



January – June 2023

Australian Listed Equities Stewardship Report

We act as a steward

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





Aidan Puddy
Global Head of
Listed Equities

A note from the Global Head of Listed Equities

I am pleased to report on IFM Investors' stewardship activity in relation to Australian equities for the period 1 January to 30 June 2023. This report provides a summary of the stewardship activities we have undertaken on behalf of our investors and their members and beneficiaries, who include millions of working Australians such as nurses, teachers, construction workers and hospitality staff.

In alignment with IFM's Environmental, Social and Governance Policy and the Australian Asset Owner Stewardship Code, we engage with companies and exercise our proxy voting rights on material environmental, social and governance (ESG) issues. We believe that proactive company engagement and voting are critical to encouraging responsible management of ESG risks and opportunities. It is through these activities that we seek to build value in pursuit of our purpose, which is to invest, protect and grow the long-term retirement savings of working people.

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

Key highlights from the reporting period include:

1

Leveraging our size and shareholder influence to help improve board structures and compensation practices by voting on 524 resolutions. We voted against management in approximately 11% of cases.

2

Voting against two Woodside Energy directors due to a lack of progress on climate strategy. This was the first time IFM has taken such a voting position due to climate concerns.

3

Ongoing advocacy and participation in initiatives such as the establishment of the Net Zero Authority and Federal Treasurer's Investor Roundtable on energy.

4

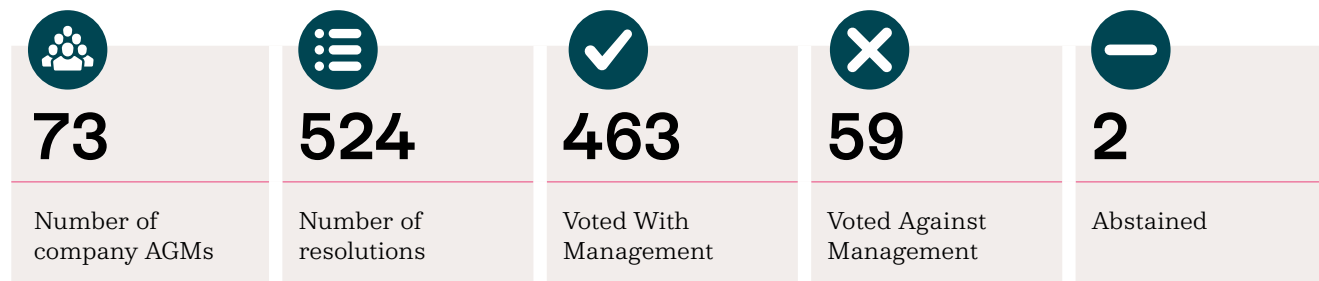
Voting against company directors due to inadequate female representation on company boards and formally communicating our rationale and expectations to companies.

5

Ongoing advocacy to improve governance structures in ASX-listed firms and promote executive remuneration that is aligned with shareholder experience and sufficiently demanding in its hurdles for allotment.

Proxy voting summary

Listed Equities voting activity – 1 January 2023 – 30 June 2023



See table below for additional detail on 'Against' votes.

IFM abstained from voting on resolutions where we participated in placements or where a director election was an IFM proposed nominee.¹

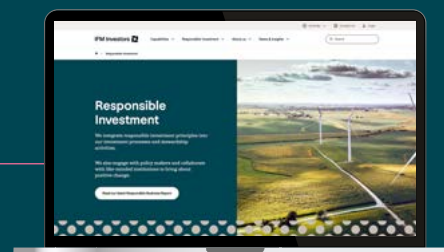
Summary of voting – proposal categories

Category	With Management	Against Management	Abstain
Audit / financials	33	-	-
Board related (other) ²	7	7	-
Capital management ³	45	4	1
Company statute changes	7	3	-
Corporate activity ⁴	7	-	-
Director elections	190	9	1
Director fees / grants	102	15	-
Meeting administration	1	-	-
Remuneration	65	21	-
Say on climate ⁵	1	-	-
Shareholder proposals - Climate Change	2	-	-
Shareholder proposals - Constitutional Amendment ⁶	2	-	-
Shareholder proposals - Other ⁷	1	-	-
Total	463	59	2

LEARN MORE →

IFM Investors' voting guidelines are available in our Group Environmental, Social and Governance Policy [here](#).

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



¹ Not included in count of Votes Against Management.

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

³ Relates to stock issuance and share repurchase, etc.

