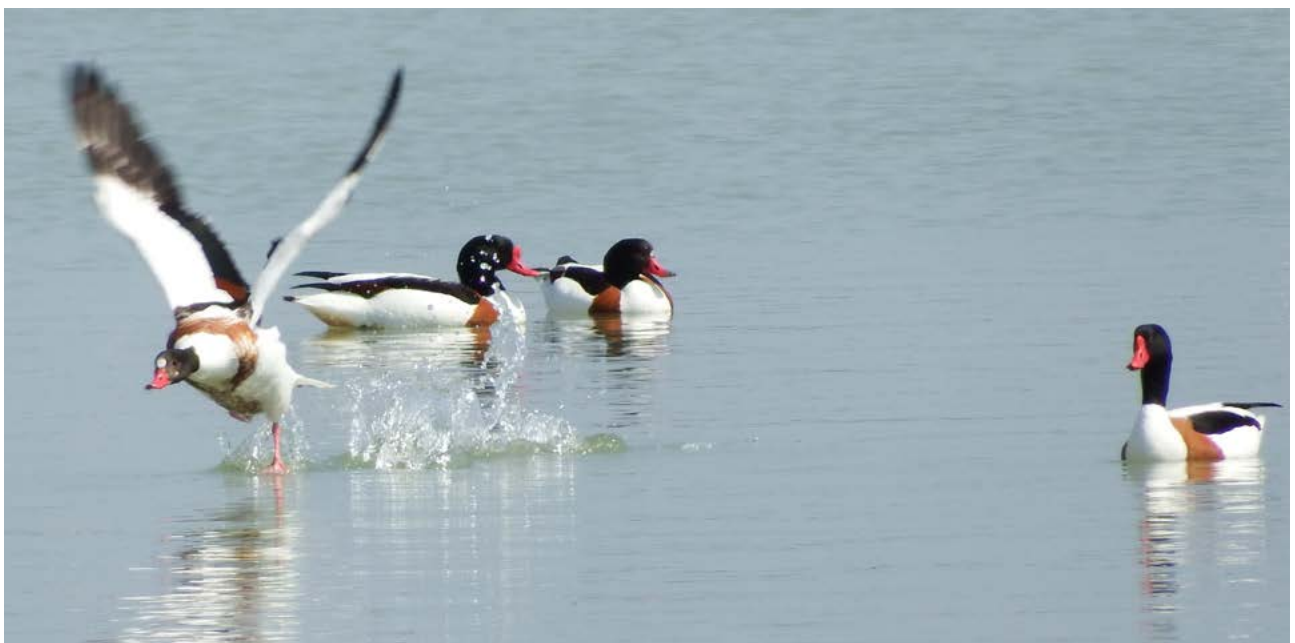
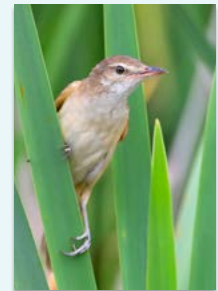
Grant submission criteria require applicants to demonstrate a plan to work closely with a local community organisation, with defined project objectives that aim to have positive social and/or environmental outcomes. Please see below for overviews of the nine projects we supported over the past year.

Aqualia's lagoon ecosystem restoration project

European water company Aqualia partnered with bird conservation organisation SEO Birdlife to continue work on restoring the Medina del Campo lagoon ecosystem in Spain. The project has increased biodiversity, water quality and water level stability in the lagoon, which is part of a wastewater treatment system. Annual censuses indicate that bird populations have increased since the project began. The project also includes the creation of an environmental classroom to support environmental awareness among local schoolchildren.

→ IFM INSIGHT

Read more about the restoration of the Medina del Campo lagoon ecosystem.



Medina del Campo lagoon ecosystem



Supporting skills development, while cleaning up the Brisbane River

The Port of Brisbane has partnered with Ocean Crusaders, a social enterprise that undertakes targeted litter campaigns in Australia's waterways. The organisation welcomes Community Service Workers as additional crew on their vessels, supporting them to develop and regain work skills. IFM's funding has supported the development of the trial solar powered Automatic River Cleaner (ARC). The ARC aims to be a more effective, safer and sustainable way to capture litter in the Brisbane River.

