

1 April 2021

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**House of Representatives Standing Committee on Economics (Committee)
Review of the Four Major Banks and other Financial Institutions –
Superannuation Sector (Inquiry)
Re: Questions in Writing**

IFM refers to the Committee's recent emails requesting responses to questions

- IFM78QW – IFM91QW
- IFM99QW
- IFM100QW – IFM113QW and
- IFM114QW

IFM notes the following:

- IFM Investors is the only funds manager to be called before the Committee.
- Answers to a number of the questions-in-writing have been previously provided to the Committee
- Many of the Committee's questions-in-writing regard the activity of superannuation funds. IFM Investors is not a superannuation fund.

We further note that IFM has co-operated with the Committee since 2019, appearing at its request on two occasions, and responding to over 100 Questions on Notice and many more during hearings.

To provide commercially sensitive information to the Committee, which its global peers and competitors are not required to do, would place IFM at a competitive disadvantage and could risk the investment returns to members. Further, in some cases, disclosure would constitute a breach of a commercial contract.

In the interest of co-operating with the Committee, IFM provides the following information.

IFM78QW

Please advise the total remuneration package of your:

- company secretary, and*
- Chief Executive Officer, including:*
 - total remuneration*
 - base salary*

- iii. *annual bonuses*
- iv. *deferred bonuses*
- v. *equity or other options*
- vi. *additional compensation not covered in the above.*

Response:

IFM makes remuneration disclosures to shareholders and regulators in line with all of its legal obligations, and has previously disclosed the Chief Executive and Deputy Chief Executive total remuneration to this Committee.

The following total remuneration for 2019/2020 is advised:

IFM Chief Executive: \$A664,315*

IFM Deputy Chief Executive: \$A1,368,066

*David Neal was appointed IFM Chief Executive in March 2020. Accordingly, the reporting period does not reflect a full year of remuneration.

IFM79QW

In the context of marketing and advertising campaigns:

- a. *How many are IFM Investors currently running individually, or in collaboration with others?*
- b. *How many have run, or are currently running since the beginning of calendar year 2020?*
- c. *What is the actual cost for each campaign (including development, production, broadcasting, and distribution) to 30 June 2020?*
- d. *What is the actual cost for each campaign (including development, production, broadcasting, and distribution) budgeted?*
- e. *What is the budgeted cost for each campaign (including development, production, broadcasting, and distribution) from 1 July 2020 – 31 December 2020?*
- f. *What is the budgeted cost for any existing or proposed campaigns (including development, production, broadcasting, and distribution) for the period 1 January 2021 – 30 June 2021?*
- g. *What is the budgeted cost for any existing or proposed campaigns (including development, production, broadcasting, and distribution) for the period 1 July 2021 – 31 December 2021?*

Response:

IFM's marketing costs are 0.8% of its total expenses.

The majority of IFM's marketing activities are directed to our global client base of over 500 institutional investors.

IFM has undertaken a brand awareness campaign in Spain, where IFM is a significant investor. The cost of this campaign is commercial-in-confidence.

IFM80QW

For each of the following categories, please provide the percentages of employees that are women, men, or who identify otherwise:

- a. *all employees*
- b. *non-executive employees*

- c. *executive employees*
- d. *senior executive employees.*

Response:

IFM can provide the following information on gender representation.

All Employees

June 2017

Female – 37%

Male – 63%

January 2021

Female – 43.8%

Male – 56.2%

Director level and above

June 2017

Female – 26.4%

Male – 73.6%

January 2021

Female – 36.6%

Male – 63.4%

Global senior executive team

July 2017

Female – 9%

Male – 91%

January 2021

Female – 36%

Male – 64%

IFM81QW

Do you have a target for the employment of:

- a. *women as a share of:*
 - i. *all employees?*
 - ii. *executive employees?*
 - iii. *senior executive employees?*
- b. *people who are gender non-binary as a share of:*
 - i. *all employees?*
 - ii. *executive employees?*
 - iii. *senior executive employees?*

Response:

IFM sets annual gender diversity targets. Achievement of these targets is included in the performance assessment of the global leadership team.

IFM Investors has also committed to HESTA’s 40:40 Vision, an investor-led initiative that aims to see women fill at least 40% of executive roles in the ASX200 by 2030¹.

Creating an inclusive and supportive workplace for gender non-binary people is considered best practice². IFM recognises that diverse workplaces produce better business outcomes, and our Inclusion and Diversity Strategy supports this.