⁴ Relates to divestiture/spin offs, takeover provisions.

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

⁶ Proposals related to facilitating nonbinding proposals. IFM believes the regulatory process is a more suitable means for addressing this concern.

⁷ Shareholder proposal related to human capital management.

Climate change

In our January – June 2022 report, we highlighted the Woodside 2022 AGM and the company’s ‘say on climate’ vote that it offered to shareholders. The say on climate vote was a way for shareholders to communicate, via a dedicated AGM resolution, their opinion on the company’s climate strategy. The company received a significant against vote of 49%, which remains the largest against vote for any say on climate in Australia.

IFM engaged with the company following this vote, and we eagerly awaited its updated climate plan, which was announced in February this year. However, we were disappointed that the company’s climate strategy had not materially evolved. This prompted the question, ‘Why conduct a vote to gauge investor opinion and then do very little in response to an overwhelming lack of support?’. We were also disappointed that the company did not offer shareholders another say on climate at this year’s AGM, despite the lack of progress on its climate strategy.

We continued to meet with the company in the lead-up to the April AGM this year. We remain unsatisfied with the lack of a clear plan for how the company will transition its current capital allocation program that is heavily skewed towards new fossil fuel projects. We also have concerns about the company’s emissions reduction targets that are not ambitious enough or, in the case of scope 3, non-existent.

Our internal deliberations centred around what form of escalation was appropriate in the context of the AGM. We formed the view that following numerous engagements, formal letters to the company, and voting against its climate plan at last year’s AGM, we needed to escalate our lack of satisfaction with the company’s climate strategy.



This was the first time IFM has taken such a voting position ... and we hope that it will lead to change within the organisation.

At this year’s AGM there were three directors up for re-election, all three of whom are members of the sustainability committee. There was also a member statement co-filed by ACCR, Betashares and Vision Super that was published with a recommendation to vote against all three directors ([see here](#)). We decided to vote against two of the three directors purely on the grounds of lack of climate strategy progress.

We carefully considered voting against all three, but we determined that from a board stability perspective a vote against two of the directors was a proportionate position to take. We formally wrote to the company to explain our voting rationale and encouraged the remaining director to be a stronger voice and advocate for an improved climate strategy aligned with shareholder expectations.

This was the first time IFM has taken such a voting position for any ASX listed firm, and we hope that it will lead to change within the organisation.

We were pleased that the company has committed to a say on climate at next year’s AGM. We expect this will occur following a change in company climate strategy in response to the significant shareholder dissatisfaction recorded to date. We look forward to engaging with the company and further communicating our expectations on this important topic.

Inclusion and diversity

As members of ACSI, we are involved in various initiatives ranging from assisting in the production of government and other regulatory submissions and participating in various working groups focused on specific responsible investment issues, to updating governance guidelines and voting policies as required.

During the period, we endorsed an update to ACSI’s gender diversity voting policy. For companies that are in the ASX 300 index we expect a minimum of 30% of board positions to be occupied by females. We also encourage companies to develop and communicate a timeframe within which they will aim to achieve board composition of at least 40% males and 40% females. More information on ACSI’s updated gender diversity policy can be found [here](#).

While each company will be treated on a case-by-case basis, if this 30% expectation is not met it will likely result in a vote against individual directors who are most accountable for board succession and composition. During the period there were two occasions on which we voted against director re-elections due to insufficient board gender diversity:

- The first involved a vote against an independent chair who presides over a company with only one female director. It is also a board that is not majority independent. We voted against a director election at this company last year based on a lack of gender diversity, and we are disappointed that the issue has not been sufficiently addressed. Our vote against an independent chair in the context of a board that is not majority independent itself is a signal that the company is a laggard and needs to improve its board gender diversity as a priority. We also formally wrote to the company explaining the rationale for our voting decisions.
- The second related to a company with only one female director on the board, and our vote was against the Managing Director of the company, again, due to a lack of sufficient gender diversity. We formally communicated to the company that our against vote did not reflect their performance or skill but was solely due to gender diversity considerations. In engagements with the company we learned that it is yet to articulate a timeline for improving the gender composition of its board. We were, however, pleased to hear that around 30% of senior management is female.