→ IFM INSIGHT

Read more about the Port of Brisbane's project with Ocean Crusaders.



Propelling talented youth forward with merit-based education scholarships

Melbourne Airport and Western Chances will continue working together to support the education of talented young people in Melbourne's western suburbs through merit-based education scholarships. These scholarships aim to support young people from culturally diverse backgrounds who are experiencing financial disadvantage and other barriers to education.

Supporting social and environmental outcomes

Water management company Aqualia's Czech Republic subsidiary SmVak Ostrava is supporting Trianon Z.S., a social enterprise employing people living with a disability, through the purchase of a dedicated vehicle. The vehicle will enable transportation of materials for its "separation for recycling" operations, which provide ecological disposal services to customers throughout the region.

NSW Ports helping to connect stranded seafarers to their loved ones

NSW Ports has partnered with the Tas Bull Seafarers Foundation to launch Seafarer Connect at DP World Australia's Port Botany terminal. The project aims to support the wellbeing of seafarers facing extended periods of time at sea through the provision of communications technology to ships at berth. The placement of WiFi boxes supports seafarers to connect with loved ones – a key contributor to improved mental health.

→ IFM INSIGHT

Read more about NSW Ports supporting the wellbeing of seafarers stranded at sea.



NSW Ports – supporting improved mental health for seafarers

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Collaborating with talented local artists to give electrical pillar boxes a facelift

Electricity transmission and distribution organisation Ausgrid has partnered with Studio A, a Sydney-based arts company that provides professional development for artists with intellectual disabilities. The project involves artwork on a small selection of Ausgrid electrical pillar boxes. The artwork includes clever interpretations of the five UN Sustainable Development Goals (SDGs) to which Ausgrid aligns, which are gender equity equality; sustainable cities and communities; climate action; affordable and clean energy; and decent work and economic growth.



Local artists give electrical pillar boxes in Sydney a facelift



Binham stream

Anglian Water's chalk stream restoration project

Water management company Anglian Water is partnering with Norfolk Rivers Trust to support environmental improvements in the headwaters of the Binham stream, a tributary of the river Stiffkey, which is an important local natural resource. The project focuses on the restoration of 1.3 kilometres of the stream, which is a chalk stream that is home to many species that cannot live anywhere else. The project aims to improve water quality and create and restore species-rich wetlands, grasslands, and meadows in the area.

Empowering women through career support

With IFM's grant funding, Adelaide Airport (AAL) will support Dress for Success Adelaide's Career Support Program (CSP). The CSP is designed to improve each client's ability to participate more effectively in the employment marketplace by building confidence and supporting the development of job-search strategies. The program also offers post-employment support services. AAL recognises that equipping CSP clients with key employability skills has potential for long-term and broader impacts to the local community and economy.

Building job search and social skills for people living with intellectual disability

Polish port DCT Gdansk is partnering with the Polish Association of People with Intellectual Disability (PSONI) to create multimedia and computer rooms to support people living with an intellectual disability, as well as to provide training in online communication, job seeking and social skills.



Inside IFM: Corporate and people-led community activity highlights

 **A\$100,000**

Our FY21 **corporate giving** included an A\$100,000 donation to the Peter Doherty Institute for Infection and Immunity in Melbourne, Australia. Our donation will support the work of a female senior research fellow in vaccine development and trials in the Department of Microbiology and Immunology.

9.3 days

While COVID-19 pandemic-related restrictions on movement and activities posed challenges for many people wanting to use their volunteer leave this year, some were able to adapt and find ways to give back, totalling 9.3 days of in-kind community contributions.



A\$159,000

Our people gave A\$159,000 through our matched workplace/payroll giving program, supporting more than 16 charities including the Australian Red Cross, Westside Campaign Against Hunger (US), the Fund for Armenian Relief (US) and Medecins Sans Frontieres.

