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**St. Louis Lambert  
International Airport**

**RFQ Submission**

November 1, 2019

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# 1 Cover letter

November 1, 2019

Dear Sir or Madam,

IFM Investors Pty Ltd (“IFM Investors” or “IFM”), on behalf of the IFM Global Infrastructure Fund and its subsidiaries (“IFM GIF”), and MAG Overseas Investments Limited, on behalf of the Manchester Airports Group (“MAG”) (together the “Team”) are pleased to submit a non-binding response (the “Proposal”) to the City of St. Louis (the “City” or “City of St. Louis”) in relation to the Request for Qualifications (“RFQ”) presented on October 4 2019 for a potential public-private partnership (the “Airport P3”) involving the St. Louis Lambert International Airport (“STL”).

This Proposal represents a compelling opportunity for IFM and MAG. We are pleased to confirm that the Team can meet all of the qualification requirements identified in Section VI of the RFQ. Furthermore, we believe our Proposal, taken as a whole, is truly unique in the context of the City’s objectives – delivering significant improvement to STL for all stakeholders, maximizing cash proceeds to the City and ensuring long-term investment in the community and economic development of the St. Louis region.

IFM Investors manages \$98 billion of investments for long-term institutional investors globally. The potential Airport P3 through IFM GIF presents an attractive investment opportunity for IFM that is consistent with our objectives of pursuing high quality infrastructure assets with long-term investment horizons and embedded growth opportunities. IFM has extensive experience working with governments to deliver public infrastructure and successfully transition assets to private stewardship. IFM also has extensive experience in owning and managing successful businesses in the airport and transportation sectors.

MAG is a leading United Kingdom airport group that owns and operates the Manchester, London Stansted and East Midlands airports that collectively handle 62 million passengers per year. MAG is a world-class operator with a proven record of successfully supporting and delivering passenger and cargo growth, airport development, and growth in property & non-aeronautical businesses.

We are therefore confident that the Team would be an exceptional operator of STL. We believe our Proposal offers a unique value proposition to the City, airport stakeholders and the St. Louis community as a potential long-term partnership.

We are enthusiastic about our Proposal and look forward to the opportunity to be included in the qualification phase of this process.

Yours sincerely,



**Adrian Croft**

Executive Director

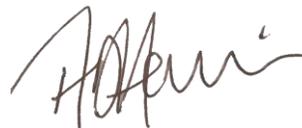
IFM Investors Pty Ltd



**Tom Osborne**

Executive Director

IFM Investors Pty Ltd



**Andrew Harrison**

CEO, Airport Services

Manchester Airports Group



**Martin Jones**

CEO & President, MAG USA

Manchester Airports Group

## 2 Executive Summary and Strategic Rationale

STL is a key US medium hub airport with a strong record of reliable operations, strategically located in a central geographic catchment area. We view the business as a high-quality enterprise and firmly believe that it could achieve its full potential under private stewardship. We are therefore pleased to submit our Proposal for a potential landmark Airport P3 in St. Louis.

Under our Proposal, IFM will be the lead equity sponsor for this transaction with MAG as its operating partner. IFM will enter into a management services agreement with MAG, under which MAG will be responsible for supporting the operations of STL. We are also exploring the potential for MAG to be a direct equity partner.

As outlined in Section 4, IFM and MAG have a long-established partnership in the successful investment and operation of key strategic airports. IFM is a long-term shareholder in MAG with 35.5% direct ownership alongside local municipal council groups as joint shareholders.

IFM is a global investment management firm with \$98 billion of funds under management and a leading franchise in global infrastructure investment. IFM has been investing in infrastructure for over 24 years and manages \$41 billion of direct infrastructure equity investments.

IFM invests in infrastructure in the United States and globally via IFM GIF. IFM GIF is a uniquely structured, open-end fund that seeks to match the long-term time horizon of its investors with long-life investments in high quality, core infrastructure assets. The fund has no set termination date and thus has no prescribed requirement to exit holdings, meaning IFM is optimally positioned to be a long-term partner to the communities it serves.

STL's core airport infrastructure therefore would represent a key strategic addition to the IFM GIF investment portfolio. Its operations are a strong fit for IFM GIF given IFM's record of investing in high quality, core infrastructure assets in the airport and transport sectors over a long-term horizon. Please refer to Sections 8 and 11 for an overview of IFM's comparable assets.

The Team can confirm that it has the capability and commitment to deliver on the City's objectives identified in Section II of the RFQ. We expect that the Team's combined extensive knowledge and expertise in managing and operating airports globally could be leveraged to unlock value for all stakeholders of STL.

### **Advantages of Our Proposal**

We believe that our Proposal offers the following compelling benefits to the City, airport stakeholders and the St. Louis community:

- **Experienced airport operators with strong sector expertise:** The Team has an outstanding record of managing and operating successful airport businesses of similar scale and scope to STL and is therefore uniquely positioned to deliver significant improvement to the airport for the benefit of all stakeholders. IFM has been investing in airports for over 20 years and manages a portfolio of 16 airports globally (including its investment in MAG), which collectively handle over 160 million passengers each year. MAG is a leading airport operator and has delivered substantial improvement and growth in the aeronautical and non-aeronautical operations of Manchester, Stansted and East Midlands airports through a successful partnership with IFM since 2013. MAG is also currently delivering major capex projects at Manchester and Stansted to position both airports for future growth. The Team can therefore draw upon extensive expertise in route development, operations, commercial development and capital delivery to add value to STL through growth strategies and best practice processes proven effective in similar businesses. Please refer to Section 4 for detail on the Team's airports expertise.
- **Strong record of commercial and property revenue development:** STL has significant excess capacity which can be utilized to unlock value for all airport stakeholders and the economic development of the St. Louis

region through this Airport P3. MAG is an industry leader in developing retail, car parking and property businesses, which together represent a substantial portion of its core revenue streams. MAG has directly relevant experience in unlocking value within its airport precincts and is currently leading the £1 billion (\$1.3 billion<sup>1</sup>) Airport City Development at Manchester Airport (please refer to Section 11.2 for further detail). IFM has an established record of investing in the long-term development of its assets and the communities in which it operates, supporting \$8.8 billion of capital expenditure by its portfolio companies over the last 5 years (please refer to Section 11.5 for further detail). The combination of the Team's industry leading commercial and investment expertise means it is uniquely positioned to deliver value to all stakeholders and contribute to the development of the St. Louis region through this Airport P3.

- **Maximization of value to the City:** The Team is uniquely positioned to maximize upfront and ongoing value to the City of St. Louis given its strong airport expertise and record of investing in core infrastructure assets over a long-term horizon. This is consistent with IFM's record of executing major public infrastructure transactions and optimizing proceeds to government. Key recent examples include the \$1 billion Indiana Toll Road concession agreement in the United States and the A\$16.2 billion (\$11.2 billion<sup>2</sup>) Ausgrid transaction in Australia. Please refer to Section 5 for further detail of IFM's record of executing public infrastructure transactions.
- **Successful record partnering with government:** The Team has extensive experience working alongside government and public entities through long-term constructive partnerships. IFM has successfully partnered with ten local municipal councils through its investment in MAG since 2013, facilitating substantial growth in the business over that time period and alignment on key long term growth initiatives, including the £1 billion (\$1.3 billion<sup>1</sup>) Manchester Airport Transformation Program. In addition, IFM has successfully formed transformative partnerships with government entities on major public infrastructure projects, facilitating the successful transition of Ausgrid, NSW Ports and Port of Brisbane to private stewardship in Australia. IFM is also a strong supporter of public-private partnerships in the United States. Please refer to Section 11.4 for further detail on the Team's partnerships with public entities.
- **Funding and execution certainty:** IFM has sufficient access to capital from its investors to fund the proposed transaction on a sole basis. Please refer to Section 5 for further detail on IFM's financial capability. IFM has a proven ability to execute large-scale infrastructure transactions. Since the beginning of 2013, IFM (through IFM GIF) has invested ~\$20 billion of investor equity capital across a total of 20 new and follow-on investments. IFM, as equity sponsor of the transaction, would provide execution certainty for the City of St. Louis and allow transaction proceeds to be deployed expeditiously into key projects and initiatives for the region.
- **Responsible managers of public infrastructure:** IFM GIF is an open-end infrastructure fund formed with the objective of delivering returns to its pension fund and institutional limited partners over an extended investment horizon. IFM is committed to delivering safe, reliable services to local constituents and infrastructure users, being critical partners in the long-term, sustainable value creation of the businesses it owns. MAG has demonstrated consistent alignment with these values through its excellent operating and customer service record. The Team aspires to be a long-term investor in the economic development of St. Louis and a strong corporate partner to the City and its residents. Please refer to Sections 4 and 11.6 for further detail of the Team's operating record and commitment to responsible stewardship of public infrastructure.

We believe an Airport P3 with IFM and MAG will provide an exceptional outcome for the City of St. Louis, STL's key customer & community stakeholders and IFM GIF's pension fund investors. Our proven record as a responsible, long-term steward of similar assets should provide comfort that IFM is well positioned to assume management of STL and support the ongoing growth & development of the business and St. Louis region.

### 3 Description of the IFM Investors Team

#### 3.1 Description of Team Members

IFM will be the lead equity sponsor for the Airport P3 and is partnering with MAG as an operator. IFM will enter into a management services agreement with MAG, under which MAG will be responsible for supporting the operations of STL. We are also exploring the potential for MAG to be a direct equity partner.

##### IFM Investors

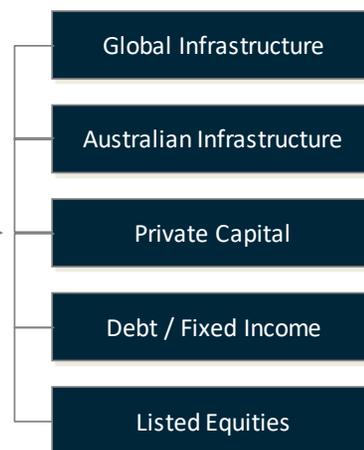
<b>Legal Name of Entity</b>	IFM Investors Pty Ltd
<b>Type of Business</b>	Investment Management Company
<b>Global Headquarters Location</b>	Level 29 Casselden, 2 Lonsdale Street Melbourne VIC 3000, Australia
<b>US Headquarters Location</b>	114 West 47 <sup>th</sup> Street, 19 <sup>th</sup> Floor New York, NY 10036, United States of America
<b>Location and Date of Incorporation</b>	Victoria, Australia December 18, 2003

IFM Investors is a global fund manager headquartered in Melbourne, Australia with \$98 billion of funds under management through various products including direct infrastructure equity, listed equities, private capital and debt investments. The firm employs more than 430 staff around the globe. Owned by 27 Australian not-for-profit pension funds, IFM Investors has offices in New York, London, Melbourne, Sydney, Tokyo, Seoul, Berlin, Zurich and Hong Kong.

##### IFM Owners and Investors



##### IFM Asset Class



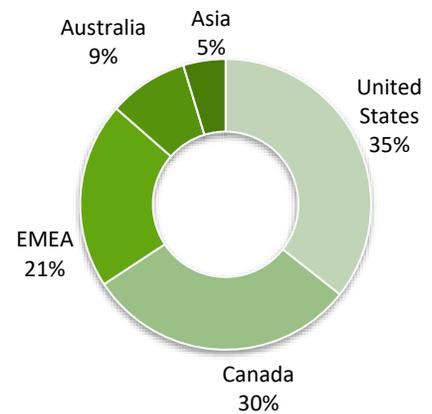
The acquiring entity of STL for IFM would be a subsidiary of IFM GIF. IFM GIF is a perpetual, open-end investment fund that continually raises new capital from institutional investors with long-term investment horizons. IFM GIF's investors include IFM's owners as well as other pension funds and institutional investors, who manage retirement savings on behalf of millions of workers.

The investor base of IFM GIF is spread across the US, Canada, Asia, Australia and EMEA. IFM serves over 100 US investors through IFM GIF. IFM GIF is a multi-series unit trust established in the Cayman Islands with feeder funds based in the US, the UK, Canada, the Cayman Islands and Australia.

The investment advisor to IFM GIF is IFM Investors, a limited liability company providing services to IFM GIF under an advisory and administration agreement. IFM Investors’ global infrastructure team is comprised of over 80 infrastructure specialists located in North America, Europe, Asia and Australia who have extensive transactional, portfolio management, financial and operational expertise in the utilities, energy and transportation infrastructure sectors.

Many of IFM’s pension fund owners are also investors in IFM GIF, ensuring a strong alignment of interests between IFM as a manager and advisor of long-term institutional investors and the ultimate beneficiaries of its funds.

**IFM GIF's Investors by Geography**



**Manchester Airports Group**

<b>Legal Name of Entity</b>	MAG Overseas Investments Limited
<b>Type of Business</b>	Airport Management Group
<b>Global Headquarters Location</b>	6th Floor Olympic House Manchester Airport Manchester, United Kingdom; M90 1QX
<b>US Headquarters Location</b>	100 N. LaSalle Street; Suite 900 Chicago, IL 60602, United States of America
<b>Location and Date of Incorporation</b>	England on February 11, 2015

MAG is a leading UK airport group that owns and operates three key airports, which collectively serve 62 million passengers each year and a catchment area covering over 75% of the UK population:

- Manchester Airport (MAN): major international airport serving over 28 million passengers per year across 3 terminals. It is the third largest airport in the UK and one of only two British airports with two runways. It is the global gateway to and from the North of Britain.
- London Stansted (STN): London’s third airport, and fourth largest in the UK, serving over 28 million passengers annually. It offers a European route network which is unrivalled in the UK, providing London with more visitors from Europe than any other airport.
- East Midlands Airport (EMA): international airport located between the cities of Derby, Nottingham and Leicester. It serves over 4.8 million passengers annually and is the UK’s largest dedicated freight hub, handling over 368,000 tonnes of freight per year.

IFM is currently supporting MAG’s investment in the £1 billion (\$1.3 billion<sup>1</sup>) Manchester Airport Transformation Program (MANTP). The project will expand the capacity of the airport to 50 million passengers per year by 2025 and is expected to create 1,500 jobs during the construction phase. Key construction works include a 150%

<sup>1</sup>Based on GBP/USD exchange rate of 1.29 as of October 29, 2019.

expansion in the size of Terminal 2, reconfiguring it to become the central terminal and enhancing rail and road access to the airport, as well as improvements to Terminal 3 and airfield infrastructure.

MAG also operates a growing portfolio of aviation-related businesses:

- **MAG Property:** airport property management company with over £550 million (\$710 million<sup>1</sup>) of investment property assets. MAG holds a 70% interest in the £1 billion (\$1.3 billion<sup>1</sup>), 5 million square feet Airport City development at Manchester Airport (please refer to Section 11.2 for further detail).
- **MAG Airport Services:** the international division of the business which includes MAG-O, an in-house digital and e-commerce airport agency, as well as the Corporate Development team.
- **MAG USA:** an airport services business delivering commercial solutions across car parking, airport lounges, as well as P3, retail and terminal developments in the United States.

## 3.2 Controlling Interest / Ultimate Ownership

### IFM Investors

As outlined in Section 3.1, IFM Investors is the investment advisor to IFM GIF, the acquiring entity of STL. The holding company for IFM Investors is Industry Super Holdings Pty Ltd, which is owned by 27 Australian not-for-profit pension funds. The major shareholders in IFM Investors include AustralianSuper, Cbus, Hostplus and Hesta.

### Manchester Airports Group

MAG is a holding company owned by IFM (through IFM GIF) and ten municipal councils of Greater Manchester, in North West England. The ownership breakdown is outlined below:

- **IFM Investors (35.5%)**
- **Manchester City Council (35.5%)**
- **9 Greater Manchester Councils (29%):** The Borough Council of Bolton, The Borough Council of Bury, The Oldham Borough Council, The Rochdale Borough Council, The Council of the City of Salford, The Metropolitan Borough Council of Stockport, The Tameside Metropolitan Borough Council, The Trafford Borough Council, The Wigan Borough Council

## 4 Operational and Management Capability

IFM and MAG are a highly experienced team with a proven record of successfully managing and operating large scale airports of a similar nature to STL over a long period of time. IFM manages a portfolio of 16 airports globally (including its investment in MAG), which collectively handle over 160 million passengers each year.

IFM has been investing in airports for over 20 years and has extensive experience managing airports and infrastructure businesses globally. IFM manages \$41 billion of direct equity investments with significant ownership positions and has control rights over key business decisions and activities. IFM seeks to leverage its in-depth airport and infrastructure expertise to drive the performance of its portfolio companies.

MAG is a large-scale national airport group with over 80 years of operational experience and a growing portfolio of aviation-related businesses, including three core strategic airports in the United Kingdom (Manchester, London and East Midlands). MAG's airports serve 62 million passengers annually, operate in a catchment area covering over 75% of the UK population, serve over 380 routes and interface with more than 70 airline customers.

<sup>1</sup>Based on GBP/USD exchange rate of 1.29 as of October 29, 2019.