IFM82QW

Valuations

- What data does IFM provide to valuation teams to assess the value of unlisted assets?
- When IFM provides data to valuation teams to assess the value of unlisted assets, does this include internal modelling of asset valuations?
- What assumptions are provided to valuation teams when assessing the value of unlisted assets?
- When valuation teams assess the value of unlisted assets, do they solely take account of past performance?
- When valuation teams assess the value of unlisted assets, what weighting do they take on the projected value of the market for such unlisted assets to inform their valuations?

For the past decade can you please complete the below table for each unlisted asset valued under your valuation policy.

Asset class	<i>i.e., Airport</i>	
Financial year	In-house valuation conducted by	External valuation conducted by
2010/2011	<i>i.e., Deloitte</i>	<i>i.e., Ernst & Young</i>
2011/2012		
2012/2013		
2013/2014		
2014/2015		
2015/2016		
2016/2017		
2017/2018		
2018/2019		
2019/2020		

¹ <https://www.hesta.com.au/4040Vision>

² “Do LGBT-supportive Corporate Policies Enhance Firm Performance?”, Shaun Pilcher et al, University of St Thomas, Minnesota, 2016, “Intersections at Work, Diversity Council of Australia & Pride in Diversity, 2020

Response:

Ensuring the valuations of IFM's portfolio companies are completed independently, appropriately and in compliance with applicable accounting standards is critically important.

Valuations of IFM's portfolio companies are performed quarterly by independent, expert third-party valuation firms, and are conducted in compliance with international accounting standards such as US Generally Accepted Accounting Principles (US GAAP) and International Financial Reporting Standards (IFRS).

A different independent valuation firm is appointed to value each of IFM's investments every three years.

Further, IFM's corporate auditor (currently Deloitte) reviews all of the independent valuations of IFM's investments on an annual basis to help ensure compliance with the applicable accounting standards. Deloitte does not act as the independent valuation firm for any of IFM's investments in its portfolio companies.

The information sought is commercially sensitive in nature and IFM believes that disclosure would create commercial risk when being sought from a single institution operating in a competitive business environment, and would not be in the interests of the fund members on whose behalf we invest.

IFM83QW

In the Financial Services Royal Commission documentation an 'Audit and Risk Management Committee' paper was compiled for CBUS ('Review of payments made to sponsoring organisations' — <https://financialservices.royalcommission.gov.au/public-hearings/Documents/Additional-exhibits-round-5/EXHIBIT-5.368.pdf>).

Please advise how many times, over the last decade, such a paper, or equivalent, has been prepared for:

- a. your Board?*
- b. a Board subcommittee?*
- c. executive management?*

Response:

IFM is not a superannuation fund and does not have sponsoring organisations.

IFM84QW

Greenhouse gas emissions

- a. Does IFM have an internal target for your own greenhouse gas emissions footprint by:*
 - i. 2030?*
 - ii. 2035?*
 - iii. 2040?*
 - iv. 2045?*
 - v. 2050?*
- b. Does IFM have a target for reducing greenhouse gas emissions from investments by:*
 - i. 2030?*
 - ii. 2035?*
 - iii. 2040?*
 - iv. 2045?*
 - v. 2050?*

- c. Does IFM intend to divest from investments if they do not reach their greenhouse gas emissions reduction targets by:
- i. 2030?
 - ii. 2035?
 - iii. 2040?
 - iv. 2045?
 - v. 2050?

Response:

IFM believes that it is in the financial interests of our investors, and their members and beneficiaries, that we have a plan to address the risks of climate change.

IFM Investors has committed to reducing greenhouse gas emissions across its asset classes, targeting net zero by 2050.

To support this commitment, IFM Investors has established a multi-disciplinary taskforce, led by its investment team, to consider the following:

- Establishing emission reduction commitments
- Developing policies for net-zero by 2050 transition plans for new and existing unlisted assets
- Enhancing investment decision-making and governance frameworks when considering climate change risks and alignment with emission reduction objectives
- Identifying investment opportunities in decarbonisation and climate-resilient assets, and aiming to ensure that IFM continues to develop capabilities to capture these opportunities
- The evolution of technologies, and better understanding likely transition pathways, especially in the energy mix

IFM believes that a divestment rather than transition strategy could be counterproductive as assets could potentially end up in the hands of managers who don't have the same net zero intent as IFM when it comes to reducing emissions.

IFM's work on our net zero commitment is expected to include interim emission reduction targets. We are happy to update the Committee on this work in the future.