Team fundraising initiatives included:

A\$9,500+ raised for UNICEF Australia's India COVID-19 appeal.

A\$2,500+ raised for vital breast cancer research by IFM's Mother's Day Classic team.

A\$6,700+ raised by IFM's MS Walk, Run + Roll team to help fund vital supports for people living with multiple sclerosis.



Volunteering during Melbourne's extended lockdown in 2020 gave me a fresh sense of purpose. I volunteered my time with my local church in Melbourne's central business district, as we worked with SecondBite and other partners to distribute food to those in need. It was definitely a humbling experience and gave me a sense of perspective as we all struggled through the lockdown.

Tim May, Investment Director, Infrastructure.



Supporting employment pathways for groups who need a boost

IFM has partnered with CareerTrackers in Australia and Prep-for-Prep New York Internships since 2019 and 2020, respectively. Each year, IFM works with CareerTrackers to provide Indigenous university students with internship opportunities. The three-month program aims to support career pathways in the professional services sector in Australia.

In partnership with Prep-for-Prep, IFM provides eight-to-ten-week internships for some of New York City's most promising students of colour. The program aims to support students' personal growth and help prepare them for further academic success.



I was greatly saddened to see India's second COVID-19 wave impact the country's overloaded health system, as well as the impact it was having on IFM colleagues who were worried about family and friends in India, raising issues of anxiety and helplessness. It was heart-warming to see our people come together so quickly to raise funds for UNICEF Australia, which was working to fund oxygen supplies for hospitals, COVID-19 testing equipment and the ongoing distribution of vaccines.

Iain Lyon, Executive Director, Information Technology





Our Responsible Business Roadmap

FY22 and beyond

An important element of
our responsible business
transparency is addressing
what's next for IFM

We see ongoing opportunities to evolve our responsible business approach through our investment, stewardship and advocacy activities, as well as our corporate practices within the IFM business.

Outlined below are key pieces of work that are currently underway or planned for FY22. As we progress this work, the interests of our investors and their 30 million+ members and beneficiaries around the world remain at the core of our decisions.

Investment analysis and decision making

We will refresh and update our ESG due diligence processes and policies to:

- build in alignment with global regulatory frameworks, including the SFDR;
- embed our firm-wide strategy work in relation to climate change and workplace leadership; and
- reflect our evolving approach to managing modern slavery risks.



We remain committed to a responsible business approach that recognises our role as a steward of working people's retirement savings and underpins our long-term financial performance. We will continue pursuing our purpose in ways that seek to contribute to a stronger economy, inclusive society and cleaner environment.

Chris Newton, Executive Director, Responsible Investment.

Stewardship and active management

We will embed our firm-wide strategy work in relation to climate change and workplace leadership into our engagement activities with listed and unlisted portfolio companies. This incorporates a plan to increase our engagement with ASX listed companies on modern slavery.

We will continue to evolve measurement of investment and business activity contribution to the SDGs via further iterations of this work within our Private Equity portfolio.

Advocacy and collaboration

We will continue working with key peak bodies and investor-driven collaborations that we are members of or signatories to, with a focus on consolidating our active involvement and activities. While our work with some of these organisations is quite established, we plan to direct particular focus to climate change-related working groups (CA100+, NZAMI, PAII, ICGG, IIGC etc.) and expanding our active participation with some of our newer memberships, including IAST-APAC and 40:40 Vision.

We will continue our privileged working connection with ACSI and other major investors on Cultural Heritage protection and management in relation to Australia's First People.

Corporate responsibility

We will continue work to define the principles underpinning our refreshed corporate responsibility strategy, for which we will seek board endorsement and implement during FY22. The strategy will include a focus on:

- aligning our community giving activities to create greater social and environmental impact;
- building the capability and competency of IFM employees to deliver impact; and
- driving greater social and environmental innovation in our business and with our business partners.



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