Remuneration and governance

Following NRW Holdings' AGM last year, we wrote to the board to explain our decision to vote against its remuneration report. We were concerned with the Earnings Per Share metric in the incentive structure that did not reflect any return on capital considerations. This can lead to poor practices and incentivises growth and acquisitions with no regard to the return on additional capital invested in generating those returns. We also communicated that a gearing metric is not suitable as part of an incentive structure, as it should be considered part of the ongoing managerial responsibilities for the executive team, in particular the CEO and CFO. We requested that this be removed from the remuneration structure in future.

During the period we met with NRW Holdings to discuss remuneration and we were pleased that the company had taken on our feedback and requests. While it is still implementing a gearing target, this will not be used to assess management performance. The company is also moving to a relative total shareholder return measure to better align the shareholder experience with executive remuneration and will improve its disclosures in a desire to

Rio Tinto update

IFM has had extensive engagement with Rio Tinto following both the Juukan Gorge incident and the Respect@Work report, the latter having highlighted elevated cases of bullying, racism and harassment in Rio's workforce. During the period we met with company representatives including Chair Dominic Barton and Australia CEO Kellie Parker.

In a previous meeting, the Chair shared his view that employee engagement surveys are a good way to measure culture, and that he reads all the comments made by staff, which, by volume, are in the tens of thousands. In our most recent meeting, he commented that employee engagement improvements do not necessarily correlate with an improvement in culture. This was not to say the culture had not improved at Rio, but rather, effective ways for the company to measure the success of its actions had not been easy to identify. We do believe the company is committed to ensuring a safe environment for workers and eliminating discrimination.

Regarding engagement with First Nations people and communities, the company acknowledges there are lasting effects from its actions at Juukan Gorge. We were pleased to hear about the ongoing work regarding a set of signals and signposts to indicate whether progress towards free prior and informed consent is being met. We noted with interest that the process of obtaining permits (including consent from First Nations groups) is a much higher priority than it was previously, and that this directly impacts the company's capital allocation decisions.



improve transparency. We will continue to discuss the return on capital measure with the company in future engagements.

Following its AGM last year, we wrote to an ASX listed company where the family ownership of the company and family members' positions on the board is significant. We expressed our concerns about an insufficient number of independent directors, requested the company appoint an independent chair, and, at the same time, improve the gender balance on its board, which at that point comprised 17% females. We were pleased to receive a response from the company acknowledging our requests and advising us that it would be raised at an upcoming board meeting.

We recently met with the company to receive an update on its board composition plans. We learned that while interviewing high calibre independent chair candidates, it also conducted an internal review on what makes the company unique and successful. The review indicated that, in large part, this was due to family representation at the leadership level (management, board, and chair). Despite the

willingness to appoint an independent chair, the company has pivoted away from this strategy.

The company did communicate to us that it will appoint additional independent directors and that its intention is to have independent directors lead board committees such as the audit committee. It will also seek gender balance in the independent director cohort of the board. While we strive for a majority of independent directors to ensure that the rights of minority shareholders are adequately considered, we believe that this company has demonstrated long-term thinking in the development and execution of its business plan and that consideration of minority shareholders remains a crucial element of its success. The company also sees itself as adhering to ASX governance standards.

We were also pleased that the company acknowledged the benefits of a more gender diverse board. Given that actions speak louder than words, we will be monitoring board appointments closely and continuing to engage with the company to ensure that these commitments are actioned.

Advocacy and government engagement

In addition to our stewardship activities to promote the responsible management of ESG issues at individual listed companies, IFM also seeks to use our size and access to positively influence the broader market. Through our government engagement activities, we aim to collaborate, advocate and contribute to the development of policy that supports a shift towards a more sustainable financial system. Key themes within this work align closely with those guiding our stewardship activities. Some of our recent advocacy and government engagement activities are outlined below.

Advocating for a just transition

IFM supported advocacy efforts for the creation of a federal Net Zero Authority, including those led by the ACTU. The Net Zero Authority, recently announced by the Federal Government, will support workers in emissions-intensive sectors to access new employment, skills, and support as the net zero transformation continues, coordinate programs and policies across government to support transition and new industry development, and help facilitate investor engagement with net zero transformation opportunities.

Treasurer's Investor Roundtables

IFM participated in the first Treasurer's Investor Roundtable on housing in late 2022, and alongside a number of industry super funds, supported the National Housing Accord which seeks to address the supply and affordability of housing. IFM is exploring the opportunities and challenges with regard to institutional investment into social and affordable housing, including key worker housing, and how to deliver scale and long-term risk adjusted returns.