MAG USA offers products and services for P3 and Terminal Developments, Airport Lounges and Car Parking Services. Launched in 2015, MAG USA is MAG's wholly-owned subsidiary based in Chicago, Illinois and employs more than 150 people throughout the United States. MAG USA has been highly successful in its four years of operations, with 12 lounge contracts (10 airports) and five car park service contracts (two in operation) secured as of October 2019.

MAG has a strong management team with deep industry experience and a proven record of driving growth in its airports. IFM and MAG commenced their long-term partnership with the acquisition of Stansted airport in 2013. Stansted airport has performed strongly since acquisition with consistent growth in passenger numbers, revenue yields and EBITDA, which is testament to the operational best practice that MAG and IFM are able to implement in assets under their stewardship. Since being acquired by MAG in 2013, the airport has grown annual passenger volumes by over 10 million (60 per cent).

IFM and MAG's experience of successfully operating and managing core, large-scale airports of a similar nature to STL are described in this Section.

## 4.1 Operational and Maintenance Expertise

### 1. Managing and Improving Other Commercial Airports

#### MAG Airports Portfolio

MAG continues to successfully implement its growth strategy across Manchester, Stansted and East Midlands airports, while driving value and delivering excellent service and safety standards to airport users. Since 2014, MAG has delivered an increase of over 18 million passengers and now handles 62 million passengers annually. Over the same time period, MAG has also reduced operating costs per passenger by over 15 per cent. MAG was the first group to operate carbon neutral airports in the UK and procures 100% of its electricity needs from renewable sources, with official accreditation achieved in 2016. MAG has also continued to deliver industry leading customer service, with Manchester voted Best UK Airport by a panel of travel industry leaders at the Travel Weekly Globe Awards in 2015, 2016, 2017 and 2018.

Key strategic priorities for MAG are to:

- Develop and expand MAG's route network, focusing on both full-service and low-cost carriers;
- Enter into long term commercial agreements with airlines and incentivize accordingly to meet their growth needs which will lead to increased passenger volumes and larger number of destinations served;
- Drive traffic growth, with a focus on MAN and STN, which are both supported by the Manchester Airport Transformation Program (MANTP) and Stansted Transformation Program (STP) capex programs;
- Maintain East Midlands Airport as the UK's largest pure freight airport with planned investment of over £1 billion (\$1.3 billion<sup>1</sup>) from global logistics companies which will keep the airport as a key strategic asset for global trade and commerce; and
- Expand and utilize the commercial opportunities obtained by being a global airport group.

The consolidated revenue and EBITDA of MAG for the year ended 31 March 2019 were £889 million (\$1,147 million<sup>1</sup>) and £380 million (\$490 million<sup>1</sup>) respectively.

<sup>1</sup>Based on GBP/USD exchange rate of 1.29 as of October 29, 2019.

### Manchester Airport (IFM ownership: 35.5%, acquired in 2013)

Asset Overview	
Scale of Scope of Operations	<ul style="list-style-type: none"> <li>• Third largest airport in the UK with over 28 million passengers per year</li> <li>• Network of over 60 airlines serving over 200 destinations, with direct routes across Asia, the Middle East, Europe and North America</li> <li>• Handles over 100,000 tonnes of import and export freight and mail annually</li> <li>• 23,400 people directly employed on-site</li> <li>• Land base: 560 ha</li> </ul>
Airfield Infrastructure	<ul style="list-style-type: none"> <li>• One of two UK airports with two full-length runways (the other is Heathrow)</li> <li>• Capable of handling all kinds of aircraft, including Code F aircraft such as Airbus A380s</li> <li>• Runway 1: 3,048m x 48m</li> <li>• Runway 2: 3,047m x 45m</li> </ul>
Terminal Infrastructure	<ul style="list-style-type: none"> <li>• Three terminals with current combined annual capacity of 30 million passengers</li> <li>• Potential to expand capacity to 50 million passengers on completion of MANTP, a £1 billion (\$1.3 billion<sup>1</sup>) capex program involving major terminal &amp; airfield construction and reconfiguration</li> <li>• Size: 230,000 square meters</li> </ul>
Non-aero operations	<ul style="list-style-type: none"> <li>• F&amp;B and Retail: 88 stores</li> <li>• Car parking: 31,000 spaces</li> <li>• 70% ownership in the Airport City Manchester joint venture, alongside the Greater Manchester Pension Fund and Beijing Construction Engineering Group. Airport City is a development project comprising over five million square feet of offices, hotels, logistics, advanced manufacturing and retail facilities (please refer to Section 11.2 for further detail)</li> </ul>

### London Stansted Airport (IFM ownership: 35.5%, acquired in 2013)

Asset Overview	
Scale of Scope of Operations	<ul style="list-style-type: none"> <li>• Fourth largest airport in the UK with over 28 million passengers per year</li> <li>• Only London airport with available runway capacity for planned traffic growth</li> <li>• Ryanair's largest airport base</li> <li>• Extensive network of 30 airlines serving over 200 destinations with more scheduled connections to Europe than any other airport in the world apart from Munich</li> <li>• Provides London with more visitors from Europe than any other airport</li> <li>• Land base: 957 ha</li> </ul>
Airfield Infrastructure	<ul style="list-style-type: none"> <li>• Single runway with annual capacity of 43 million passengers</li> <li>• Capable of handling all kinds of aircraft, including Code F</li> <li>• Runway size: 3,048m x 46m</li> </ul>
Terminal Infrastructure	<ul style="list-style-type: none"> <li>• Largest single-terminal airport in the UK</li> <li>• MAG is currently in the planning phase of the STP capex program, which will involve expansion and reconfiguration of the terminal to accommodate London's planned traffic growth</li> <li>• Size: 150,000 square meters with terminal capacity reaching 43 million passengers annually on completion of the STP capex program</li> </ul>
Non-aero operations	<ul style="list-style-type: none"> <li>• F&amp;B and Retail: 65 stores</li> <li>• Car parking: 33,000 spaces</li> </ul>

### East Midlands Airport (IFM ownership: 35.5%, acquired in 2013)

Asset Overview	
Scale of Scope of Operations	<ul style="list-style-type: none"> <li>Over 4.8 million passengers per year</li> <li>Centrally located, situated between the cities of Derby, Nottingham and Leicester. It is four hours by road from almost all UK commerce</li> <li>Plays a vital role in the UK international trade capability, as the UK's largest pure cargo airport with total annual cargo of 360,000 tonnes</li> <li>Deutsche Post DHL Group's second largest global hub and houses other operators like United Parcel Service (UPS)</li> <li>Land base: 440 ha</li> </ul>
Airfield Infrastructure	<ul style="list-style-type: none"> <li>Runway: 2,893m × 46m</li> </ul>
Terminal Infrastructure	<ul style="list-style-type: none"> <li>Single terminal covering 32,000 square meters, capable of handling five million passengers per annum</li> </ul>
Non-aero operations	<ul style="list-style-type: none"> <li>218 acres of business property space</li> <li>F&amp;B and Retail: 19 stores</li> <li>Car parking: 14,200 spaces</li> <li>Property: over 130 ha of non-aero real estate, including international freight facilities, warehouses and office space</li> </ul>

### MAG USA

Assets Overview	U.S. Airports	
<b>Escape Lounges Developed and Trading</b>	<ul style="list-style-type: none"> <li>BDL – Hartford Bradley Int'l Airport</li> <li>CVG – Cincinnati/Northern Kentucky Int'l Airport</li> <li>GSP – Greenville/Spartanburg Int'l Airport</li> <li>MSP – Minneapolis/St. Paul Int'l Airport</li> <li>OAK – Oakland Int'l Airport</li> </ul>	<ul style="list-style-type: none"> <li>ONT (2) – Ontario Int'l Airport</li> <li>PHX – Phoenix Sky Harbor Int'l Airport</li> <li>PVD – T.F. Green int'l Airport (Providence, RI)</li> <li>RNO – Reno/Tahoe Int'l Airport</li> <li>SMF (2) – Sacramento Int'l Airport</li> </ul>
<b>Commercial Car Parking Services</b>	<ul style="list-style-type: none"> <li>BUR – Hollywood/Burbank Int'l Airport</li> <li>ONT – Ontario Int'l Airport</li> </ul>	

#### Escape Lounges

- BDL Hartford, CT
- CVG Cincinnati, OH
- GSP Greenville-Spartanburg, SC
- MSP Minneapolis-St. Paul, MN
- OAK Oakland, CA
- ONT-2 Ontario, CA
- ONT-4 Ontario, CA
- PHX Phoenix, AZ
- PVD Providence, RI
- RNO Reno, NV
- SMF-A Sacramento, CA
- SMF-B Sacramento, CA

#### Commercial Car Parking Services

- ONT Ontario, CA
- BUR Burbank, CA



### Other Core IFM Airports

IFM adopts a highly active approach to asset management with respect to its portfolio, being a direct equity investor with control rights over key business decisions and activities. The IFM infrastructure equity team is a group of over 80 investment professionals and is resourced to add value to its portfolio companies in practical ways, including:

- **Strong Board governance** – IFM holds 60 seats across the GIF portfolio, maintaining ongoing oversight to drive performance
- **Direct secondments** – IFM personnel are often actively involved post initial investment to ensure a smooth ownership transition and to assist with key strategic projects on an ongoing basis
- **Sharing of best practices across the portfolio** – key areas of knowledge sharing include safety, customer engagement, operations, capital projects and financing activity

IFM has demonstrated a commitment to proactive asset management, safety & sustainability and continuous improvement in the operations of the portfolio companies described below.

#### Vienna Airport (IFM ownership: 40%, acquired in 2014)

Asset Overview	
Scale of Scope of Operations	<ul style="list-style-type: none"> <li>• Primary airport in Austria and gateway to Eastern Europe, handling more than 27 million passengers and 240,000 aircraft movements per annum</li> <li>• Network of 74 airlines and 205 destinations in 71 countries</li> <li>• Hub airport for Austrian Airlines and Eurowings Europe and a base for low-cost carriers including EasyJet, Lauda, Wizz Air and Veuling</li> <li>• Handle over 285,000 tonnes of freight cargo annually</li> </ul>
Airfield Infrastructure	<ul style="list-style-type: none"> <li>• 2 runways, each at least 3.5km in length</li> <li>• Capability to handle Code F aircraft</li> </ul>
Terminal Infrastructure	<ul style="list-style-type: none"> <li>• One central arrival hall divided into four major gate areas</li> <li>• Approximately 100 gates and parking positions</li> </ul>
Non-aero operations	<ul style="list-style-type: none"> <li>• F&amp;B and Retail: over 90 stores in an area covering 19,000 square meters</li> <li>• Car parking: approximately 22,000 spaces</li> </ul>
IFM Director Representation	<ul style="list-style-type: none"> <li>• Two Board seats</li> </ul>

### Melbourne Airport (IFM ownership: 25%, acquired in 1997)

Asset Overview	
Scale of Scope of Operations	<ul style="list-style-type: none"> <li>• Second largest airport in Australia, servicing 36.7 million passengers and 244,000 aircraft movements per year</li> <li>• Network of 41 airlines and 74 local and international destinations</li> <li>• Handles over 305,000 of import and export freight annually</li> <li>• 20,000 jobs hosted on site</li> <li>• Land base: over 2,600 ha</li> </ul>
Airfield Infrastructure	<ul style="list-style-type: none"> <li>• Operates a two runway system (North-South: 3.6km long, 60 meters wide / East-West: 2.3km long, 45 meters wide) that is capable of handling Code F aircraft</li> <li>• Current runway capacity of up to 60 aircraft movements per hour</li> </ul>
Terminal Infrastructure	<ul style="list-style-type: none"> <li>• Four terminals (one international, three domestic)</li> <li>• Supported by 60 ha of apron hosting 80 aircraft parking stands and 42 jet bridges</li> </ul>
Non-aero operations	<ul style="list-style-type: none"> <li>• F&amp;B and Retail: 115 stores across 17,870 square meters of floor space</li> <li>• Car parking: 23,795 spaces</li> <li>• Property: 470 ha of non-aero real estate, including a business park and hotel precinct</li> </ul>
IFM Director Representation	<ul style="list-style-type: none"> <li>• Two Board seats</li> </ul>

### Brisbane Airport (IFM ownership: 20%, acquired in 1997)

Asset Overview	
Scale of Scope of Operations	<ul style="list-style-type: none"> <li>• Third largest airport in Australia, servicing 23.4 million passengers and 213,000 aircraft movements per year</li> <li>• Network of 35 airlines and 83 local and international destinations</li> <li>• Handles over 122,000 of import and export freight annually</li> <li>• 24,000 jobs hosted on site</li> <li>• Land base: 2,700 ha</li> </ul>
Airfield Infrastructure	<ul style="list-style-type: none"> <li>• 2 parallel runways (one currently under construction), each greater than 3.5km in length</li> <li>• Each runway is capable of handling Code F aircraft and 50 aircraft movements per hour</li> </ul>
Terminal Infrastructure	<ul style="list-style-type: none"> <li>• Two terminals (one international, one domestic)</li> <li>• Over 40 jet bridge gates</li> </ul>
Non-aero operations	<ul style="list-style-type: none"> <li>• F&amp;B and Retail: over 90 stores</li> <li>• Significant on-site car parking, including one major multi-level facility.</li> <li>• Significant land base for non-aero operations and development activities. Currently undertaking a 50 ha development of the Auto Mall precinct, a multi-purpose auto retailing hub</li> </ul>
IFM Director Representation	<ul style="list-style-type: none"> <li>• One Board seat</li> </ul>

## Darwin International Airport (IFM ownership: 77%, acquired in 2001)

Asset Overview	
Scale of Scope of Operations	<ul style="list-style-type: none"> <li>• Tenth largest Australian airport, with 2.2 million passengers and 89,500 aircraft movements per year</li> <li>• Network of 21 local and international destinations</li> <li>• Handles over 305,000 of import and export freight annually</li> <li>• Land base: 311 ha</li> </ul>
Airfield Infrastructure	<ul style="list-style-type: none"> <li>• Two runways, with capability to handle Code E aircraft</li> </ul>
Terminal Infrastructure	<ul style="list-style-type: none"> <li>• Single terminal covering 27,000 square meters</li> <li>• IFM supported a A\$75 million (\$52 million<sup>1</sup>) expansion project in 2014, the largest terminal upgrade in the airport's history</li> <li>• 13 gates</li> </ul>
Non-aero operations	<ul style="list-style-type: none"> <li>• F&amp;B and Retail: 12 stores</li> <li>• Car parking: approximately 2,000 spaces</li> <li>• Property: 80ha land base available for commercial use</li> </ul>
IFM Director Representation	<ul style="list-style-type: none"> <li>• Four Board seats</li> </ul>

IFM has ownership interests in airports across the globe, in addition to those described above. Please refer to Section 11.1 for an overview of IFM's global airports portfolio.

### **2. Managing Facility Maintenance / Repair and Procurement of Related Materials**

The Team has substantial expertise in managing facility maintenance and repair activities over decades of experience owning and operating airport infrastructure. Given the critical importance that procurement and third party contracting plays in delivering safe and reliable airport services, this is a significant area of operational 'know-how' that is shared and leveraged across the Team's portfolio. MAG's approach to facility maintenance and procurement is described below.

#### **A. Facility Maintenance / Repair**

MAG has a well-invested asset base with a discretionary growth plan triggered by demand and has spare runway capacity. MAG continues to invest in the Airports' facilities, including maintenance of existing assets together with a modular investment program, to improve airline and passenger experiences at the Airports. MAG's approach to asset management is underpinned by its commitment to the coordination of activities that realize value from its assets. MAG's asset management principles are summarized below:

MAG Asset Management Principles
<ol style="list-style-type: none"> <li>1. Ensure that our assets comply with Statutory, Regulatory, Health &amp; Safety, Security and Environmental standards.</li> <li>2. Operate an Asset Management System that is consistent with the strategic objectives and plans of our airports, and the requirements of relevant ISO standards.</li> <li>3. Make decisions based on developing modern and customer focused infrastructure.</li> <li>4. Place "Whole Life Value" at the heart of asset decision making, ensuring return on investment is maximized over the long term.</li> <li>5. Use a risk management-based approach to developing and maintaining assets, informed by criticality, whole-life cost and long-term asset health.</li> </ol>

6. Maintain information systems to provide a single version of the truth, ensuring high quality asset intelligence reporting across the business.
7. Set clear asset performance objectives and publish regular asset performance reports, including long-term asset health projections.
8. Unlock the potential of employees by making sure they have the data, documents, skills and tools they need to work safely and effectively, and promote innovation through collaboration across MAG.
9. Meet our commitment to be a responsible sustainable business through good asset management practice.
10. Have a platform for governance and continuous improvement by having clear accountability for asset management policy, strategy, processes and procedures.
11. Communicate Asset Management principles to employees, business partners and suppliers so that they understand their role in ensuring that our assets deliver optimal performance.