IFM85QW

The New Daily

- a. Have you ever completed a cost benefit analysis of *The New Daily* to IFM?
- b. If so, when did you complete this cost benefit analysis?

Please provide a copy of the cost benefit analysis.

Response:

IFM Investors is a separate business to *The New Daily*. IFM is not involved in the operations of *The New Daily*.

IFM86QW

Over the past decade, how many non-disclosure agreements have you agreed to in relation to:

- a. *human resources issues?*
- b. *sexual harassment issues?*

Response:

- a. As is normal commercial practice for employers and employees when a separation of employment occurs, in certain circumstances, IFM Investors and employees have entered into agreements that include (among other things) confidentiality provisions. The number of such agreements is not publicly available and has not been sought from any other fund manager. IFM believes that disclosure of this information could therefore put IFM at a commercial disadvantage.
- b. None. IFM does not support the use of non-disclosure agreements with respect to the settlement of sexual harassment claims.

IFM87QW

IFM Investors made investments in Pacific Hydro between 2010 and 2020.

- a. *What write down was made on IFM Investors' valuation as a result of the investment decision?*
- b. *Please provide:*
 - i. *the names of the reports completed into that investment*
 - ii. *copies of the reports completed into that investment*
 - iii. *names of the reports completed into the internal governance by IFM Investors*
 - iv. *copies of reports completed into the internal governance by IFM Investors*
 - v. *a copy of the Project Primavera report.*
- c. *Please advise whether the following reports were completed by an internal or external party:*
 - i. *reports into that investment*
 - ii. *reports into internal governance*
 - iii. *the Project Primavera report.*

Response:

Policy uncertainty over renewable energy targets and other operational issues contributed to a write down of the Pacific Hydro valuation in 2014. After a thorough strategic review following the write down, IFM made the decision to divest the asset.

Pacific Hydro was sold to China's State Power Investment Corporation (SPIC) in January 2016 yielding a positive outcome for investors in the IFM Australian Infrastructure Fund, and their members.

Pacific Hydro was a case study in the Hayne Royal Commission. The Commission found no evidence that any trustee had failed to discharge their duties appropriately or had not acted in members' best interest with respect to this investment.

IFM is unable to provide the further detail requested due to commercial confidentiality.

IFM88QW

AusFund

- a. *Do you manage funds for AusFund?*
- b. *Between 2018 and 2019, IFM significantly increased its share of AusFund's funds under management by around \$400 million. How does IFM Investor address the conflicts of interest with the overlap of duplicate board members on IFM Investors and AusFund?*
- c. *Which funds participated in AusFund's cross fund matching program since 'Protecting Your Super' came into effect?*
- d. *What conflict management and disclosure process does IFM and Ausfund have in place?*

- e. *Is any remuneration of the directors of the board of IFM Investors and/or AusFund based on increases in funds under management?*

Response:

IFM advised the Committee in our response to IFM31QW on 28 February 2020 that IFM invests on behalf of Ausfund.

IFM further advised the Committee in its response of 28 February 2020 of the comprehensive conflicts policy that applies to Board members and employees.

IFM has no information about Ausfund's cross-fund matching program. IFM does not administer this program.

IFM89QW

For the past five years, please detail all financial transfers from IFM Investors to:

- a. *Industry Super Holdings*
- b. *The New Daily*
- c. *Industry Fund Services*
- d. *Industry Super Australia*

Response:

Over the past five years, IFM has paid dividends totalling \$A52.281 million to Industry Super Holdings and purchased insurance from IFS Insurance Solutions.

IFM90QW

During the first half of 2020 there were significant market movements because of the economic response to the COVID-19 pandemic. Please complete the following table outlining the total payouts and losses in foreign exchange hedging.

Response:

IFM is not able to provide an answer to IFM90QW on the grounds that it is market and commercially sensitive information.

IFM91QW

Attendance at Parliamentary hearings

If invited, would the Chair attend a hearing of the House of Representatives Standing Committee on Economics?

Response:

IFM's Chief Executive is the appropriate representative of the firm before the Committee.

IFM99QW

Further to the matters raised in IFM98QW, I understand that Rothschild (in 2017) and Evercore (in 2018) valued Aleatica Mexico at \$MXN 27 per share, based on discounted cash flows, in contrast to the IFM

Investors 2018 valuation of \$MXN 49 per share (approx.). Can IFM Investors please provide a response on why the valuations are different?

Response:

IFM Global Infrastructure Fund owns 100% of the shares in Aleatica SAU. Aleatica SAU in turn owns a majority of the shares in Aleatica SAB de CV (Aleatica Mexico), which is listed on the Mexican stock exchange and publicly traded. Therefore it is not appropriate to provide specific comments on its valuation.