IFM also participated in the second Treasurer's Investor Roundtable on energy in April 2023. Participation provided IFM with an opportunity to engage business leaders and the highest levels of government in discussions on opportunities and barriers to investment in Australia's energy transition and potentially supporting government policies. More broadly, we continue to engage across federal and state governments to provide an investor perspective on the energy transition in Australia.



We were pleased to hear the government announce the establishment of a Commonwealth Anti-Slavery Commissioner, with funding allocated from the 2023-2024 Federal budget.

Modern slavery

During the period the Australian government released a report regarding a review conducted by Professor John McMillan of the Modern Slavery Act following its first three years of operation ([see here](#)). The report contained several recommendations relating to:

- Lowering the revenue threshold for reporting entities to \$50m (from \$100m);
- Changes to reporting periods;
- The addition of new mandatory reporting criteria; and
- Altering definitions to be consistent with the United Nations Guiding Principles on Business and Human Rights.

Most importantly, the report recommended that entities have a due diligence system and explain activities undertaken in accordance with that system.

We look forward to further progress regarding changes to the Modern Slavery Act.

We were pleased to hear the government announce the establishment of a Commonwealth Anti-Slavery Commissioner, with funding allocated from the 2023-2024 Federal budget. These developments occurred following the latest Global Slavery Index ([here](#)), which found that 49.6 million people worldwide now live in modern slavery, an increase of 10 million compared with five years earlier.

By our records Woolworths is the only ASX listed company to disclose a modern slavery incident in its supply chain, which we highlighted in our last report, and we commend the company on its disclosure and actions.

In recent months we met with another ASX listed company who has identified a modern slavery incident in its overseas supply chain. This incident is live with remediation currently taking place. Due to the sensitivities and stage of remediation we cannot name this company, however, it has committed to disclosing this in its annual modern slavery reporting. It has also offered us the opportunity to meet with management to discuss in more detail, post disclosure. At this early stage, we compliment the company on the efficacy of its governance systems and its overall approach to ensuring sustainable supply chains.



Proxy voting policy

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

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

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

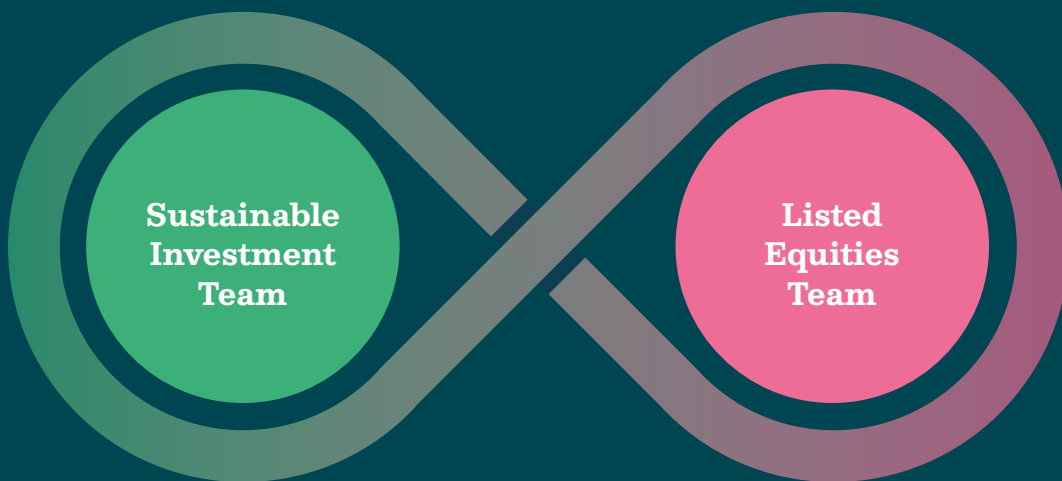
The PEC’s decision-making process aligns with IFM’s Responsible Investment Charter and the voting guidelines stated in IFM’s Corporate ESG Policy. In addition to input from IFM’s equities teams, this process also considers advice from independent, external research firms and proxy advisers.

In all instances, the PEC aims to ensure that any proxy advice and voting recommendations adopted are aligned and consistent with IFM’s own responsible investment policies.

IFM maintains independence when exercising its voting power and there are instances where our final voting decisions may differ from proxy advice.

More information on our approach to engagement and voting, our individual voting records, and our high-level Voting Guidelines are disclosed in the IFM Investors Group Environmental, Social & Governance (ESG) Policy available at: www.ifminvestors.com/responsible-investment

IFM Investors Proxy & Engagement Committee



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