Australian Listed Equities Engagement and Voting Report

July – December 2022

We act as a steward

We own assets on behalf of our investors, embedding environmental, social and governance (ESG) principles without compromising long-term returns.

IFM Investors believes the integration of environmental, social and governance considerations into our investment decisions creates value for our investors over the longer term.

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Aidan Puddy
Global Head of
Listed Equities

A note from the Global Head of Listed Equities

I am pleased to report on IFM Investors' engagement and proxy voting activity in relation to Australian equities for the period 1 July 2022 to 31 December 2022. 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 our Responsible Investment Charter 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 protect and grow the long-term retirement savings of working people.

Key highlights from the reporting period include:

- Leveraging our size and shareholder influence to help improve board structures and compensation practices by voting on 1558 resolutions. We voted against management in approximately 9% of cases.
- Engaging closely with AGL on its AGM and four shareholder-nominated independent directors.
- The assessment of companies' climate change plans in the context of providing shareholders a 'say on climate' during this AGM season.
- Engaging with companies on important social issues such as just transition and modern slavery.

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

Proxy voting summary

Listed Equities voting activity – 1 July 2022 – 31 December 2022

257	1558	1416	136	6
Number of company AGMs	Number of resolutions	Voted With Management	Voted Against Management	Abstained

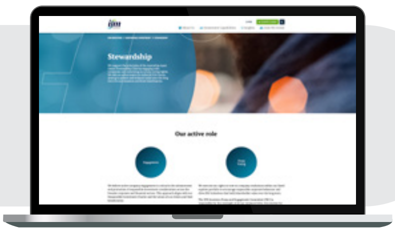
See table below for additional detail on 'Against' votes.
IFM abstained from voting on resolutions where we participated in placements.[1]

Summary of voting – proposal categories

Category	With Management	Against Management	Abstain
Audit / financials	31	–	1
Board related (other)[2]	40	9	-
Capital management[3]	59	5	5
Company statute changes	30	17	-
Corporate activity[4]	47	-	-
Director elections	600	20	-
Director fees / grants	342	47	-
Remuneration	239	37	-
Say on climate[5]	5	-	-
Shareholder proposals - Climate Change	10	-	-
Shareholder proposals - Constitutional Amendment[5]	8	-	-
Shareholder proposals - Other[7]	5	1	-
Total	1416	136	6

→ IFM Investors' voting guidelines are available in our Group Environmental, Social and Governance Policy available at: **www.ifminvestors.com/about-us/responsible-investment**

IFM Investors' searchable record of voting activity is available on our website at: **www.ifminvestors.com/about-us/responsible-investment/stewardship**



[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 proposals regarding cultural heritage, industry associations and the election of dissident board members.

Summary of activity

During the period 1 July to 31 December 2022 we continued to engage with companies in a variety of forums. This included 1:1 meetings with management, alongside superannuation fund representatives who are members of ACSI, as well as with other shareholders via our membership of various investor-led initiatives on multiple topic areas. Some of our key activities over the period are summarised below.

Focus on AGL

During the period, AGL held its AGM where major shareholder Grok Ventures, the private investment firm owned by Mike Cannon-Brookes, nominated four directors to the board of the company. This was a relatively uncommon situation in that Grok, which owns over 11% of the company, put forward these proposed directors not as nominees, but as independent directors.

IFM spent considerable time meeting with the existing AGL board as well as the candidates ahead of the vote. The AGL board shared with us their concern about whether these proposed directors could be classified as independent and vote independently. Our meetings and discussions enabled us to form the view that these proposed directors would act in an independent manner, and we observed that the Chair of AGL wrote in an article published by the Australian Financial Review that she agreed. The proposed directors had varying attributes to offer the AGL board and ultimately shareholders decided to vote in favour of all four directors joining the board.

It has been quite a destabilising time for the company, and we hope that a period of stability lies ahead for its board and senior leadership

Board composition and governance

Although AGL was the standout of the season in terms of attention on its AGM, there were many examples where we engaged or voted based on board composition and governance.

We continue to expect the companies in which we invest to adopt strong governance protocols and have diverse boards comprising a majority of independent directors. Where we feel this is not being met to our standards, we will typically vote against AGM resolutions, or communicate formally with the company.