MAG's approach to maintenance is based on Planned Preventative Maintenance (PPM) which enables the reduction of reactive maintenance activities and costs, while retaining buildings and assets in the desired or needed quality. MAG's maintenance activities include:

- Condition-based maintenance: planned preventative maintenance conducted based on the use, current state, deterioration, and deterioration tendency of the asset. Aimed at predicting when an asset failure might occur and to prevent occurrence of that failure by performing the right maintenance. Condition-monitored maintenance applies to assets that can communicate their actual status in real time.
- Time-based maintenance: planned preventative maintenance conducted based on the specified time elapsed by reference to a database library of maintenance activities with pre-set frequencies of execution for that asset. These frequencies can be based on warranties, supplier instructions, legislation or experience based on historic maintenance activities.
- Reactive maintenance: repair intervention conducted after identifying fault / damage / functional deterioration with the intention of preventing a breakdown.

## B. Procurement

Key to the ongoing maintenance of MAG's asset base is its dedicated procurement and contracts team. The team is responsible for the development of strategies to support the effective procurement and management of all third party goods, works and services across its assets. This involves ensuring appropriate controls and best practice processes are in place to balance the operational needs of the business, while optimizing value for all stakeholders and adhering to all relevant regulations, including the UK's Utilities Contracts Regulations 2016.

MAG's "Procurement and Contracts Sourcing Process" has achieved external accreditation from the Chartered Institute of Procurement and Supply ("CIPS"). Key supply contracts sourced in accordance with this gated process include: capital & construction, facilities management, engineering, professional services, IT, air traffic control services, utilities, insurance and security & screening equipment.

Under IFM's ownership since 2013, MAG's team has implemented continuous improvement of its procurement processes, focused on enhanced collaboration across business units and efficient structuring of procedures for spend management, project management & governance. The initiatives have resulted in a substantial increase in procurement spend coverage and approximately £15 million (\$19 million<sup>1</sup>) of annual cost savings, while maintaining service standards and regulatory compliance. MAG was recognized for "Best Process Improvement Initiative" and "Overall Winner" at the 2017 CIPS Supply Management Awards for its procurement program.

### **3. Familiarity with FAA regulations and Procedures, Airport Operations, Construction and Maintenance Standards**

MAG USA currently operates concessions and commercial parking services at 11 different US airports. These operations have given the MAG USA team experience with airport operations, safety & security and other regulatory processes & procedures. Additionally, MAG USA has recruited and hired team members with US airport operating experience, familiarity with FAA regulations and procedures as well as industry construction and maintenance standards. This experience includes, but is not limited to, the following FAA regulations and procedures:

- Funding: AIP entitlement and discretionary grants (including Letters of Intent) and PFC applications.
- Environmental: NEPA processes for large airfield and terminal programs as well as airport noise compatibility programs.
- Airport and Runway Safety: various requirements including annual Part 139 certification.
- Airport Compliance: grant assurances and other regulations/policies.
- Engineering Design & Construction: coordination for large airfield and terminal programs.
- Planning & Capacity: TAF coordination, NPIAS and ACIP inclusion and RPZ compliance.

In addition, the Team's airports have a long history of compliance with local and international regulatory standards.

For example, MAG's airports are governed under Civil Aviation Authority ("CAA") regulating aligning to ICAO Annex 14 and have a long established record of audited compliance with these standards, including:

- EU legislation requires airport operators to obtain an Aerodrome License from the National Aviation Authority, which in the UK's case is the CAA. MAG has demonstrated compliance with regulatory requirements in order to hold such a license and verifies this with inspections and audits undertaken by the CAA at 15-month intervals.
- MAG's Safety Management System and Aerodrome Manual has been endorsed by the CAA. Today, MAG's Safety Management System is used by the CAA as a best practice benchmark.
- It is a requirement to name an Accountable Manager to the CAA and each MAG airport therefore has a nominated Accountable Manager. The Accountable Manager, along with other key post-holders, meets quarterly with the CAA to discuss any business changes and strategy in order to ensure CAA compliance is maintained.
- The competencies of MAG's key post-holders are regularly assessed against the CAP 700 Aerodrome Competencies operational safety requirements to ensure that they have the necessary expertise, at the appropriate level, to formulate and implement systems to adequately manage safety in areas including airside and flight safety, aircraft operations and loading and airside vehicle safety. Any proposed changes to personnel, processes and policies are assessed by way of a documented management procedure to ensure they do not result in gaps in aeronautical competencies at any of MAG's airports.
- Each of MAG's airports has its own dedicated Security Manager and Compliance Manager/Officer. This allows MAG to work closely with the Department for Transport ("DfT") at different levels to ensure full security compliance. For example: the airport's on-site team works with local DfT inspectors who have responsibility for particular aerodromes; the on-site management will also have relationships with the

Regional DfT inspectors and where appropriate at a national level; and, finally, at a group level MAG has long established relationships with the DfT with regards to (i) National Policy (ii) Research and Development and (iii) Learning and Development.

- Such arrangements allow MAG to be compliant with ICAO, European (EC300 and EC185) and UK DfT directions (the Single Consolidated Directive (SCD) which contains the UK's 'More Stringent Measures' (MSM)). MAG applies the requirements of the Airport Security Planning Guidance issued by the DfT to create a risk register and Airport Security Plan to ensure that MAG has the right structure and risk-based management approach, working closely with Control Authority partners.
- MAG submits all of its airport designs and plans to the DfT for their approval and sign off before any changes are made. MAG applies its own internal policies and procedures to each piece of legislation against which it is then audited by regular DfT inspections. In addition to inspections by local DfT inspectors, each airport is subject to a full audit on a four-year cycle. Furthermore, the EU authorities have the power to audit any UK airport in conjunction with the DfT.
- MAG has a strong, positive working relationship with the DfT at a regional and national level to the extent that MAG is an accredited security training provider to industry on behalf of the DfT.

#### **4. Experience with facilitating airport passenger growth via route development and marketing**

Through a portfolio of 16 airports around the globe that handle more than 160 million passengers annually, the Team has developed extensive relationships with a network of both full-service and low-cost carrier airlines. The Team has an established record of facilitating substantial growth in its airports through marketing, incentivizing the successful route development efforts of new and existing airline customers and advocacy with key industry stakeholders such as tourist organizations and industry groups. The Team also recognizes its important role in promoting its service areas as tourism destinations.

Key examples of successful passenger growth initiatives delivered by the Team are outlined below.

##### **A. MAG**

As a national airport group, MAG is also able to achieve deep engagement with carriers and create cross-opportunities between its airports and extensive relationships with more than 80 global airlines. Passengers across MAG's airports total 62 million annually, representing an increase of over 18 million passengers since 2014.

##### ***i. Stansted Airport***

A salient example of the Team's route development expertise is the significant uplift in passenger growth at STN since 2013. Prior to the Team's ownership, the airport had not experienced any passenger growth for several years. Traffic had been falling from a peak of 23.8 million passengers in 2007 to 17.5 million passengers in 2012. Since acquisition in 2013, annual passengers have increased by 10.9 million to exceed 28 million in total (a 62 per cent increase) and its share of London passenger traffic has increased significantly. Key components of MAG's strategy to grow passengers include:

- *Developing key strategic relationships with low-cost carriers* – STN actively facilitates the growth of its principal airline customer and Europe's largest airline, Ryanair. STN has implemented a long-term commercial agreement under which Ryanair is incentivized to meet passenger traffic in exchange for financial rebates. STN represents Ryanair's largest base, positioning STN to capture growth in the low-cost carrier market.

- *Broadening the carrier network and widening the route base* – STN actively monitors underserved routes within its significant catchment area and seeks to bring new carriers to unlock passenger growth. In 2017, Jet2.com commenced operations at STN with an initial six aircraft serving over 20 destinations, being its first ever base. Strong demand has resulted in Jet2.com doubling the number of aircraft based at STN to 12 and expanding its route network to 38 destinations. STN has also expanded the breadth of long-haul routes with its existing customers, such as the recent introduction of daily Emirates flights to Dubai.
- *Incentives structure to stimulate capacity utilization* – STN has implemented innovative pricing structures based on the value of peak capacity. STN is able to take advantage of its significant capacity compared to other London airports to drive passenger growth and reduce volatility in volumes.

IFM has also actively supported MAG in the promotion of passenger growth at STN. IFM commissioned a report by Volterra highlighting the “Growth in the East of England and the Role of Stansted.” The report is part of an engagement program with regional business leaders on the role that new direct international routes play in regional economic growth and the importance of continued improvement in connectivity and investment in infrastructure at the airport.

## **ii. Manchester Airport**

MAN has experienced strong growth over the last 5 years, with annual passengers increasing from 20.8 million to 28.6 million (a 38% increase). A key driver of growth at MAN has been development of new direct, long-haul routes to capture incumbent demand in its catchment area. This has involved engaging with prospective key global airline customers and developing proposals for growth by MAG’s existing airlines.

The strategy of broadening the route base has led to a focus on new markets such as Beijing, Hong Kong, Doha, Houston, Addis Ababa and San Francisco. The opening of routes into new markets has reduced passenger leakage from MAN to airports in London as more passengers are able to fly direct from MAN.

### **B. Melbourne Airport**

Melbourne Airport has grown international traffic by 137% from 4.7 million in 2008 to 11.2 million passengers in 2018. International passenger growth has been driven by the airport’s targeted approach to key strategic Asian markets, particularly China. Over the past decade, 10 new Chinese routes have been launched with new airlines such as Air China, Hainan Airlines and Air Asia commencing services at the airport. In addition, existing airlines, such as China Southern, have substantially ramped up the frequency of their services. Other key growth markets for the airport have included India, Sri Lanka, Japan, the Philippines and Vietnam. Over the past decade, Melbourne’s market share of total Australian international passenger traffic increased from 20% to 27%, with the airport playing a key role in promoting the city as a tourism destination.

### **C. Brisbane Airport**

Brisbane Airport has successfully grown international traffic by 5.6% p.a. over the past 5 years, with direct engagement with key industry stakeholders and marketing campaigns playing a key role in the airport’s growth strategy. In 2018, Brisbane Airport hosted the Routes Asia 2018 conference, the leading aviation route development forum for Asia. In November 2019, the airport is also scheduled to host the global IATA airline slot conference, which will be attended by more than 1,200 delegates from over 230 airlines across the world. The events provide Brisbane Airport with a unique opportunity to further relationships with major route planners, showcase the airport’s capabilities and promote tourism in partnership with industry bodies such as Brisbane Marketing and Tourism Australia. Brisbane Airport’s active promotional efforts have supported the recent development of new international services such as Qantas’ inaugural flight to Tokyo (Narita), Etihad’s daily direct

flight to Abu Dhabi, the first China Eastern flight to Shanghai, a new Air Canada service to Vancouver and a fourth daily Singapore Airlines flight to Singapore.

## 4.2 Capital Improvement Experience

The Team has substantial experience in successfully delivering major capital projects across its airport and broader infrastructure portfolio on time and within budget. This includes major airport transformation projects which are evidence of the Team's directly relevant expertise to deliver the scope of capital works likely to be required at STL under an Airport P3, such as the Manchester Transformation Program (MANTP) and Stansted Transformation Program (STP).

As an operator of MAN and STN, which are the third and fourth largest airports in the United Kingdom respectively behind Heathrow and Gatwick, MAG is required to deliver capital improvement to its airports in a highly disciplined manner. This is because MAG operates in a highly competitive environment and therefore seeks to ensure that its capital programs represent an attractive value proposition to its customers as it seeks to compete for new market share and attract passengers to MAN and STN. The MANTP and STN projects currently being undertaken by MAG are outlined below.

### Manchester Airport: MANTP

The £1 billion (\$1.3 billion<sup>1</sup>) project commenced construction in July 2017 and will expand the capacity of the airport to 50 million passengers per year by 2025, enabling the airport to utilize its existing dual runway capacity. The project is anchored around a reconfiguration of the airport to make Terminal 2 the central and largest terminal building, increasing its current footprint size by 150%. The enlarged terminal will feature a single check-in hall, provision for self-service bag drop, upgraded purpose-built security areas, a redeveloped departure lounge and a significant upgrade & expansion of existing baggage facilities.

The project also features upgrades to terminal infrastructure, including an expansion of the taxiway system, a reconfiguration of existing flows via dual taxiways to optimize aircraft movements and an increase in the number of aircraft stands.

The program has been split into phases, delivered via 34 separate modular packages of work. The procurement and contracting strategy seeks to provide upfront cost certainty, while maintaining maximum flexibility to vary the pace of delivery in response to market changes and minimize the impact on existing operations.

MAG has awarded contracts for approximately 70 per cent of the total project budget. The main airfield and apron contract was awarded to Galliford Try and the terminal expansion and related car parking was awarded to Laing O'Rourke.

Approximately 45% of the total project budget has been spent and it is currently on time and on budget. The first major new operational assets, including a new pier, multi-story car park and some airfield stands, became operational in April 2019.

Once complete, the MANTP will deliver a substantial improvement in the facilities and infrastructure at the airport, enabling it to accommodate new technologies & operating processes and to cater for growth in demand over the coming decades. The project is a key component of MAG's strategy to compete effectively with other airports across Europe to attract new airlines and passengers to MAN.

### London Stansted Airport: STP

The £530 million (\$684 million<sup>1</sup>) STP project, expected to reach completion in 2027, is intended to provide infrastructure to meet forecast demand, optimize use of the single runway and simplify passenger flows.

The initial phase of the project involves the construction of 28 additional check-in desks, 1,000 additional seats, and new retail offerings and enhancements, as well as eight remote aircraft stands. Significant progress has been achieved on the initial phase of work to date and it is on track to be completed by the end of 2019. To date, STN has completed 12 of the check-in desks, all eight aircraft stands and the additional seating, reconfiguration of the landside terminal and domestic baggage reclaim to optimize retail strategy, together with over 6,000 new car parking spaces.

The subsequent packages are phased and modular and can be flexed to match forecast demand. Key works include a dedicated passenger arrivals building with over 33,000 square meters of floor space, 8,000 multi-story and surface car parking spaces, a second passenger security screening area and an expanded departure lounge. In addition, enhancements to airfield infrastructure are planned, such as the construction of new rapid access and exit taxiways to support an increase in two-way peak capacity from 50 to 55 two-way movements per hour and 12 remote aircraft stands.

The project will enable STP to compete more effectively for traffic in the London market by increasing peak terminal capacity to 43 million passengers annually, optimizing the utilization of existing capacity on the single runway.

### Other major capital projects

In addition to the MANTP and STP projects currently underway, the Team has demonstrated its expertise in successfully delivering the following projects (in progress and completed):

- *London Stansted Terminal Rehabilitation* – The £80 million (\$103 million<sup>1</sup>) Terminal Transformation Project at London Stansted, delivered in 2014, has resulted in substantial improvements to the passenger experience and optimization of commercial yields. The works involved doubling retail airside space with 100% footfall for all retailers, a new security area with additional lanes & dedicated channels, the introduction of a new 25,000 square feet walkway through the duty free store and 70 per cent more seating.
- *East Midlands Runway Resurfacing Program* – The successful resurfacing of the 3,000 meter runway at East Midlands Airport represents an innovative model in global airport runway solutions. The project was designed with cargo and passenger airlines to ensure minimal disruptions, with work performed over seven weekend closures. The project involved handling of 58,000 tonnes of asphalt and was delivered with zero accidents during 100,000 safe working hours.
- *Melbourne Airport* – Melbourne Airport has successfully delivered major capital projects including the construction of a new terminal and ground transport hub.
  - New domestic terminal (T4) – A\$300 million (\$207 million<sup>2</sup>) terminal development completed in 2015 following a three-year construction period. The terminal was custom designed to low-cost airline requirements and has capacity to handle ten million passengers a year.
  - Multi-level ground transport hub – A\$250 million (\$173 million<sup>2</sup>) transport hub constructed at the new Terminal 4, a new multimodal facility for public transport, passenger pick-up & drop-off and car parking.

- Planned developments – Melbourne Airport is also undergoing planning for major developments over the next decade, including construction of a third runway (targeted completion in ~2025) and a proposal to build an airport rail link in partnership with IFM and Federal and State governments (see Section 11.4).
- *Brisbane Airport* – Brisbane Airport has successfully completed major terminal and airfield capex projects and is currently in advanced stages on construction of a new runway.
  - Parallel Runway Project - ~A\$1.3 billion (\$0.9 billion<sup>1</sup>) new runway system which is 3.3km long with more than 12km of taxiways, navigational aids and airfield infrastructure. The project will effectively double the airport’s current capacity. Construction is advanced stages and is due to reach completion on time and budget in mid-2020, following the initial commencement of works in 2012. The project is the largest aviation construction program in Australia and the world’s first privately funded runway.
  - International Northern Terminal expansion - ~A\$135m (\$93 million<sup>1</sup>) project completed in early 2018 following a two year construction period. The expansion delivered 11,000 square meters of terminal space and 55,000 square meters of new pavement, new taxiways and three new aircraft parking bays.
  - International Terminal redevelopment - ~A\$45 million (\$31 million<sup>1</sup>) project completed in late 2015 on time and budget following an 18 month construction period. The project added 4,600 square meters of floor space and was awarded with the Queensland Property Council Award 2015 for excellence in design.
- *Freeport LNG* – IFM has successfully supported the \$5 billion Train 2 development at Freeport LNG, a natural gas liquefaction and export facility located in Freeport, Texas. Engineering and procurement activities are now complete and construction is nearing completion. The project has delivered an excellent safety record over its years of construction relative to industry benchmarks, driven by extensive employee training and the ability to effectively manage contractors at the site.