As the Committee is aware, and as is the case with its interest in Aleatica, valuations of IFM's portfolio companies are performed quarterly by independent, expert third-party valuation firms, and are conducted in compliance with international accounting standards such as US Generally Accepted Accounting Principles (US GAAP) and International Financial Reporting Standards (IFRS).

A different independent valuation firm is appointed to value each of IFM's investments every three years. Further, IFM's corporate auditor (currently Deloitte) reviews all of the independent valuations of IFM's investments on an annual basis to ensure compliance with the applicable accounting standards. Deloitte does not act as the independent valuation firm for any of IFM's investments in its portfolio companies.

As previously advised, to the best of our knowledge, IFM is the only wholesale funds manager from which the Committee has sought evidence, and none of IFM's peers or competitors have been asked to provide any information (confidential or otherwise), or to appear before the Committee.

IFM100QW – IFM113QW

Response:

These questions relate to a range of investment, business, and operational aspects of superannuation funds.

IFM is not a superannuation fund and does not have members. IFM does not invest in the property asset class.

IFM100QW

In dollar terms, how much advertising space did your fund book (directly or indirectly through a broker or agent) in the second half of 2020 that was unused on:

- a. radio?*
- b. television?*
- c. print?*

IFM101QW

In minutes, how much advertising space did your fund book (directly or indirectly through a broker or agent) in the second half of 2020 that was unused on:

- a. radio?*
- b. television?*
- c. print?*

IFM102QW

Please complete the table for the last five financial years outlining your financial contribution to Industry Super Australia.

IFM103QW

What is your current policy on whether your funds are permitted to invest in:

- a. residential property?
- b. Build-to-Rent housing?

IFM104QW

What data do you have on the home ownership rates of fund members?

IFM105QW

Have you ever:

- a. completed **internal** research that includes retirement outcomes for fund members who own their home in retirement, compared to those who do not?
- b. commissioned **external** research that includes retirement outcomes for fund members who own their home in retirement, compared to those who do not?

IFM106QW

For the last five financial years, please complete the table for the average return on all your investments.

IFM107QW

For the last five financial years, please complete the table for investments across all your funds in all forms of residential property:

- a. in nominal value
- b. as a share of your total portfolio
- c. the average return on investment.

IFM108QW

For the last five financial years, please complete the table for investments across all your funds in Build-to-Rent property:

- a. in nominal value
- b. as a share of your total portfolio
- c. the average return on investment.

IFM109QW

For the last five financial years, please complete the table for investments across all your funds in social housing property:

- a. in nominal value
- b. as a share of your total portfolio
- c. as a share of your total portfolio the average return on investment.

IFM110QW

Please outline your policy on:

- a. Fund members using their superannuation fund for a deposit to buy their first home.*
- b. Retirees using their superannuation to: i. renovate their home
ii. pay rent.*

IFM111QW

Within your fund, what percentage of retirees in each of the last five financial years used their superannuation to:

- a. renovate their home?*
- b. clear their remaining mortgage?*

IFM112QW

Insurance premiums

- a. Have you ever deducted insurance premiums from fund members for insurance policies that they are not covered by?*
- b. Have you ever completed an audit to identify if insurance premiums have been deducted from fund members for insurance policies that they are not covered by?*

IFM113QW

Material distributed to members

- a. Have you ever distributed materials to members that state and/or suggest that:
 - i. members have coverage under insurance policies that they do not have?*
 - ii. members are required to keep a minimum balance in their superannuation fund?*
 - iii. their employer may be unwilling to contribute to another superannuation fund?*
 - iv. members require a statement of any kind from their employer to move away from your fund?**
- b. Have you ever completed an **audit** of materials distributed to members that state and/or suggest that members have coverage under insurance policies that they do not have?*
- c. Have you ever completed an **audit** to establish whether you have distributed materials to members that state and/or suggest that:
 - i. they are required to keep a minimum balance in their superannuation fund?*
 - ii. their employer may be unwilling to contribute to another superannuation fund?*
 - iii. they require a statement of any kind from their employer to move away from your fund?**

IFM114QW

Does IFM Investors have a 'special incentive scheme' for its global infrastructure team?

Response:

Yes. The Committee was advised of IFM's Special Incentive Schemes in our correspondence of 11 November 2019.



Yours faithfully,

David Whiteley
Global Head, External Relations
IFM Investors Pty Ltd