During the period media reports surfaced on the appointment of investment bank Barrenjoey to advise BHP on its proposed acquisition of Oz Minerals. These reports centred on the fact that BHP Chairman Ken MacKenzie is also an adviser to Barrenjoey. We were concerned about the possible conflict of interest as well as noting the historical public comments made following his appointment as a Barrenjoey adviser, that Barrenjoey will not provide advisory services to BHP.

We sought clarification from the company regarding these matters and we received comfort that the decision to appoint Barrenjoey was made in the best interests of shareholders and that conflicts of interest were and are adequately managed.

Remuneration

This AGM season we were pleased to see some of the larger Australian companies show leadership regarding remuneration and executive accountability.

One example is Woolworths, which assessed the impact that employee underpayments had on historical profitability and made adjustments to bonus payments, recognising that these underpayments had overstated profitability and therefore bonus outcomes in those periods.

Transurban considered its accountability for the delays in the West Gate Tunnel project. Last year when we met with the company, its representatives told us they recognised there needed to be accountability for the delays and that they would look to action this once the cost to the company was known. It was therefore pleasing to see the company follow through on its commitment with reductions to short-term incentive outcomes for executives, ranging from the CEO who received the most significant reduction of 50%, 20% for executives who were there at the time of the original bid or involved in the dispute resolution process, and 10% for the remaining executives.

Another theme we saw this AGM season was some companies seeking approval to pay out termination benefits in excess of 12 months' salary, and in some cases this approval would give the company authority to pay an unknown amount. There is a statutory requirement that such a payment requires shareholder approval. Our stance is that we do not see how this can benefit shareholders and we voted against

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such resolutions.

We also voted against remuneration resolutions for issues such as:

1. Insufficient hurdles for bonus payments;
2. Bonus payments unlinked to performance objectives - i.e. based on continuous service only;
3. Altering the metrics that are being used for performance assessment for the apparent benefit of management; and
4. Rewarding management for poor company performance and meaningful shareholder cost.

We continue to believe that remuneration outcomes should be consistent with company performance and shareholder experience.

Climate

Climate change continued to be a significant topic in our engagements with companies over the period. This centred on IFM ascertaining and evaluating companies' approaches to managing their climate transition and physical risks.

We also met with companies which announced new or updated climate transition action plans. In many cases these announcements preceded a say on climate vote at companies' AGMs later in the year.

In our last report we referred to our vote against the Woodside say on climate at its AGM earlier this year. During the period we met directly with company representatives and shared our rationale and concerns about the company's long-term decarbonisation strategy. We also outlined our view that following its merger with BHP Petroleum, Woodside is a top 10 oil and gas company and that therefore expectations on it have increased, and there is an opportunity for it to take a leadership position in disclosure and transparency.

We understand that the company is considering not offering a say on climate at its AGM next year, and we are disappointed by this. Given the significant against vote (49%) we feel that a follow-up vote and associated engagement with the shareholder base are necessary activities for the company. We plan to formally communicate this to Woodside in the period ahead.

Say on climate highlights

During the reporting period, several companies offered shareholders a 'say on climate' at their AGMs. The 'say on climate' is a non-binding advisory vote on a company's climate change policy, actions, targets, and disclosures. It is different to a shareholder resolution relating to climate change as it is brought forward by the company, not shareholders.

We believe that 'a say on climate' is an effective way for companies to gauge investor support for their climate targets and activities by providing an avenue for shareholders to communicate their views. We are in favour of this vote being offered to shareholders on an annual basis.

AGL had committed to offer shareholders a say on climate some time ago, and it was pleasing to see that despite all the events at the company leading into the AGM that it proceeded with the vote. While there were some elements missing, such as detail regarding achieving its 2050 net zero Scope 3 ambition as well as its position on the use of carbon offsets, overall, given the acceleration in its exit from coal fired power generation to 2035, the company's climate plan was supported by 69% of shareholders. This support was perhaps more pronounced given its major shareholder, Grok Ventures, voted against the plan.

During the period, South32 announced a climate change action plan and offered shareholders a say on climate vote. While it may just be semantics, the company did not refer to its strategy as a climate transition action plan, but instead referred to it as a climate change action plan. This was done to recognise the importance of physical risk in its plan relating to climate change. There were two main additions to previous communications from the company, including a net zero 2050 Scope 3 target, and commitment that it will not develop or invest in greenfield metallurgical coal projects. The company has also recognised the importance of a just transition with this being a key current and planned component of activity. We thought the developments were positive and voted for the plan, as did a roughly 89% of shareholders.