### 4.3 Customer Service

The Team has a long-established record of delivering the highest standards of service safety and reliability to airport users, which is key to the long-term sustainability and growth of its airport businesses. In addition, the Team has demonstrated a willingness to actively engage with industry, government and community bodies to ensure that the ongoing operation and development of its airports satisfy the expectations of key stakeholders.

#### 1. Maintaining productive ongoing productive relationships with government entities

The Team has extensive experience working alongside government and public entities through long-term, constructive partnerships. Key to the success of these partnerships is an alignment of interests – IFM invests over a long-term horizon and is therefore committed to service quality, safety & reliability and ongoing investment to support the enduring value of its assets.

#### A. MAG

MAG functions under a unique ownership model in which IFM and Manchester have joint control of the Board, despite each having a 35.5% economic interest. Please refer to Section 3.2 for details of MAG’s underlying ownership.

IFM was selected as preferred partner by the municipal council shareholders in 2013 due to IFM’s extensive airport experience and alignment as an owner seeking to invest in the development of MAG’s airports over a long-term horizon. The Board continues to operate effectively and shareholders have demonstrated strong alignment on major business plan, capital investment and funding decisions, including agreement to undertake the £1 billion (\$1.3 billion<sup>1</sup>) MANTP project in 2017.

## B. Other IFM Assets

Examples of IFM’s successful partnerships with government and public entities include:

- Indiana Toll Road: IFM supported an agreement with the State of Indiana in September 2018 which generates \$1 billion of new proceeds to the State in exchange for concession and lease agreement amendments.
- Vienna International Airport: IFM has joint ownership alongside the State of Lower Austria, the City of Vienna and an employee trust. IFM has successfully collaborated with these entities since 2014, as demonstrated by their current partnership in the airport’s terminal expansion program. The expansion is targeting an increase in the R&B and retail floor space from 20,000 to 30,000 square meters and an optimized passenger experience, consistent with the airport’s objective to achieve a “5-star” Skytrax Airport rating (currently “4-star”).
- Melbourne Airport: a consortium led by IFM and Melbourne Airport submitted an unsolicited proposal to the Victorian Government in September 2018 to build and operate the Melbourne Airport Rail Link, representing a A\$5 billion (\$3.5 billion<sup>2</sup>) funding commitment. The proposal is currently being assessed by the Victorian Government.

Please refer to Section 11.4 for further examples of IFM’s successful government partnerships.

## 2. Providing excellent customer service to the travelling public

### A. MAG

MAG is an industry-leading airport operator and continues to invest in the improvement of customer services as a source of competitive advantage. MAG continues to win service awards including:

- MAN was voted Best UK Airport by a panel of travel industry leaders at the Travel Weekly Globe Awards in 2015, 2016, 2017 and 2018;
- MAN was awarded Best UK Airport 2017 at the Travel Bulletin Star Awards;
- STN was voted Airport of the Year 2016 at the London Transport Awards;
- MAN was voted Best Airport Over Six Million Passengers 2014 by the Airport Operators Association; and
- STN was voted World’s Best Airport for Low-Cost Airlines for four years in succession by Skytrax (2011, 2012, 2013 and 2014).

MAG has also demonstrated a strong commitment to customer service through MAG USA, whose Escape Lounges are rated best in class across the TripAdvisor, Yelp, Google and Facebook platforms.

## B. Other IFM Airports

Other examples of commitment to service quality within IFM's portfolio include:

- Brisbane Airport, which has been voted the as the "Best Airport" in the Australia / Pacific Region by Skytrax in 2011, 2016 and 2019. In addition, the airport has received the following recognition of its service quality and airport management:
  - Oceania's Leading Airport at the 2019 World Travel Awards, recognition of the high quality of passenger experience at the airport
  - The Australian Competition and Consumer Association (ACCC) has retained a favorable rating for the airport's quality of service for 15 consecutive years
  - Routes Asia Marketing Awards winner in the greater than 20 million passengers category in 2019
  - World Routes Award Best Airport in the 20-50 million passenger category in 2019
- Melbourne Airport, which was ranked 23<sup>rd</sup> in Skytrax's 2019 global airport rankings.
- Vienna Airport, which was ranked 19<sup>th</sup> in Skytrax's 2019 global airport rankings.

### 3. Delivering safe and efficient operating conditions to airlines

#### A. MAG

Safety is the number one priority of MAG's airport operations. MAG operates a group-wide Safety Management System (SMS), a comprehensive framework encompassing organizational structures, accountabilities, policies and procedures. MAG is certified against the international standard for Health and Safety, OHSAS 18008, recognition of the high quality safety management system in place. The SMS is in compliance with relevant international ICAO legislation and is subject to auditing internally and externally by the Civil Aviation Authority, the UK aviation regulator.

MAG challenges itself to set rigorous safety targets across the group and seeks to continuously enhance safety conditions across its airport sites. MAG has established the Our Vision Zero initiative, which sets a target of no reported injuries to anyone across its airports throughout the year.

#### B. Other IFM Airports

Safety for customers, employees and all airport users is the highest priority for IFM. IFM regularly conducts safety reviews at its assets and shares knowledge across the portfolio through periodic safety round tables. Following the completion of all new investments, IFM conducts a third-party safety audit and provides resources for continual safety improvement. Additional examples of IFM's commitment to delivering safe and efficient operating conditions to airlines within its portfolio companies are described below.

- Melbourne Airport is committed to achieving safety excellence through the identification and implementation of industry-leading safety practices. This includes the implementation of a Safety Management Standard, consisting of 20 industry best practice requirements which apply to all employees, contractors, tenants and service providers at the airport, as well as a comprehensive governance framework.
- Brisbane Airport is focused on delivering safe and efficient operating conditions through a comprehensive Workplace Health and Safety (WHS) management system. A key focus of the airport's airside safety system is its approach to wildlife hazard management, which implements strategies to

actively mitigate the risks associated with local species and habitats. Brisbane Airport's WHS system and practices were externally audited by SAI Global and Norton Rose Fulbright Australia during 2018 with positive results achieved.

#### **4. Maintaining active public relations functions targeted at travelers, taxpayers and airport tenants**

##### **A. MAG**

MAG is committed to maintaining highly active levels of communication and engagement with all airport users and the local community. This is consistent with MAG's highly sustainable and community-focused approach to its growth strategy.

An example of MAG's active approach to public relations is the Manchester Airport Consultative Committee, which includes members such as local municipal councils, amenity groups and groups representing airport users such as consumer, employee and environment stakeholders. The Committee meets on a quarterly basis, is attended by the airport's Chief Operating Officer and provides a structured forum for information exchange and dialogue between the airport and key stakeholders. The Committee monitors progress on current community issues such as environmental monitoring & management initiatives (particularly aircraft noise and track keeping), community complaints and development proposals. In addition, there are also two sub-committees that also meet quarterly:

- The Technical Advisory Group, which focuses on the external interface of the airport, covering ground transport, environmental controls & policy, airline performance and airfield operations issues;
- The Airport Users Advisory Group, which is responsible for advising on matters involving the operation of the terminals and passenger facilities.

MAG maintains its leading External Communications function using in-house resources, with a centralized team based in London collaborating with local staff at each airport and in the MAG USA business. Its primary function is to positively influence the decisions of key stakeholders by enhancing the MAG brand family through mainstream and social media. MAG's customer service function has an active presence on social media, providing a valuable information service and utilizing monitoring technology to actively respond to any customer complaints of operational issues at its airports.

MAG actively engages with the community through direct outreach and regular solicitation. Each year, MAG commissions an annual review to ensure that it continues to serve the needs to community stakeholders. In 2018, MAG held 99 outreach events to enable passengers, councilors, airlines, local businesses and charities to explain the issues that are important to them. MAG also seeks to build trust through direct investment in community initiatives, supporting 223 local groups with £0.9 million (\$1.2 million<sup>1</sup>) of donations in 2018. Further detail of MAG's investments in community initiatives is described in Section 11.6.

## B. Other IFM Airports

IFM drives its airport portfolio companies to maintain active public relations functions and engagement with key stakeholders, with key examples described below.

- Brisbane Airport regulatory hosts community exchanges and maintains the Brisbane Airport Community Aviation Consultation Group (BACACG) that provides an independently-chaired forum for community members to raise issues. In 2018, the airport conducted 23 community presentations, hosted 95 tours for community groups across the airport and provided 2,800 responses to written enquiries from the public.
- Melbourne Airport coordinates consultation groups that provide advice about the future planning and operations of the airport, including a Planning Coordination Forum, Community Aviation Consultation Group and Noise Abatement Committee.

## 4.4 Safety and Security

### 1. Knowledge of airport safety and security management and methodologies, including TSA security plan approval process

#### A. MAG

As noted in Section 4.1, MAG USA currently operates concessions and commercial parking services at 11 different US airports. These operations have given the MAG USA team experience with airport safety and security, as well as TSA regulations. MAG USA has also recruited and hired team members with US airport operating experience, which includes knowledge of safety and security management as well as TSA security requirements.

As a UK-based airport operator, MAG operates to EC 300 European Standard of Security overlaid with the CAA/DFT imposed More Stringent Measures (MSMs). All passenger security and airfield security operations are run in-house with the highest standard of staff training and technology applied across the board. MAG's approach to process technology (e.g. smart security lanes, body scanners) and cybersecurity have been introduced at other major international airports and MAG continually invests in technologies (e.g. biometric screening) to remain state of the art.

MAG has worked extensively with a wide range of security-related government bodies including the US Secret Service, UK Counter Terrorism Police, local police forces and Air Traffic Control provider NATS. MAG has worked effectively with these bodies in coordinating high profile official visits and developing national defense procedures.

#### B. Other IFM Airports

IFM's airports have a long history of compliance with local and international safety and security frameworks. For example, IFM's Australian airports (which are listed in Section 4.1) are required to comply with the Aviation Transport Security Act 2004 and aviation Transport Security Regulations 2005 as administered by the Department of Home Affairs, in accordance with international standards administered by the International Civil Aviation Organization (ICAO). Other public safety and security agencies that may interface with Australian airports include Border Force (border control operations), Australian Quarantine and Inspection Service (AQIS), Australian Federal Police, Australian Transport Safety Bureau (ATSB), Airservices Australia and Civil Aviation Safety Authority (CASA).

## **2. Experience in emergency response support**

MAG is highly experienced in emergency response procedures and ensures alignment across its airport operations through the following Emergency Planning Committee structure:

- A central cross-airport Emergency Planning Board: chaired by airport senior management and direct reports, the aim of this forum is to review the implementation of emergency process change and ensure absolute internal alignment to safety objectives
- A multi-agency, external-focused Emergency Planning Committee: quarterly forum of subject matter experts from all external responders (including fire, ambulance, police services, air traffic control and local authority public health organizations). The committee reviews recommendations for emergency procedures and analyses best practices from off-airport incidents.
- An inter-departmental Emergency Planning Committee: involving all internal stakeholders to align the airport's internal emergency procedures to both ensure business continuity and the efficient dissemination of required information.

In addition, MAG has invested considerable time and resource in developing a world-class fire service team. MAG operates one of Europe's largest live fire training facilities and offers accredited fire and rescue training to some of the world's largest airports including Hong Kong International Airport, Oman International Airport and the Australian National Fire Service. The site is one of the most sophisticated of its kind and is highly acclaimed in the emergency responder community, being capable of simulating almost every type of fire scenario.

## **3. Background in relevant traffic engineering standards, specifications, policies, practices and processes**

MAG has extensive experience in managing landside operations through an in-house team, including traffic management, car park operations, forecourt management, airside and landside bussing, monitoring, control and asset maintenance. Full capability is retained in-house as MAG operates private road networks at its airports, including Manchester Airport.

At Manchester Airport, maintenance and development of the road network is undertaken to meet UK standards such as Design Manual for Roads and Bridges (RMRB), Manual for Streets (MFS), Specification for Highway Works (SHW). The road network at Manchester Airport is compliant with all UK standards. Traffic flow control is monitored 24 hours a day in a central control room, utilizing CCTV, automatic number plate recognition, traffic control lights and remote operation of car park barriers & payment machines. MAG's control processes and procedures for landside operations are documented as part of a comprehensive framework, which is audited and maintained at regular intervals.

Manchester Airport's landside operations team has recently introduced drop-off charging as a traffic control measure and has successfully reduced congestion from recirculating vehicles around the terminal.

## **4. Environmental management expertise**

### **A. MAG**

MAG has strong expertise in managing key environmental issues at airports, including emissions, air quality and aircraft noise. MAG works collaboratively with key stakeholders at its airports, such as airlines and aviation agencies, in managing these issues on an ongoing basis.

### *i. Emissions*

MAG continues to be a leader the drive to reduce carbon emissions in the UK airport sector. MAG was the first group to operate carbon-neutral airports in the UK and procures 100% of its electricity needs from renewable sources. MAG's airports have received ACI's Airport Carbon Accreditation for carbon neutrality and are certified against the international environmental management standard ISO 14001.

### *ii. Air Quality*

MAG has experience in proactively minimizing pollution generated by ongoing operators, as demonstrated the implementation of the following initiatives:

- Single engine taxiing to and from the runway;
- Use of electrical ground power for aircraft, where available on stand;
- Use of a consolidation center for retail and food & beverage outlets at the airport to reduce the number of heavy vehicle journeys required;
- Active promotion and investment in sustainable transport initiatives and infrastructure.

### *iii. Noise Management*

MAG has strong credentials in working with a range of stakeholders to reduce both the impact of noise and noise levels associated with aircraft. MAG is experienced in strategic noise mapping and has developed comprehensive noise action plans, which are in place at its airports and available to the public. Through a combination of reporting, policy, planning and mitigation, MAG has demonstrated a transparent approach to noise management and a commitment to being a respectful neighbor to the community.

MAG has world-leading experience in the application of modern flying procedures to mitigate aircraft noise impacts. At London Stansted Airport, MAG led a partnership initiative alongside airlines and NATS (the UK air traffic service provider) that resulted in an 85 per cent reduction in the number of people directly overflown. This was achieved through the application of advanced navigation technology, enabling aircraft to fly extremely accurately along a designated flight path. The award-winning, collaborative effort was supported by MAG's in-house air traffic control experience at East Midlands Airport.

## **B. Other IFM Airports**

IFM has extensive experience managing environmental issues at its airports, including risks associated with per- and polyfluoroalkyl Substance (PFAS) contamination and ongoing management of aircraft noise impacts.

An example is Melbourne Airport, which follows the PFAS National Environment Management Plan (NEMP) in Australia. Melbourne Airport works proactively with airport tenants and stakeholders to manage potential risks from PFAS contamination and has established a Project Control Group (PCG) to monitor the issue in detail. The PCG consists of the Commonwealth Department of Infrastructure, Regional Development and Cities (DIRDC), EPA Victoria and Airservices Australia. In addition, the airport is working closely with key stakeholders such as Melbourne Water and neighboring local municipal councils on an ongoing basis.

Melbourne Airport works proactively to manage the impact of aircraft noise on the community, alongside a range of government agencies, including Airservices Australia. Airservices Australia is the national air navigation service provider, responsible for airspace management. Melbourne Airport works closely with Airservices Australia to manage and reduce the impact of noise by ensuring that flight schedules are designed to minimize noise impacts, providing ongoing monitoring services and facilitating a national complaints and information service.

## 5 Financial Capability

### IFM's Significant Financial Capability

IFM is a global investment management firm with \$98 billion of funds under management. IFM is a leader in global infrastructure investment and has been investing in infrastructure for over 24 years. IFM manages \$41 billion of direct infrastructure equity investments.

IFM has a proven record of executing large-scale infrastructure asset acquisitions, completing 20 investments and deploying ~\$20 billion of investor equity capital since 2013 through IFM GIF. Key recent transactions in the transportation sector include:

- Manchester Airports Group in the United Kingdom (2013);
- Freeport LNG in the United States (2014);
- Vienna Airport in Austria (2014);
- Indiana Toll Road in the United States (2015 and 2018);
- Mersin International Port in Turkey (2017);
- VTTI, a global marine terminals platform (2017 and 2018);
- Aleática, a transportation platform in Spain and Latin America (2018);
- Global Container Terminals (GCT) in North America (2018);
- Impala Terminals, a global base metal terminal platform (2018);
- Buckeye Partners in North America (2019)<sup>1</sup>

IFM also has an established history of executing acquisitions of assets via direct partnerships and follow-on investments with governments including:

- **Indiana Toll Road (2018, United States):** \$1 billion in payments to the State of Indiana and commitment to spend \$50 million of capital expenditure in exchange for modifications to the toll road lease and concession. The investment followed IFM's initial acquisition of the Indiana Toll Road concession in 2015.
- **Ausgrid transaction (2016, Australia):** A\$16.2 billion (\$11.2 billion<sup>2</sup>) of gross proceeds to the State of New South Wales in Australia, representing Australia's largest ever (non-IPO) transaction at completion.
- **NSW Ports transaction (2013, Australia):** A\$5.1 billion (\$3.5 billion<sup>2</sup>) of gross proceeds to the State of New South Wales in Australia.
- **Port of Brisbane transaction (2010, Australia):** A\$2.1 billion (\$2.1 billion<sup>2</sup>) of gross proceeds to the State of Queensland in Australia.