Origin Energy announced its updated climate plan and provided shareholders with a say on climate vote. Given the announced earlier closure of the Eraring power station and the exit from gas exploration activities, the company received strong support for its plan, with 94% of shareholders voting for it.

Just transition

The notion of a Just Transition is an important

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one. According to the ILO, a "just transition means greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind".[8]

Earlier this year, Origin Energy announced that it had applied to AEMO to close its Eraring Power Station in the Hunter Valley in August 2025, giving all stakeholders three-and-a-half years notice of the closure. This announcement brought forward the targeted closure of the power station from 2032.

At the time of the announcement, the company stated, "Origin will consult with its Eraring workforce about the timing of any potential retirement, as well as providing a generous support package during any transition period. This will include re-skilling, career support and redeployment into new roles, where possible. Origin intends to engage with governments and the local community to determine the most appropriate transition planning for any eventual closure. This includes tailored transitional support for employees, continuing with current community commitments, sponsorship and donations out to 2032, and the establishment of a community fund."[9]

In our view, the responsibility to ensure a just transition is not borne by a single entity, and it requires support from companies, governments, and investors, among others.

During the period we met with Origin to understand what progress had been made, and we also met with local union officials who represent affected workers in the region. We are pleased to hear that the company announced it plans to install a 700MW battery on site and will remain a member of the local community. We were also pleased to hear that the company has offered individual meetings for employees to discuss the impact and opportunities and that these have had high take-up rates. We recognise this is an important topic without many best practice examples for companies to follow. This was reinforced when Origin told us that it doesn't have all the answers and is learning itself. We appreciated this transparent acknowledgement. The company also committed to at least an annual reporting of progress.

During the period AGL announced it anticipated closing its Loy Yang A power station in 2035. While this date is significantly later than Origin's date of 2025 for the closure of its Eraring power station, it does not diminish the task for the company. We met with the company and were pleased to hear that its Chief Operating Officer Markus Brokhof was on site on the morning of the announcement to answer questions from employees. We have also received reports that the transparency and stakeholder consultation for the closure of its Liddell power station have been of a high standard.

> **"Origin intends to engage with governments and the local community to determine the most appropriate transition planning for any eventual closure.**

Modern slavery

In our last report we noted Woolworths had identified a modern slavery incident and we engaged with the company during the period to understand the details. We were pleased with the level of disclosure and the course of action it took. We also learned more about the company's approach to modern slavery in its supply chain. Woolworths communicated how this event provided a learning experience for them and that it views the identification of issues as indicative that its audit programs are working.

During the period Ansell was named in a litigation matter in the USA by former workers at Malaysian rubber glove manufacturer Brightway Holdings, accusing them (and Kimberly-Clark Corporation) of knowingly profiting from alleged use of forced labour at the supplier.

According to the company, it was alleged that Brightway engaged in forced labour practices and that Ansell and Kimberly-Clark should be held legally responsible for Brightway's own actions and workplace conditions. The former Brightway employees have alleged that, through their purchases of products from Brightway, Ansell and Kimberly-Clark benefitted from Brightway's labour practices, in violation of a United States statute called the Trafficking Victims Protection Reauthorization Act (TVPRA).

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[8] https://www.ilo.org/global/topics/green-jobs/WCMS_824102/lang--en/index.htm
[9] https://www.originenergy.com.au/about/investors-media/origin-proposes-to-accelerate-exit-from-coal-fired-generation/

Ansell condemns all human rights violations, including the use of forced and child labour and is committed to actively identifying and addressing violations of labour rights within its supply chain. We met with the company during the period to understand what it is doing to identify, remediate, and prevent, modern slavery in its supply chain.

We learned that when the company has concerns about a supplier's practices, Ansell believes that it can have influence as a customer and that instantly terminating a business relationship may not be the best course of action. Its view is that this may not adequately incentivise a company to stop the behaviour and in some cases that it would place affected workers in a worse position. While the issue of excessive working hours, recruitment fees, passport holding and debt bondage appear to be declining in Ansell's supply chain, these activities continue to occur. Ansell hopes that joining the Responsible Glove Alliance will bring a further reduction in these activities as this initiative has the scale and authority to implement change. There is no doubt that there remains more work to do be done and we will continue to engage with the company and monitor developments.