IFM has a strong reputation as a financial sponsor with a proven ability to raise significant volumes of debt capital to support acquisition financing and the ongoing operations of its portfolio companies. Key recent examples of IFM's ability to access bank and capital markets debt include:

- **Buckeye Partners:** IFM successfully arranged \$2.25 billion of acquisition financing to support the \$10.3 billion transaction in 2019<sup>1</sup>.
- **Ausgrid:** IFM successfully secured A\$12 billion (\$8.3 billion<sup>2</sup>) of financing to support the acquisition in 2016, representing one of the largest acquisition finance packages in Australian history. IFM's reputation as a sponsor remains key to the credit strength of the business and has supported the successful

<sup>1</sup>The Buckeye Partners transaction announced in May 2019 is expected to reach financial close during Q4 2019.

<sup>2</sup>Based on AUD/USD exchange rate of 0.69 as of October 29, 2019.

completion of over A\$7 billion (\$4.8 billion<sup>1</sup>) of refinancing activity across a diverse range of capital markets.

- **Indiana Toll Road:** IFM successfully secured \$2.5 billion of committed financing to support the original acquisition in 2015. Following financial close, IFM has supported the successful execution of over \$2 billion of refinancing across private placement, US144A and bank markets.
- **Freeport LNG:** IFM has supported the successful issuance of \$3.6 billion of amortizing bonds since July 2016, refinancing a substantial portion of the asset's senior construction debt facilities.
- **NSW Ports:** IFM successfully secured approximately A\$2 billion (\$1.4 billion<sup>1</sup>) of financing to support the acquisition in 2013.

The open-end nature of IFM GIF also means that it has the flexibility to deliver proceeds both on an upfront and deferred basis. For example, IFM is currently the major equity investor in the \$5 billion Train 2 development at Freeport LNG, through which its equity commitments were drawn over the course of a 5-year construction period.

IFM has demonstrated a strong commitment to reinvest in and support the operations of businesses under its ownership. Over the last 5 years, IFM GIF has supported over \$8.8 billion of capex investment in its portfolio companies.

Please refer to Appendix 11.1 for a full list of IFM's infrastructure assets.

#### **Approach to Transaction Funding**

An investment in STL by IFM would be undertaken by IFM GIF. As an open-end, perpetual investment vehicle, IFM GIF continuously raises money from investors and deploys that money in infrastructure investments on their behalf. IFM has substantial financial capacity to fund the acquisition, ongoing operations and capital investment programs in STL.

#### **Equity**

IFM has sufficient access to capital, in the form of undrawn commitments to fund the anticipated equity requirements to complete this transaction. In addition, IFM has the financial capacity and willingness to support the ongoing operations and future development of STL. IFM equity may also be supplemented by a direct equity investment through MAG, although MAG equity is not required to fund the transaction.

#### **Debt**

IFM expects to utilize its close banking relationships, strong reputation in capital markets and experience in the airport sector to secure a debt package to support funding of the acquisition and ongoing operations of STL. IFM intends to maintain a capital structure consistent with an investment grade credit rating.

<sup>1</sup>Based on AUD/USD exchange rate of 0.69 as of October 29, 2019.

## 6 Contacts and Advisors

### 6.1 Contact Person

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### 6.2 Expected Advisors

IFM’s comprehensive due diligence of STL will be supported by MAG as its operating partner. MAG will play a key role in the formation and delivery of the business plan and will therefore be heavily involved in the operational, technical and commercial due diligence process.

IFM will have a best-in-class suite of advisors to conduct due diligence on the transaction, consistent with its approach to past successful transactions.

IFM has engaged Skylark Consulting Group (“Skylark”) to support traffic and commercial due diligence with respect to the transaction as a specialist global airports advisor. Skylark’s team of consultants have worked on over 100 projects in over 50 countries.

IFM is in advanced discussions with market leading advisors across other areas of due diligence, including technical, environmental, property, accounting & tax, legal and insurance. IFM will also engage a financial advisor to assist with the transaction process.

## 7 Disclosure of Conflicts

The Team does not have any conflicts in relation to this transaction. The Team confirms that neither it, nor their employees, are aware of any dealings or existing contracts with:

- A. The City of St. Louis, its employees and elected representatives;
- B. Any airlines operating at the Airport, current lessees or individuals doing business with the Airport, and suppliers of goods or services to the Airport, as it relates to this transaction.

Please refer to the signed Conflict of Interest Document submitted with this RFQ.

## 8 Comparable Projects

Please refer to Appendix A for an overview of the Team’s comparable projects, including:

1. IFM’s Airports Portfolio;
2. Experience in Developing Commercial and Property Revenue;

3. Experience in Transitioning Businesses from Public to Private Operation;
4. Partnership with Governments / Public Entities;
5. Record of Investment in Economic Development;
6. Responsible Management of Critical Infrastructure;
7. Record of Collaboration with Unions and Labor;
8. IFM's Infrastructure Portfolio.

## 9 Acknowledgments, Confirmation, and Attestation

### 9.1 Acknowledgment of the City's priorities

The Team acknowledges the City's priorities, as outlined below and in Section VI of the RFQ:

1. Improvement of the Airport for all stakeholders, including incremental uses of the Airport's significant excess capacity.
2. Net cash proceeds to the City, upfront and/or over time for non-Airport purposes.
3. Community and economic development in St. Louis and across the region.

### 9.2 Acknowledgment of Additional Requirements

The Team acknowledges the Additional Requirements, as outlined below and in Section VI of the RFQ:

1. The City emphasizes and City law stipulates minority business enterprise (MBE) and women's business enterprise (WBE) requirements with respect to the City's third-party contracting. Further details on MBE/WBE requirements will be provided during the RFP stage.
2. The Lease will set out a comprehensive framework for the future employment of all current Airport employees and requirements to ensure continued compliance with collective bargaining agreements. The private operator will be required to offer employment to all current Airport employees at a compensation level that is at least equal to their current compensation level, plus an annual increase of at least 1.5% above their current annual salary during the first five years following the transaction closing. The private operator will be expected to develop and implement fair employment practices, and as a condition of employment, employees will be expected to perform their duties with adequate competence, attendance, and service to the public.

In addition, the Team acknowledges the City's commitment to use the proceeds of any transaction to repay / defease the existing Airport debt.

### 9.3 Confirmations and Attestations

1. The Team confirms that it does not and will not have an exclusive relationship with a lender related to this transaction.

Please refer to the signed Conflict of Interest Document submitted with this RFQ, containing the Team's Attestation to the Conflict of Interest Policy.

## 10 Legal and Other Matters

### 10.1 Criminal, Civil and Contract Matters

The Team confirms that no criminal, civil and contract matters, as described below and outlined in Section VI of the RFQ are applicable to either of its members.

Event Description	Team Involvement
Criminal claims	• N/A
Any civil claims or litigation in excess of \$10,000,000	• N/A
Any civil claims or litigation having a material impact on the operations of any member of the Team	• N/A
Contracts under which a Disclosing Party was obligated to provide goods or services, having a total contract or project value in excess of \$10,000,000, and which, in the last 15 years, were terminated by the counter-party for cause against the Disclosing Party or for convenience.	• N/A
Circumstances in the last 15 years in which a Disclosing Party, or a team in which the Disclosing Party was a participant, failed to close on a contract awarded to it, where such failure was not excused or where a bid, proposal, or closing security was surrendered or drawn upon because of such failure.	• N/A

### 10.2 Additional Items

This Proposal has been prepared by the Team for the exclusive use of the City.

The matters set forth herein constitute an expression of the Team's interest only. Except for the language contained in this section regarding exclusive use, confidentiality and governing law, this Proposal is preliminary and non-binding and shall not create (or be deemed to create) any legally binding obligations on the part of IFM, IFM GIF, MAG or their respective affiliates, and no oral contracts will be deemed to exist. This Proposal is not an offer capable of acceptance or otherwise forming a binding contract. Unless and until a definitive agreement is entered into regarding the Airport P3, none of IFM, IFM GIF, MAG or their respective affiliates will be under any obligation whatsoever with respect to the Airport P3 or any related entity or person, including, without limitation, to negotiate terms of the Airport P3.

This Proposal is governed by and should be construed in accordance with the laws of the State of New York without giving effect to any conflict or choice of law provisions that would result in the imposition of another jurisdiction's law.

This Proposal is being submitted by IFM on the understanding that, subject to applicable law, it will be maintained as confidential by the City and its affiliates, representatives and agents, and that none of the City or its affiliates, representatives or agents may disclose to any person the terms or existence of this Proposal or that discussions or negotiations are taking place between the City and the Team concerning the Airport P3, without the prior written consent of the Team.

Notwithstanding the above, IFM acknowledges the potential application of the Missouri Open Records Act to this Proposal.

# 11 Appendix A: Comparable Projects

## 11.1 IFM Airports Portfolio

IFM’s portfolio of 16 airports globally, which collectively handle over 160 million passengers annually, is listed below. Please refer also to Section 4 for detail on the Team’s proven record of successfully managing and operating large scale airports of a similar nature to STL over a long period of time.



Please refer to Appendix 11.8 for an overview of IFM’s full portfolio of infrastructure assets in the United States and across the globe.

## 11.2 Experience in Developing Commercial and Property Revenue

### MAG’s Commercial and Property Expertise

The ongoing expansion of non-aeronautical and commercial revenue streams is key focus of MAG’s growth strategy, with approximately 60 per cent of its revenue derived from non-aeronautical activities. MAG seeks to achieve this by pursuing development projects, both adjacent to and within its airport footprint, as well as by deploying industry best practice to optimize the yield of its retail and car parking businesses.

MAG’s car parking business generates £221 million (\$285 million<sup>1</sup>) of revenue annually and comprises of over 78,000 parking sites. Since 2014, MAG has successfully grown car parking revenues by over 100 per cent, utilizing a combination of market leading analytical, e-commerce, marketing and trading expertise to grow its car parking platform.

<sup>1</sup> Based on GBP/USD exchange rate of 1.29 as of October 29, 2019.

MAG retail generates £198 million (\$255 million<sup>1</sup>) of revenue annually and comprises of over 400,000 square feet of retail space and 200 food & retail outlets. Since 2014, MAG has successfully grown retail revenues by over 65 per cent, reflecting active investment in the business and productive partnerships with over 50 concessionaires to facilitate the success of their operations in MAG's airports.

MAG seeks to leverage its industry leading expertise in airport development and commercial operations through MAG USA. MAG USA is an airport services business that delivers market-leading commercial solutions across the following service lines throughout the United States:

- **Airport Lounges:** MAG USA provides an award-winning, common use airport lounge offering through its brand, Escape Lounges. MAG USA currently operates 12 lounge contracts in 10 airports and has developed a distribution partnership with American Express.
- **Car Parking:** MAG provides market-leading car parking services, utilizing both its commercial expertise and advanced technology offering. MAG has secured five service contracts as of October 2019 (two in operation to date) and has a strong record of improving both profitability and customer service standards at airport car parks.
- **P3 and Terminal Developments:** MAG seeks to utilize its industry-leading retail and marketing expertise to help airports deliver profitable terminal developments that elevate customer experience standards.

MAG also operates a substantial property business, which manages almost 6 million square feet of office, terminal, hangar, warehouse and hotel space across its portfolio assets, representing over £500 million (\$645 million<sup>1</sup>) of investment property assets.

MAG is a major investor in the £1 billion (\$1.3 billion<sup>1</sup>) Airport City development, with 70% economic ownership in a joint venture with the Greater Manchester Pension Fund and Beijing Construction Engineering Group (BCEGI), established in October 2013. BCEGI is both an equity and construction partner in the project. The project involves the development of a major business precinct adjacent to Manchester Airport comprising of five million square feet of offices, hotels, logistics, advanced manufacturing and retail facilities. The project represents one of the most significant business precinct developments in the United Kingdom since the 2012 Olympic Park.

The development is divided between North (offices, hotels and advanced manufacturing) and South (logistics) precincts. The South site is complete and anchor tenants were secured on two major road fronting sites and a sale of the remainder of the site completed in July 2017. Infrastructure works to unlock the North site are well progressed, with strong demand for hotel development and a deep pipeline of potential office tenants, including the Hut Group, which has announced plans to develop one million square feet of office space to house its headquarters.

### **Other Airport and Adjacent Real Estate Developments**

IFM also has significant experience in developing airport and adjacent real estate, having supported the development of the following ongoing and successfully completed projects within its airport portfolio:

- **Business Park, Melbourne Airport:** successful development of Australia's largest business park, a commercial and industrial precinct covering 410 hectares. The precinct features global logistics industry leaders such as Toll and TNT. The park has successfully attracted new tenants through investment in enabling road infrastructure and leveraging the benefit of co-location of complementary businesses.

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<sup>1</sup> Based on GBP/USD exchange rate of 1.29 as of October 29, 2019.

- **Luxury Retail, Melbourne Airport:** development of a A\$50 million (\$35 million<sup>1</sup>) luxury retail and dining precinct in 2017, covering 2,000 square meters of floor space in Terminal 2. The precinct has experienced strong trading conditions and enables the airport to better service the strong growth in international passengers, through a highly tailored product offering.
- **Large Scale Retail, Melbourne Airport:** following the success of the Terminal 2 luxury precinct, Melbourne Airport is undertaking a second large scale retail and hospitality redevelopment in Terminal 2. The development will feature four stories, 30 new specialty outlets and increase the airport's Terminal 2 footprint by approximately 15,000 square meters. Works are scheduled to commence in late 2019, targeting opening in 2022.
- **Hotel Development, Melbourne Airport:** currently undertaking the construction of a 464-room 10-story venue in partnership with AccorHotels in "The Hive" precinct, due to open in late 2020. The project is consistent with the airport's co-location strategy applied to real estate development, with the precinct forming as a vibrant dining and recreational center.
- **Hotel Precinct, Brisbane Airport:** completed key enabling works to facilitate the development of the A\$150 million (\$104 million<sup>1</sup>) Brisbane Airport Hotels Centre in 2017. Key infrastructure delivered includes the installation of essential services, a new moving walkway linking the hotel complex and the car parks, and a tiled walkway linking car parking to the skywalk and domestic terminal.
- **Auto Mall, Brisbane Airport:** currently undertaking an A\$85 million (\$59 million<sup>1</sup>) investment in major earth and civil works as part of the development of a 50 ha Auto Mall precinct. The Auto Mall is a multi-purpose auto retailing hub that will locate flagship dealerships alongside exhibition and conference activities, hotels, an event area, driver training schools and regional offices around a multi-purpose performance track. The development, due to reach completion in 2021, stimulates commercial activity around the airport on previously unused land.

### 11.3 Experience in Transitioning Businesses from Public to Private Operation

IFM is a global leader in major public infrastructure transactions and has a record of successfully transitioning businesses from government to private sector operation. IFM has successfully delivered substantial reform to public businesses while constructively engaging with all stakeholders. As part of its due diligence process, IFM will develop a comprehensive plan to ensure a smooth transition for STL. Relevant examples of IFM's experience include:

- **Ausgrid:** Following the A\$20.7 billion (\$14.3 billion<sup>1</sup>) transformative transaction in partnership with the New South Wales Government in 2016, IFM installed a team of employees in the business to transition the business to private operation. IFM oversaw the successful implementation of an IFM-designed transformation program, leading to material cost reductions (as mandated by the regulator and with no forced redundancies as required by legislation). Furthermore, IFM improved organizational governance, structuring a 'first-time private' Board, charters, subcommittees, legal and treasury functions.
- **NSW Ports:** IFM Investors is an owner of a 99-year concession in NSW Ports, originally acquired via a A\$5.1 billion (\$3.5 billion<sup>1</sup>) lease transaction by the New South Wales Government in 2013. Its assets include Port Botany, the key container and bulk liquids sea port in Sydney and Port Kembla, a key regional bulk goods port. Since investment, IFM Investors has supported substantial transformation initiatives,

<sup>1</sup> Based on AUD/USD exchange rate of 0.69 as of October 29, 2019.

including oversight of the transition to private operation, refinancing activity and growth projects, such as the ongoing A\$190 million (\$131 million<sup>1</sup>) on-dock rail upgrade at Port Botany. IFM Investors also played a key role in the development of NSW Ports' 30-year Master Plan.

- **Port of Brisbane:** IFM Investors was a lead sponsor of the Q Port Holdings (QPH) consortium that successfully acquired a 99-year lease over the Port of Brisbane in 2010 from the Queensland Government in Australia for A\$2.1 billion (\$1.4 billion<sup>1</sup>). IFM played a key role in the transition and substantial transformation program following the transaction. Key milestones since acquisition include completion of the A\$110 million (\$76 million<sup>1</sup>) Port Drive Upgrade, refinancing activity and growth initiatives, such as ongoing development of the A\$160 million (\$110 million<sup>1</sup>) Brisbane International Cruise Terminal.

## 11.4 Partnership with Governments / Public Entities

IFM has extensive experience working alongside government and public entities through long-term, constructive partnerships. The success of these partnerships is based on an alignment of interests – IFM invests over a long-term horizon on behalf of its pension fund and institutional investors. IFM is therefore committed to the safe and reliable service of its portfolio companies and investing in their long term growth prospects, consistent with the time horizon of its investors.

The public authorities with whom IFM has worked find IFM to be an aligned partner that has the financial capacity to invest in the long-term development of assets, as well as a reliable operator that brings industry best-practice expertise to further augment local management.

Examples of IFM's partnerships with public entities are detailed below.

- **Public-private partnerships** – IFM has invested in a number of public-private partnerships globally, with both Federal and State Governments as counterparties in critical public infrastructure projects. IFM's investments in public-private partnerships include:
  - Manchester Airports Group, in which IFM is a long-term shareholder with 35.5% direct ownership alongside local municipal council groups as joint shareholders
    - IFM is currently partnering with municipal council groups to deliver Manchester Airport's 10 year, £1 billion (\$1.3 billion<sup>2</sup>) expansion program (due to reach completion in 2025)
  - Indiana Toll Road, a critical part of the US transportation network connecting the US Midwest to the Northeast
    - In September 2018, IFM supported an agreement with the State of Indiana which generates \$1 billion of new proceeds to the State in exchange for concession and lease agreement amendments.
  - Southern Cross Station, a key metropolitan and regional transport gateway in Victoria, Australia
  - Other public-private partnerships include Wyuna Water (two water filtration plants in New South Wales), Praeco (defense headquarters in New South Wales), Axiom Education (school network in New South Wales) and Perth Courts (district court complex in Western Australia)

<sup>1</sup> Based on AUD/USD exchange rate of 0.69 as of October 29, 2019.

<sup>2</sup> Based on GBP/USD exchange rate of 1.29 as of October 29, 2019.

- **Market-led proposals** – IFM has demonstrated a proactive commitment to providing innovative solutions to government via unsolicited proposals. These proposals allow key enabling infrastructure to be delivered earlier and in a more cost-effective manner than is feasible without private sector funding. Recent examples include:
  - Melbourne Airport Rail Link – In September 2018, AirRail Melbourne, a consortium led by IFM and including Melbourne Airport, submitted an unsolicited proposal to the Victorian Government to build and operate the Melbourne Airport Rail Link. The new link is proposed to connect Southern Cross Station in the city to a new underground station at Melbourne Airport via one stop. The proposal includes a A\$5 billion (\$3.5 billion<sup>1</sup>) funding commitment and the potential to begin construction two years earlier than originally planned by the Victorian Government. The proposal is currently being assessed by the Victorian Government under the Market-led Proposals Guideline
  - Brisbane International Cruise Terminal – IFM supported Port of Brisbane (an IFM portfolio company) in its successful A\$160 million (\$110 million<sup>1</sup>) proposal to build South East Queensland’s only dedicated mega cruise ship facility. The project is due to commence operations in 2021
- **Joint ownership** – IFM has demonstrated an ability to work constructively as a shareholder alongside government and public entities. IFM’s current and past experience includes:
  - Ausgrid, in which IFM has worked with the State of New South Wales (which remains a 49.6% shareholder) since 2016. Key milestones in partnership with the State include:
    - The implementation of a major transformation program, leading to material savings in recurring annual operating costs and enabling the business to meet regulator-mandated efficiency targets
    - The successful execution of more than A\$7 billion (\$4.8 billion<sup>1</sup>) of refinancing across major global capital markets
    - Acceleration of growth in the non-regulated business through the acquisition of smart metering business Active Stream (a portfolio of 230,000 digital meters)
  - Manchester Airports Group, in which IFM invests alongside the Manchester City Council and nine other local municipal councils (who collectively own 64.5% of the business)
  - Vienna International Airport, which includes co-shareholders such as the State of Lower Austria, the City of Vienna and an employee trust
  - Launceston Airport, in which IFM invests alongside other shareholders including the Launceston City Council
  - 50Hertz, where IFM worked alongside Publi-T, a Belgian municipal holding company, during the period of IFM’s ownership
  - Brisbane Airport, in which the Brisbane City Council was a joint owner alongside IFM from 1997 until 2010

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<sup>1</sup> Based on AUD/USD exchange rate of 0.69 as of October 29, 2019.

While IFM does not expect that the City of St. Louis would hold a shareholder interest in the STL lease concession, IFM is committed to developing a productive partnership with the City as a long-term investor in the St. Louis region.

## 11.5 Record of Investment in Economic Development

As an owner of critical infrastructure assets over a long-term horizon, IFM understands the importance of supporting the economic development of the communities in which it operates. IFM encourages its businesses to pursue long-term, value-accretive investments both directly and in partnership with government. Over the past 5 years, over \$8.8 billion of capital expenditure has been invested by GIF's portfolio companies.

IFM will support the City's priority for community and economic development in St. Louis and across the region. Some key examples of IFM's commitment to development within its current portfolio services areas are described below.

### United States and the Americas

- **Indiana Toll Road:** IFM has made a significant contribution to the economic development of the State of Indiana since acquiring the asset in 2015
  - Following acquisition, IFM supported a major capex program, Project PUSH. The project involved >\$200 million of rehabilitation works for 73 miles of pavements and bridges and represented the largest investment in the road since original construction. The investment created over 500 direct and indirect jobs in the region and >\$800 million of economic activity in Indiana.
  - In September 2018, IFM backed an agreement between the Indiana Toll Road operator and the State of Indiana which generates \$1 billion of new proceeds to the State in exchange for concession and lease agreement amendments. The State has earmarked the proceeds to fund additional roads projects in Indiana at no cost to taxpayers, improving infrastructure and driving economic development in the State. The agreement also includes a commitment for \$50 million of additional capital expenditure along the Indiana Toll Road, which will include customer experience enhancements.
- **Freeport LNG:** IFM is a major equity investor in Freeport LNG, a natural gas liquefaction and export facility located in Freeport, Texas, funding a substantial equity commitment to the \$5 billion Train 2 development. The development has contributed to the creation of approximately 9,000 jobs during the peak of its 5-year construction period and approximately 200 new permanent jobs at liquefaction project facilities.
- **Aleática:** Through its investment in Aleática, a diversified toll road and transport platform, IFM is supporting the development of five critical transportation infrastructure projects across Latin America, creating meaningful jobs and economic activity in local communities.

### Australia

- **Ausgrid:** In 2016, IFM led the Ausgrid transaction process, responsible for delivering A\$16.2 billion (\$11.2 billion<sup>1</sup>) of gross proceeds to the State of New South Wales. The proceeds have contributed to a Government building and funding program which has delivered more than 100 projects, including public transport and

<sup>1</sup> Based on AUD/USD exchange rate of 0.69 as of October 29, 2019.

roads, education, health and water initiatives. Additionally, Ausgrid has committed to spend A\$2,690 million (\$1,856 million<sup>1</sup>) of capex over FY20-24 across its distribution and transmission network, a service area accounting for 20% of Australian GDP.

- **Brisbane Airport:** the A\$1.3 (\$0.9 billion<sup>1</sup>) new runway project is the largest aviation construction project in Australia. The project is responsible for the direct employment of 675 people during peak construction periods. It has been estimated that by 2035, the new runway will lead to the creation of 7,800 new jobs and contribute an additional A\$5 billion (\$3.5 billion<sup>1</sup>) in annual economic benefit to the region.
- **Melbourne Airport Rail Link:** IFM is supporting a A\$5 billion (\$3.5 billion<sup>1</sup>) private sector funding commitment towards the project, which is expected to support 13,000 jobs during construction.

### Europe

- **Manchester Airports Group:** Manchester Airport's £1 billion (\$1.3 billion<sup>2</sup>) Transformation Program is expected to create 1,500 jobs during the construction phase.
- **Anglian Water Group:** IFM is supporting a £6.5 billion (\$8.4 billion<sup>2</sup>) investment program over FY20-25, representing the largest-ever investment undertaken by Anglian. The program supports the economic development of East-England, a fast-growing region which plays a key role in national food production. Key program objectives include the reduction of leakage by 22%, which would make Anglian a world leader in leakage levels, as well as a resource management plan to remove the risk of water restrictions for all customers.

## 11.6 Responsible Management of Critical Infrastructure

IFM is focused on managing critical public infrastructure in a manner that is responsible, ethical and respectful of the objectives of all key stakeholders, including local constituents and infrastructure users.

IFM's approach to responsible investment is closely aligned with the United Nations Global Compact, which enjoys global consensus and supports a set of core principles in human rights, labor standards, environment and governance. IFM's commitments to responsible investing also include:

- Signatory to the United Nations supported Principles for Responsible Investment since 2008;
- Adherence to IFM's internal ESG Policy & Responsible Investment Charter; and
- Membership of the Carbon Disclosure Project and the Investor Group on Climate Change.

IFM's Responsible Investment Charter (attached as Appendix 11.4) sets out IFM's strategic approach to considering Environmental, Social and Governance ("ESG") factors in investment decisions and ongoing asset management practices.

MAG also adopts a highly sustainable approach to its growth strategy and is committed to being a long-term partner with the local communities it serves. MAG's approach to sustainability has been recognized through the following accreditations:

<sup>1</sup> Based on AUD/USD exchange rate of 0.69 as of October 29, 2019.

<sup>2</sup> Based on GBP/USD exchange rate of 1.29 as of October 29, 2019.



ISO 14001  
(Environmental Management)  
Manchester, London Stansted  
and East Midlands Airports



ISO 14001  
(Energy Management)  
London Stansted Airport



Airport Carbon Accreditation  
Level 3+ Neutrality  
Manchester, London Stansted  
and East Midlands Airports



Carbon Trust Standard  
MAG



Corporate Certification  
Standard  
MAG



Community Mark  
Manchester, London Stansted  
and East Midlands Airport

Key initiatives that IFM supports at its portfolio assets are described below.

### **Environmental**

IFM is committed to reducing the impact of its portfolio on climate change. IFM collects and benchmarks data from its portfolio assets in order to identify where emissions can be reduced and shares best practices across its assets. Innovative energy efficiency initiatives supported by IFM in its portfolio include:

- MAG, which continues to lead UK airports in the drive to reduce carbon emissions. MAG was the first group to operate carbon-neutral airports in the UK and continues to procure 100% of its electricity needs from renewable sources. MAG has also achieved a 43% reduction in gross carbon emissions per traffic unit over five years. MAG's initiatives include the generation of electricity from wind turbines at East Midlands Airport and recycling of all food at Manchester Airport's terminals. MAG's airports have received ACI's Airport Carbon Accreditation (certifying carbon neutrality) and are certified against the international environmental management standard ISO 14001.
- Darwin Airport, which has developed a 5.5 MW solar project. The facility is the largest airside solar PV site in the world and the largest behind-the-meter system designed and built for a single facility in Australia.
- Melbourne Airport, which is targeting net zero emissions by 2050. This incorporates an interim target of a 20% reduction in energy intensity by 2020 through efficiency measures & smart monitoring systems, transitioning to renewable energy and targeting smart procurement options. The airport is also aiming to deliver 11 MW of on-site solar PV generation by 2021.
- Brisbane Airport, which has invested A\$11 million (\$8 million<sup>1</sup>) in a major solar PV project which is the largest rooftop solar panel installation at an Australian airport and the largest commercial rooftop solar system in the Southern Hemisphere. Since 2012, Brisbane Airport has also had an extensive energy reduction program in place, resulting in the completion of 40 projects which collectively save more than 8 GWh per year. The energy saving initiatives are consistent with Brisbane Airport's targeted 25% reduction of 2017 carbon emissions by 2025.

### **Safety**

Safety for customers and employees is the highest priority for IFM and its portfolio assets. IFM regularly conducts safety reviews at its assets and shares knowledge across the portfolio through periodic safety round tables. Following the completion of all new investments, IFM conducts a third-party safety audit and provides resources for continual safety improvement.

Please refer to Section 4.3 for an overview of IFM and MAG's strong commitment to providing safe and efficient operating conditions for airlines and airport users. Other examples of safety initiatives supported by IFM include:

<sup>1</sup> Based on AUD/USD exchange rate of 0.69 as of October 29, 2019.

- Indiana Toll Road’s intelligent transportation systems project, which went live in 2018. The project included deployment of technologies aimed at reducing accidents along the ITR such as variable speed signs. As a result, the business observed an 11% reduction in incident frequency and 26% reduction in lane closure times. The company is also undertaking pilot programs to reduce truck rollover incidents and wrong-way accidents.
- Anglian Water, which has been recognized by the Royal Society for the Prevention of Accidents and awarded ‘Gold’ for their excellent health and safety performance. Anglian has significant safety controls in place, including the company’s ISO 45001-certified Safe and well management system and an internal audit program.
- Freeport LNG, which has delivered an excellent safety record over the years of construction of the large-scale Train 2 project. This record has been supported by extensive employee training and a focus on safety as a number one priority. Employees are trained in the Federal Emergency Management Agency’s National Incident Management System (NIMS) and commit to our Behavior-Based Safety Program and SafeStart / SafeTrack training, ensuring a constant commitment to safety awareness.

**Social**

IFM believes diversity and inclusion across the workplace drives better performance outcomes. In 2018, IFM undertook a diversity study across its portfolio companies to identify way to improve gender and racial diversity. Examples of this commitment within IFM’s portfolio include:

- MAG, which has monitored the gender pay gap for the last five years and seeks to ensure that opportunities at the airport are open to all. To do this, MAG has:
  - Stipulated that its partnership with construction firm Laing O’Rourke on the Manchester Transformation program will support 150 apprenticeships, support 1000 jobs and that 50% of these roles must be local to the project, supporting the local economy.
  - Tried name/gender blind screening at East Midlands Airport, with a view to finding the best ways to ensure equal opportunities to work at MAG.
  - Created unconscious bias training programs.
  - Commissioned a review of all MAG employment and promotion practices to receive independent recommendations on areas for further improvement.
- Indiana Toll Road, which in 2018 maintained strong representation of women in management and supervisory roles (59% vs. the national average of 47%), as well as favorable veteran (9%) and racial diversity (20%) metrics.
  - The company also received the 2017 Glass Hammer Award in recognition of its commitment to gender diversity and programs directed at successfully promoting women leaders within the organization.

**Community Initiatives**

IFM encourages its portfolio companies to maintain active engagement and investment in the communities in which they operate, being key partners in their long-term sustainable growth. A salient example is MAG, which adopts a highly sustainable and community-focused approach to its growth strategy. MAG’s key community investment initiatives during 2018 include:

- Direct financial investment of £0.9 million (\$1.2 million<sup>1</sup>) in local community projects surrounding the airport precincts.
- Employee volunteering, with approximately 17% of MAG staff contributing 12,390 hours in support of local charities and community groups.
- Ongoing support of corporate charity partner CLIC Sargent, which works to help families dealing with childhood cancer, as part of a multi-year £1 million (\$1.3 million<sup>1</sup>) partnership.
- Contribution of £0.3 million (\$0.4 million<sup>1</sup>) to arts and cultural activities of local cities, such as the Hallé Orchestra, which runs workshops in local schools.
- London Stansted's commitment to the Armed Forces Covenant, supporting both serving and retired military personnel and reservists.

MAG's record of community engagement and investment is consistent with the approach adopted across IFM's airport's portfolio:

- Brisbane Airport donates A\$0.5 million (\$0.3 million<sup>2</sup>) annually to a number of charitable organizations in the local community, including the Royal Flying Doctor Service and Surf Life Saving Queensland.
- Melbourne Airport invests in educational, employment and environmental programs across local neighborhoods through its dedicated community fund. This includes support of organizations such as Western Chances, through which the airport is funding 500 scholarships valued at A\$0.4 million (\$0.3 million<sup>2</sup>) for local students and the A\$0.1 million (\$0.1 million<sup>2</sup>) Community Grants program, which supports education and employment programs for new migrants and disadvantaged youth in local areas.

### **Governance**

IFM aims to establish governance frameworks that are ethical and meet best practice at its portfolio companies, regularly undertaking portfolio-wide reviews to apply learnings across the business. IFM considers best practice to be demonstrated by companies that, in addition to complying with all local and national laws, have policies and processes in place for:

- Providing an accurate and true representation of the company's financial position and status.
- Fostering business activity which builds shareholder value and sustainable long-term investment.
- Appointing Boards with a diverse mix of gender, skills, experience and competency.
- Implementing remuneration structures aligned to the delivery of company strategy, long-term performance and shareholder value creation.
- Identifying and managing all material risk factors, including ESG risks.

A strong example of a best practice governance framework is MAG's approach to Corporate Social Responsibility (CSR). To make sure CSR is managed strategically and embedded across the organization, MAG has a CSR committee which is a sub-committee of the Group Board, which ensures the successful integration and delivery of CSR activities across the business. In addition, MAG maintains transparency with respect to its CSR initiatives

<sup>1</sup> Based on GBP/USD exchange rate of 1.29 as of October 29, 2019.