In Australia, we met with Coles during the year to hear about the initiatives it is undertaking in its supply chain. We met with company representatives pre- and post- the release of the company's 2022 Modern Slavery report.

Coles has made considerable effort to improve accommodation conditions for horticulture workers in Australia. The company also cited organisational design and additional resources as key factors in improving its approach. From a governance perspective, the representations made in its public reporting require rigorous verification, assuring its senior leadership that the information is accurate.

Shareholder resolutions

This year BHP and Origin Energy received shareholder resolutions relating to disclosing climate sensitivity analysis in their audited financial statements, including a scenario aligned with limiting warming to 1.5 degrees Celsius.

In Origin's case, when it released its notice of meeting, it stated it did not support the shareholder resolution, given the request included sensitivity analysis on its exploration assets and it did not feel this was warranted for assets where an investment decision hadn't been made. However, it did commit to undertaking the climate sensitivity analysis using a 1.5-degree scenario for its operating assets in FY23. Given its announced exit from exploration, and the commitment by the company to undertake this activity for operating assets, the resolution was withdrawn by the proponent.

While the resolution for Origin was in relation to its integrated gas assets, BHP's resolution was in relation to all commodities. We engaged extensively on this topic with both the company and the proponent.

BHP has repositioned its portfolio of assets over a number of years, including the demerger of South32 in 2015 and the recent merger of the petroleum division with Woodside Energy. As a result, the company believes that many of its assets, such as copper and nickel, are likely to increase in value in a 1.5 degree world, and due to the company's historical cost accounting it is unable to write-up the value of these assets, which reduces the usefulness of the request.

The company indicated it is looking at ways to enhance disclosure in its 2023 annual report regarding the impact of a 1.5 degree global temperature rise scenario on its business, which is pleasing. We also look forward to the implementation of the International Sustainability Standards Board (ISSB) disclosures and believe this will contain useful information for shareholders.

This AGM season all four major banks received the same shareholder resolution relating to climate risk safeguarding, in particular the request for the company to disclose "*in subsequent annual reporting, information demonstrating how the company's financing will not be used for the purposes of new or expanded fossil fuel projects.*"

In all four cases at least 85% of shareholders voted against the resolution, as did we. In a broad sense we feel the banks are balancing the requirements to demonstrate their lending activities are largely in line with a net zero by 2050 scenario and the commercial reality of needing to work with clients through the energy transition. We are pleased that all four major banks have now signed onto the Net Zero Banking Alliance, which commits them to align their lending and investment

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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 Executive Director, Responsible Investment, 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).

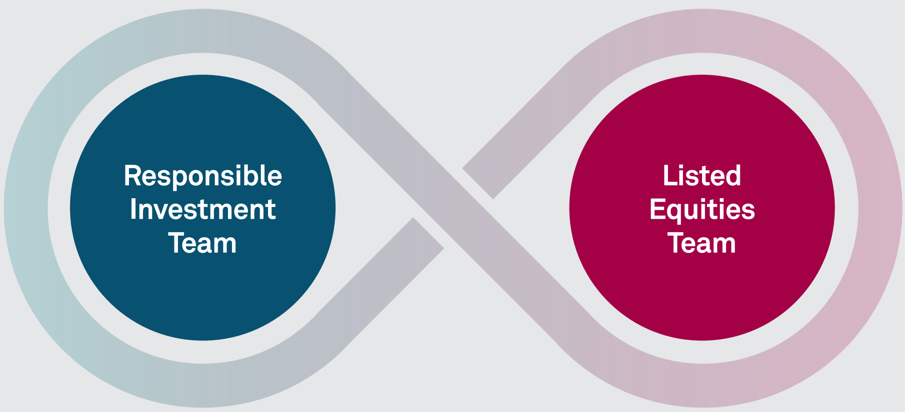
The PEC's decision-making process aligns with IFM's Responsible Investment Charter and the voting guidelines stated in IFM's Corporate ESG Policy. In addition to input from IFM's equities teams, this process also considers advice from independent, external research firms and proxy advisers.

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/about-us/responsible-investment

IFM Investors Proxy & Engagement Committee



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