<sup>2</sup> Based on AUD/USD exchange rate of 0.69 as of October 29, 2019.

through publications such as the CSR Report, a modern slavery statement, gender pay gap report and disclosures within the Global Reporting Initiative (GRI) index.

IFM has successfully established governance arrangements across many of its portfolio companies in the past including:

- **Ausgrid:** Following acquisition, IFM improved organizational governance, structuring a ‘first-time private’ Board, charters, subcommittees, legal and treasury functions.
- **Indiana Toll Road:** Following acquisition, IFM appointed a full Board of Directors including an independent chairman and sector experts. IFM employees created new Board charters and policies to ensure responsible governance.

## 11.7 Record of Collaboration with Unions and Labor

IFM is owned by pension funds investing on behalf of millions of workers and is committed to working constructively with labor in the context of its role and responsibilities as a fund manager. IFM has its roots in the development of the compulsory superannuation system in Australia, an initiative for providing retirement savings for workers.

IFM’s portfolio companies across its infrastructure funds employ more than 35,000 people. IFM has a long-established record of negotiating collective bargaining agreements across its portfolio assets in a number of sectors. A salient example of this experience is IFM’s investment in Ausgrid, which has a large employee base of over 3,500 people with significant union representation. Following IFM’s investment in 2016, IFM worked to ensure the timely resolution of a new Enterprise Agreement, which was previously long unresolved, and delivered employees their first pay increase in four years. The successful resolution is evidence of IFM’s constructive relationships with union stakeholders and commitment to treating employees fairly.

IFM understands that optimal value is created for all stakeholders when employees are treated fairly. IFM’s approach closely aligns with International Labor Organization principles and is outlined in the below Labor Rights Policy Statement, which IFM promotes within its portfolio companies.

- |   |  |
|---|--|
| <p><b>1</b> IFM is committed to safe workplaces, in particular through the prevention of work-related accidents, illnesses and diseases by minimizing hazards in the workplace.</p> | <p><b>5</b> IFM supports freedom of association and the rights of working people to establish and choose to be members of a trade union without hindrance.</p>   |
| <p><b>2</b> IFM supports the right of working people to receive a fair wage and benefits.</p>   | <p><b>6</b> IFM respects the right of employees to collectively bargain.</p>   |
| <p><b>3</b> IFM supports work policies and practices that respect and promote diversity and inclusion.</p>  | <p><b>7</b> IFM is committed to provide for, or cooperate in providing adequate remedy where adverse human rights impacts have occurred at its investments, in particular through the establishment of effective grievance mechanisms at its assets.</p> |
| <p><b>4</b> IFM stands against all forms of child labor, forced labor, discrimination, violence, bullying, and harassment.</p>  | <p><b>8</b> IFM is committed to the necessary human rights due diligence and stewardship policies and processes to meet these responsibilities.</p>  |

## 11.8 IFM's Infrastructure Portfolio

Asset Ownership – IFM Global Infrastructure Fund	
Asset	Description
	<ul style="list-style-type: none"> <li>▪ Largest refined petroleum products pipeline in the United States</li> <li>▪ Transports products from refineries in the Gulf Coast to the Southeast, Mid-Atlantic and Northeastern US</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Natural gas liquefaction and export facility being developed by Freeport LNG Development L.P. in Freeport, Texas</li> <li>▪ IFM was chosen as Freeport LNG's preferred partner on Train 2 in 2013</li> <li>▪ Subsequent to the Train 2 transaction, IFM made two follow-on investments across the Freeport LNG capital structure</li> </ul>
	<ul style="list-style-type: none"> <li>▪ VTTI owns 13 marine terminals on five different continents that provide import, export and storage infrastructure for oil majors, refiners and commodity marketers</li> <li>▪ IFM is partnered with top-tier strategic Vitol</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Indiana Toll Road is a 157-mile, divided highway that spans northern Indiana, from its border with Ohio to the Illinois state line near Chicago</li> <li>▪ Core US transportation asset serving as a critical part of the US freight distribution and national transportation network</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Portfolio of district heating and cogeneration companies in Poland</li> <li>▪ #1 in Polish district heating (by market share) and #3 in Polish cogeneration (by market share)</li> <li>▪ Strategic partner in Veolia (through Dalkia International)</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Regulated water and wastewater company, servicing over 6 million customers</li> <li>▪ Fourth largest water supply and sewerage company in England and Wales by Regulated Capital Value</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Largest independent telecommunication infrastructure provider in the UK with a monopoly position in terrestrial broadcasting</li> <li>▪ Business lines include: UK digital TV transmission towers, Satellite and optical fiber infrastructure for media, Wireless sites for mobile operators</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Manchester Airports Group is one of the top three airport operators in the UK, handling approximately 62m passengers p.a. across Manchester, London Stansted and East Midlands airports</li> <li>▪ Essential infrastructure assets with Manchester and Stansted being the 3rd and 4th largest airports in the UK respectively</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Vienna is the primary airport in Austria and a gateway to Eastern Europe, handling more than 22 million passengers p.a.</li> <li>▪ Attractive catchment area and modern infrastructure within a light touch regulatory regime and a stable macroeconomic environment</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Aleática is a diversified portfolio of transportation infrastructure assets in Spain and Latin America</li> <li>▪ Aleática holds interests in 19 concessions, including 14 toll roads, 3 port terminals, 1 light rail system, and 1 airport</li> </ul>
	<ul style="list-style-type: none"> <li>▪ M6toll is a 27 mile, dual three-lane tolled motorway in the West Midland region of the UK</li> <li>▪ Critical component of the UK road network; M6toll sits within a key traffic corridor linking the South and North</li> </ul>

## Asset Ownership – IFM Global Infrastructure Fund



- Mersin International Port is a major port located on the northeastern coast of the Mediterranean Sea in southern Turkey
- Strategically positioned at the intersection of major maritime shipping routes from the Mediterranean, Western Europe, the Far East and North America



- FCC Aqualia is a leading Spanish water company covering the entire water sector value chain, from the engineering and development of new water infrastructure projects through to the management of water network concessions
- 4<sup>th</sup> largest European private water management group and among the top 10 worldwide based on population served, serving 23 million people



- Global Container Terminals is the operator of four container terminals in two prime North American ports – New York/New Jersey and Vancouver
- Terminals are located in strategic locations with large catchment areas and enduring physical connectivity advantages



- Impala Terminals is a diversified portfolio of essential base metals terminal infrastructure assets primarily in Peru, Spain and Mexico
- IFM is partnered with Trafigura, one of the world's largest independent energy and commodity logistics businesses and a premier global trader of base metals

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## Asset Ownership – IFM Australian Infrastructure Fund

Asset	Description
	<ul style="list-style-type: none"> <li>Australia Pacific Airports Corporation operates Melbourne Airport and Launceston Airport - operations extend to aeronautical, retail, commercial and property development activities</li> </ul>
	<ul style="list-style-type: none"> <li>Brisbane Airport and its operations extend to aeronautical, retail, commercial and property development activities</li> </ul>
	<ul style="list-style-type: none"> <li>Operated by Westralia Airport Corporation, which acquired a 99-year lease in 1997. IFM Investors acquired an interest in Perth Airport through its investment in the Perth Airport Property Fund</li> </ul>
	<ul style="list-style-type: none"> <li>Interlink Roads owns and operates the 14 mile motorway, M5 South West Motorway (M5) in Sydney under a lease agreement</li> </ul>
	<ul style="list-style-type: none"> <li>Airport Development Group obtained a 50-year lease (with 49 year extension option) in 1998 from the Federal Government for Darwin International Airport, Alice Springs Airport and Tennant Creek Airport</li> </ul>
	<ul style="list-style-type: none"> <li>Fifth largest airport in Australia by passenger numbers and the primary air traffic gateway to South Australia</li> </ul>
	<ul style="list-style-type: none"> <li>Southern Cross Station is Melbourne's only true transport interchange, with the interaction of trains, buses, coaches, taxis and trams</li> </ul>
	<ul style="list-style-type: none"> <li>Wyuna Water comprises water filtration plants in Illawarra and Woronora in New South Wales</li> </ul>
	<ul style="list-style-type: none"> <li>Axiom Education owns nine schools in New South Wales acquired under a PPP model for a concession term of 30 years. Its primary income stream is a concession arrangement with the New South Wales Government, through the Department of Education and Training</li> </ul>
	<ul style="list-style-type: none"> <li>IFM owns Western Liberty Group which was contracted to design, construct, finance, operate and maintain the Perth CBD Courts Project in Western Australia</li> </ul>
	<ul style="list-style-type: none"> <li>IFM Aged Care Financing Trust owns an aged care facility located in Victoria</li> </ul>
	<ul style="list-style-type: none"> <li>IFM owns 100% of Praeco Pty Ltd which was contracted to design, construct, finance, operate and maintain the purpose-built Defence Headquarters Joint Operations Command in Bungendore, ACT</li> </ul>
	<ul style="list-style-type: none"> <li>Principal gateway for imports and exports into south east Queensland and northern New South Wales</li> </ul>
	<ul style="list-style-type: none"> <li>NSW Ports, owns the 99-year leases over Port Botany and Port Kembla, which are located in New South Wales and serve the largest population base in Australia</li> </ul>
	<ul style="list-style-type: none"> <li>Ausgrid delivers energy to 1.7 million customers, in a network area spanning over 8,500 square miles across the Sydney, Central Coast and Hunter regions in New South Wales</li> <li>Network comprises over 2,400 miles of transmission and sub-transmission lines, 18,000 miles of overhead distribution lines and 9,300 miles of underground distribution cables</li> </ul>

## 12 Appendix B: Confirmation of Evaluation Criteria

Criteria Item	Reference
1. Experience in managing airport(s) similar in scope, scale, and complexity to St. Louis within the past seven years, including relevant examples of aeronautical and non-aeronautical improvements.	Sections 4, 11.1, 11.2, 11.8
2. Experience in delivering material capital improvement programs for material maintenance and upkeep programs, terminal expansion, and/or new construction and the size of the capital programs managed.	Section 4.2
3. Successful leadership of public infrastructure transactions of greater than \$1 billion.	Section 5
4. Experience in developing airport or other infrastructure-adjacent real estate for airport and non-airport purposes.	Sections 11.2
5. Management of public infrastructure in a manner that served the objectives of stakeholders, including local constituents and infrastructure users.	Sections 4, 11.6, 11.7, 13, 14
6. Financial information indicating success in raising equity and debt capital to support similar projects of this nature and the ability to do so for a potential St. Louis transaction.	Section 5
7. Acknowledgements of City priorities for: <ol style="list-style-type: none"> <li>a. Improvement of the Airport for all stakeholders, including incremental uses of the Airport's significant excess capacity.</li> <li>b. Net cash proceeds to the City, upfront and/or over time for non-Airport purposes.</li> <li>c. Community and economic development in St. Louis and across the region.</li> </ol>	Sections 1, 2, 9.1
8. Acknowledgement of City-Related Commitments regarding: <ol style="list-style-type: none"> <li>a. MBE / WBE requirements with respect to third party contracting.</li> <li>b. Retention of current Airport Employees.</li> <li>c. Lack of lender exclusivity as it relates to this transaction.</li> <li>d. Conflicts of Interest certification.</li> <li>e. Defeasance of all outstanding Airport debt.</li> </ol>	Sections 9.2, 9.3

## 13 Appendix C: IFM Responsible Investment Charter

Please refer to IFM Investors' Responsible Investment Charter in the following attachment.

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*One purpose. Shared prosperity.*

# IFM Investors' Responsible Investment Charter

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## Opening statement from Brett Himbury and Chris Newton

IFM Investors has a long and proud history of focusing on investors and delivering superior net returns. Thinking, behaving and investing responsibly underpins this approach, but as we continue to grow, it is vital we take stock, assess, evaluate and reaffirm these beliefs and principles.

We are therefore proud to share with you IFM Investors' Responsible Investment Charter, which brings together approaches and beliefs long applied by our investment teams across the globe.

The Charter is designed to allow investors to drill down into how we manage investor capital, highlighting our core investment beliefs and showing how these inform our day-to-day activities.

Having such clearly defined beliefs is not simply important for us when weighing up investment decisions, but also for investors and their beneficiaries around the world. While IFM Investors' purpose has always been shared prosperity, there is now, more than ever, a demand to make sure that capital is used to strengthen our society, not weaken it.

In short, investors expect IFM Investors to deliver great financial returns – but not at the expense of the community, environment or market integrity. This Charter embodies these beliefs.

Looking across the business, these beliefs can already be seen in action: through the backing of renewable projects to supply airports with clean energy; by our overwhelming support for the election of female board members to ensure diverse boards representative of the communities they serve; and by ensuring the companies we own pay a fair wage and respect workers' rights.

The only, and best, way for us to serve the community as a whole, our clients and their beneficiaries, is to be an advocate for responsible capitalism, to champion responsible growth and ensure everyone behaves honestly and ethically.

At IFM Investors we have one purpose.  
Shared prosperity.



**Brett Himbury**  
Chief Executive  
IFM Investors



**Chris Newton**  
Executive Director, Responsible Investment  
IFM Investors

# IFM Investors' Responsible Investment Charter

*IFM Investors has an important responsibility when it comes to the way we invest on behalf of our clients, and millions of working people around the world.*

We understand the role we play to help provide safe, secure and sustainable retirement incomes for working people around the globe.

We are focused on providing great financial returns over the long term, and making sure that we do this in a way that is responsible, respectful and ethical.

We understand that all our investments across asset classes and geographies have unique attributes, so we assess and manage each with a flexible approach – whilst always keeping these principles central to our notion of risk and return.

Our shareholders, like us, are focused on managing the retirement funds of many millions of working people. We share a common set of values with our investors, who equally expect us to uphold these in our investment decisions.

## Responsible investment

Responsible investment considerations are embedded in our decision-making processes and benchmarked against global best practice, as our research and experience tells us that well-governed companies make for better long-term investments.

Our approach to responsible investment is closely aligned to the United Nations Global Compact, which enjoys global consensus and supports a set of core principles in human rights, labor standards, environment and governance.

We have been a signatory to the United Nations supported Principles for Responsible Investment since 2008 and adhere to our own Environmental, Social and Governance (ESG) Policy. We are also a member of the Carbon Disclosure Project and the Investor Group on Climate Change.

# What we value

*Investment decisions at IFM Investors  
are guided by three core beliefs.*

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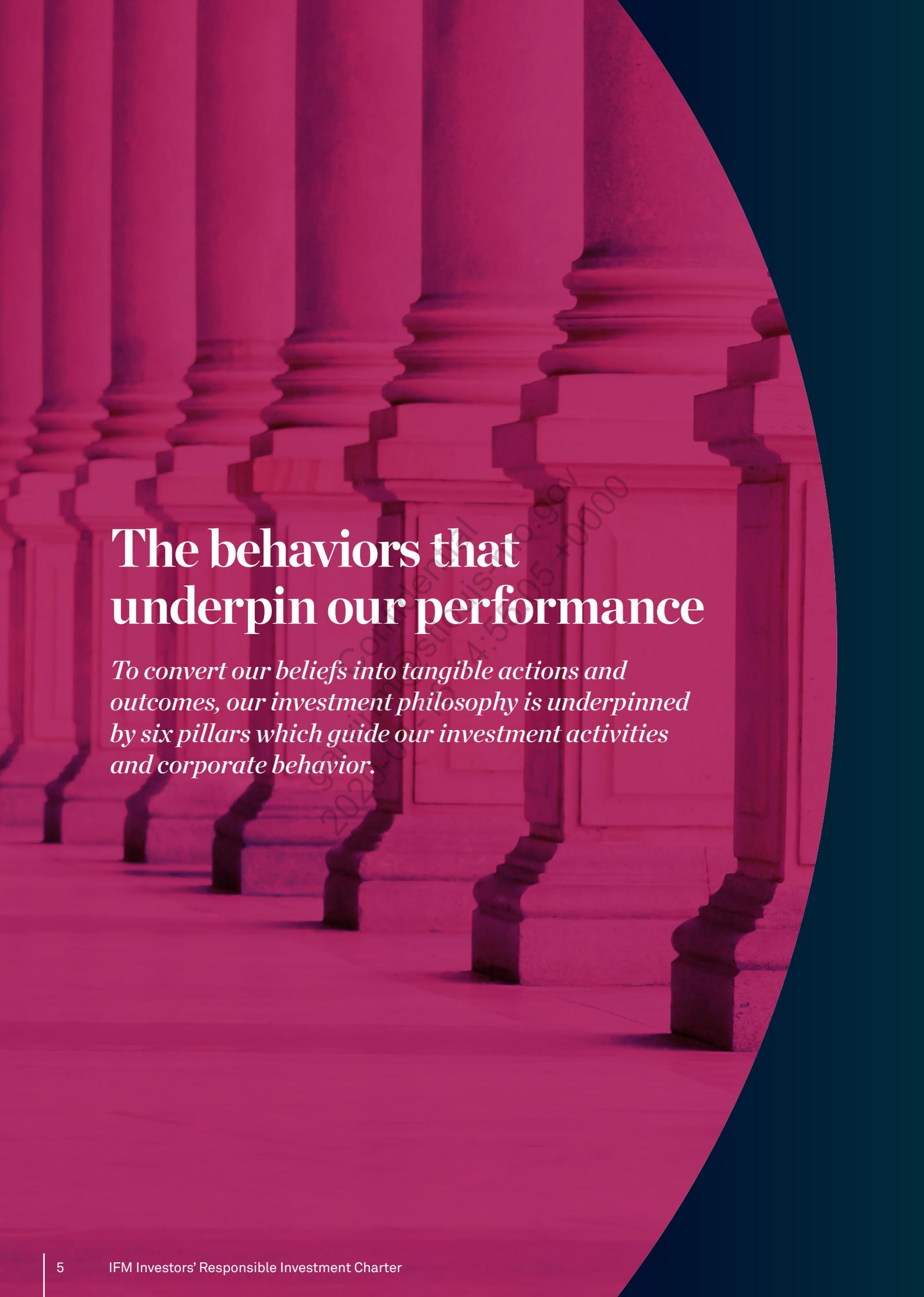
- 1.** Long-term strength and sustainability of the global economy is only possible if we have a healthy environment.



- 2.** A strong and inclusive society will lead to greater participation in economic markets and provide greater investment growth opportunities.



- 3.** Strong governance is critical to long-term sustainable economic growth. All participants have an obligation to behave honestly and ethically.



# The behaviors that underpin our performance

*To convert our beliefs into tangible actions and outcomes, our investment philosophy is underpinned by six pillars which guide our investment activities and corporate behavior.*



## Pillar 1:

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We take a long term view



## Pillar 2:

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We take an agile approach



## Pillar 3:

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We align our goals



## Pillar 4:

---

We are an informed investor



## Pillar 5:

---

We act as a steward



## Pillar 6:

---

We act transparently

## Pillar 1:

---

### We take a long term view

We review opportunities in decades, not quarters. We act in the best long-term interests of our clients and their beneficiaries.

#### *Our performance goals*

Our investment decisions are based on maximising the mid to long-term return on our investments across all asset classes.

Regardless of the asset class, we do not invest in high risk, and highly speculative investments chasing windfall returns. Our decisions are about outperforming the market over the longer term.



## Pillar 2:

---

### We take an agile approach

We take a leadership role, and don't just follow the market. We observe trends on the horizon in science and technology and adapt our approach to emergent risks and opportunities.

#### *Our performance goals*

We actively research future trends in science and technology that could impact the market and returns on investment.

We continually look to leading individuals and organisations who work with emergent technologies and ideas that can shape the way our assets operate over the long term.

We use this insight to inform our investment decisions across all asset classes, looking for emerging opportunities or potential market disruptions.



## Pillar 3:

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### We align our goals

We seek to understand our clients' goals and objectives and make sure our financial, and environmental, social and governance (ESG) benchmarks are fully aligned to (or with) their needs.

#### Our performance goals

We work closely with clients to agree on the mandate for their investments, ensuring we understand their requirements and that they, in turn, are aware of the principles and values that drive IFM Investors' investment decisions.

We actively educate our clients on the ESG implications of their investments which helps to facilitate better investment decisions.

Where our core values and ESG principles cannot be aligned with a potential client's requirements, we will not do business with them.

## Pillar 4:

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### We are an informed investor

We get to know an asset well before we invest, thoroughly understanding the potential financial returns and, where material, ESG risks and opportunities.

#### Our performance goals

Our decision-making process for investing is based on a thorough due diligence process which includes clear ESG guidelines and requirements.

These ESG guidelines allow us to form a view on how these factors impact long-term performance and value.

We access global experts where needed, actively collaborate with global organisations and within global frameworks, such as the United Nations Sustainable Development Goals.

All investment analysts are required to undertake learning and development programs to build their ESG awareness and technical analysis skills.



## Pillar 5:

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### We act as a steward

We own assets on behalf of our clients, embedding ESG principles without compromising long-term returns.

#### Our performance goals

We embed ESG principles into the investments we make on behalf of our clients and their members.

We actively monitor emerging ESG themes that will enhance value and mitigate risks.

We regularly engage with a company's management and board of directors to create a dialogue about achieving specific ESG outcomes.

We use our vote as a shareholder to push for great ESG outcomes. Where a company fails to comply with IFM Investors' ESG policy over time, we oppose the re-election of certain directors or vote for alternative director with whom we share a common view.

We collaborate with like-minded investors, governments and third-party organisations.



## Pillar 6:

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### We act transparently

We are open and transparent with our investors, community and staff, not just when things go right but also when problems occur.

#### Our performance goals

We disclose information beyond our regulatory requirements through annual reports to our shareholders, market updates and sustainability briefings on ESG issues.

We actively inform our investors, stakeholders and staff of any information or circumstances which affect the investment portfolios we manage.

We report openly to our shareholders and staff on our performance metrics – both relating to financial and ESG performance.





# Defining our responsibilities and delivering business success

*IFM Investors has one overarching purpose. That is to enhance the prosperity of our investors, ensuring their money works in their best interest, no one else's. However, this purpose is defined by eight core principles the organisation believes are fundamental to achieving long term, sustainable returns.*



## Principle 1:

Good ESG management is a sign of a disciplined organisation



## Principle 2:

Confidence in the financial system is paramount



## Principle 3:

Diversity drives better performance



## Principle 4:

Climate change is real, and we all have a shared responsibility



## Principle 5:

The best results come from aligned incentives



## Principle 6:

It is possible to profit without exploiting others



## Principle 7:

Value is derived from assessing all elements of an investment



## Principle 8:

Measuring outcomes will drive value



# I

## Principle 1:

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### Good ESG management is a sign of a disciplined organisation

We believe organisations that embrace environmental, social and governance (ESG) principles are taking a more comprehensive view of their responsibilities, and so we use these to assess the full range of risks and opportunities across the life of our investments.

#### *Our performance goals*

With significant, long term investments, we develop a clear understanding of the approach the company or project takes to material ESG factors such as safety, pollution, labor rights and governance issues.

We actively engage and advocate around ESG factors on our exchange-listed investments.

For our unlisted assets we identify material ESG factors and have appropriate benchmark measures, and set performance targets based on comparable peers, in an effort to outperform the market in relation to ESG.

We take a long-term view of the potential ESG impact of any asset we invest in, and where there are substantial ESG risks, we set up clear plans with management to improve ESG performance and reporting. Where ESG risks are judged to be too great, we do not invest, and subject to confidentiality, we inform our investors and stakeholders of the reasons why we have made this decision.

The level of influence often is a direct correlation to the size of the shareholding – so we proactively work with other shareholders and proxy advisers to exert pressure on companies to respond to certain ESG issues.

In our own right, as a large shareholder, we meet with company management on a one-on-one basis to raise specific ESG concerns and work with them to find solutions.

We are entitled to one vote for every share with regards to the election and re-election of the board of directors and we exercise this to effect better ESG outcomes.



## Principle 2:

### Confidence in the financial system is paramount

We believe in the importance of protecting and enhancing the integrity of the financial system. So not only will we always act with absolute integrity, we will call out bad behavior where it occurs to deliver greater transparency and accountability.

#### Our performance goals

We operate to the highest possible legal and ethical standards. We use our thorough due diligence process to ensure that we only partner with, and invest in companies / assets, that share our commitment to the highest possible legal and ethical standards.

If we identify bad behavior, either within our company, or at the companies we work with, we do not hesitate in calling out this behavior and reporting it to the appropriate regulator.

We maintain and actively promote internally an IFM Group Whistleblower policy which gives our people the confidence to voice concerns or escalate serious matters on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment.

#### Protecting investors' interests

IFM Investors opposes the re-election of Board members where a company has not acted in the interest of its ultimate owners.

In 2015, a listed company's decision to raise significant capital from a single shareholder diluted the size of the stake held by other investors. In an effort to hold the firm's board to account, IFM Investors opposed the re-election of several board members and declined to back its remuneration report.



## Principle 3:

### Diversity drives better performance

We recognize the value of ensuring a diversity of views, cultures and opinions in the way we assess investments and make decisions.

#### Our performance goals

Where we invest in a company, we actively encourage better diversity policies.

We monitor the quality of investments against clearly defined diversity beliefs and goals.

We have a clearly articulated diversity strategy which outlines our commitment to increasing diversity within the company and sets clear, ambitious targets for us to work towards.

#### The value of culture and attitude

When we invest in companies we examine their employment policies to ensure they adhere to fair work regulations and do not discriminate.

In businesses heavily reliant on people – such as in service companies – a focus of our due diligence is the staff culture, attitude and values.

In this light we have examined workforce (both employees and subcontractors) engagement surveys, to better understand key elements of the culture, along with other relevant workforce data such as recruitment, retention and renewal with a view to look at opportunities for improvement and deliver long term value.

We are active participants in the Australian Council of Superannuation Investors' long term engagement program on increasing the representation of women on ASX200 Boards to at least 30% by 2017. Further we are signatories to the 30% Club, a global movement to improve the balance of company boards to have greater female representation.



## IV

### Principle 4:

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#### Climate change is real, and we all have a shared responsibility

We believe that for markets to grow and prosper over the long term, we must properly take into consideration the impact our investments have upon climate change.

#### *Our performance goals*

Our due diligence processes include clear carbon benchmarking components and we manage our unlisted investments to reduce carbon footprints.

We do not avoid assets with ESG exposures, but rather actively integrate ESG into our ownership approach. We seek to understand the percentage reduction opportunity in carbon emissions for our given assets, not simply the total carbon exposure of our portfolio.

In 2017, we will produce, and publish, a carbon footprint of all investments in which we have a significant exposure, or over which we yield significant influence.

We have measurement and reporting platforms internally so we can better monitor, manage, measure and report on emergent ESG themes.

We avoid investments that have no clear path to sustainability in the future, or where we cannot engage with the major producers of carbon. Unsustainable investments are unlikely to deliver stable long-term returns. And we exit investments where there are material ESG risks that cannot be addressed through active management.

## Better carbon outputs, better financial performance

Veolia Energia Polska, in which IFM Investors has owned a stake since 2006, converted two coal-fired cogeneration boilers in Łódź and Poznan into bubbling fluidized bed ('BFB') biomass boilers between 2010 and 2011.

Biomass was selected as it significantly reduces carbon emissions, and because the technology is cost effective enough to compete with traditional fossil fuels. Additionally, biomass is supported by the Polish energy policy via a support scheme. The conversion was completed ahead of time, with both boilers operational since 2012. This resulted in:

- An annual 10% carbon reduction for the company
- Fifteen per cent of the fuel mix coming from clean sources following the conversion
- The prevention of 260,000 (metric) tons of carbon emissions a year
- Benefits for the regional economy, as boiler biomass is sourced from within 200km of the site

We monitor opportunities to replace coal-fired boilers with greener technologies on a continuous basis.

This transition will happen progressively, mirroring regulatory incentives set by the Polish energy policy.

## Our approach to addressing climate change

For all of our infrastructure investments around the world, we take a proactive approach to identifying our carbon-related risks and opportunities. At present, there are three phases to our climate change response for infrastructure.

1. **Short-term:** Transparency and benchmarking of the carbon emission intensity of our infrastructure investments. This is an ongoing program of measurement, and engaging management to define reduction strategies and annually monitor progress
2. **Medium-term:** Technical review of operational processes for all assets, in order to improve efficiency of existing technologies
3. **Long-term:** Consideration of research & development opportunities to explore innovative low-carbon technologies for IFM Investors' assets



## Principle 5:

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### The best results come from aligned incentives

The best long-term financial results come when stakeholders have shared interest and value in the outcome. We work hard to achieve this by ensuring alignment between investors, and the incentives for our employees and asset management activities.

#### *Our performance goals*

We have a track record of shareholders co-investing in our assets.

We will not accept structures in which a distortion of incentives occurs – for example we will not work inside structures that reward IFM Investors before it rewards our investors.

Our own employee incentive arrangements are deliberately structured to encourage positive behavioral change to support the key ESG objectives of the business.

A key element of all employees' performance assessments is a cultural component which integrates ESG factors into their incentive arrangement. This includes adherence to IFM Investors Codes of Conduct, values as well as generally displaying ethical behavior in everything they do.

#### **Shared incentives deliver shared value**

At IFM Investors, we know how we go about our business is as important as the result. Therefore, IFM Investors takes the time to understand the values and objectives of our clients, a process that often results in co-investments and collaborations which can produce positive financial returns and enhance ESG outcomes.

Working with one of our Australian-based clients – VisionSuper – IFM Investors developed a Low Carbon Index approach that allows the client to marry financial returns and reduce its exposure to climate change risks.



## Principle 6:

### It is possible to profit without exploiting others

We believe in the concept of a fair return. That is why we work hard to respect the principles of collective bargaining, the role of union representation, workplace safety, fair remuneration and equal opportunity in our investment and management decisions.

#### Our performance goals

We believe that each workplace and each worker deserves the right to be heard either as an individual, or as part of a group.

We focus on what upholds human rights and gives workers a safe place to work.

We conduct our business in accordance with the OECD Guidelines for Multinational Enterprises as it relates to human rights, and run periodic reviews against these guidelines.

When we invest in an asset, or make a significant investment in a company, our due diligence process specifically includes an assessment against the GRI G3 Human Rights Performance Indicators.

Through this process we examine what is best practice and identify areas in which we can improve and add value to the business and ultimately create long term economic value for our investors.

Where we hold a significant stake in an asset, we engage directly with company management on ESG issues. As a large shareholder, we meet with company management on a one-on-one basis to raise specific ESG concerns and work with them to find solutions.

As a smaller shareholder, we are entitled to one vote for every share with regards to the election and re-election of the board of directors and we exercise this to effect better ESG outcomes.

#### Working collectively for the greater good

IFM Investors always looks for opportunities to work alongside likeminded organisations. In 2017 we led an engagement program alongside the Carbon Disclosure Project (CDP) with ASX-listed companies.

The program was focused on achieving a greater level of transparency around carbon emissions from each company. By leveraging the collective shareholding of CDP members, IFM Investors is able to have a greater influence on the Boards and management of these listed companies.



## VII

### Principle 7:

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#### Value is derived from assessing all elements of an investment

We know that sustained value comes when we continuously look for ways to improve the operation of an investment. However, we also understand these decisions can have wide-ranging implications, so we only make them when all impacts on investors and stakeholders are fully understood and addressed.

#### *Our performance goals*

We take a long term view of our investments, and our decision-making process.

IFM Investors will exit investments when an appropriate commercial outcome is achieved or there are material ESG risks that cannot be addressed through active management.

When we analyze whether to invest in unlisted assets, we consider whether the ESG consideration has a material financial impact.

And if it does, we investigate whether we should adjust the discount rate, adjust the forecast, and/or develop a mitigation plan. In many cases, we seek independent advice to gauge the financial impact of a significant ESG risk.

We take time to understand the variety of stakeholders attached to each investment, and when working at the Board level, we understand the implications of our decisions on a wide variety of stakeholders.



## Principle 8:

### Measuring outcomes will drive value

We balance great financial returns with ESG objectives for ourselves, and our investments.

#### *Our performance goals*

We have clear, measurable ESG targets for our investment due diligence processes, and for our own performance.

Our ESG due diligence criteria clearly documents investment risk and opportunities.

The business reports publicly on the ESG “value” of each investment class.

#### **Quantifying the benefits**

IFM Investors believes that the long term value of our assets and investments is inextricably linked to their long term social value.

It is important to us that we make a net positive contribution to society, so therefore we need to take a wider perspective when making investment decisions.

IFM Investors constantly looks at new ways to extract ESG themes to drive higher returns. To this end we are creating a tool to measure active Total Value Creation.

This will allow us to measure, quantify and report on IFM Investors' net contribution to an asset over the life of the investment.



*One purpose. Shared prosperity.*

IFM Investors is a global fund manager with over A\$80 billion\* in assets under management across infrastructure, debt, equities and private equity. Established over twenty years ago and owned by 28 major pension funds, our interests are deeply aligned with those of our investors and our unwavering focus is on maximising investor returns. We take a farsighted view of the future and can invest unencumbered by shareholder conflict of interest because our ownership model is unlike any other financial institution. We have a strong focus on investor returns, with a genuine commitment to enhancing the productive capacity of companies, communities and countries in a sustainable, long-term manner. IFM Investors has offices in seven locations – Melbourne, New York, London, Sydney, Tokyo, Berlin and Hong Kong.

\*as at March 31, 2017

[www.ifminvestors.com](http://www.ifminvestors.com)

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## 14 Appendix D: MAG Corporate Social Responsibility Report 2018

Please refer to MAG's Corporate Social Responsibility Report 2018 in the following attachment.

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# GROWING OUR AIRPORTS RESPONSIBLY & SUSTAINABLY



# WELCOME TO OUR CORPORATE SOCIAL RESPONSIBILITY REPORT

Five years ago MAG acquired Stansted Airport. At that seminal moment in the Group's history we recognised that the time was right to realign our approach to responsible business with our plans for growth at our airports. We recognised then, as we do now, that growth requires a sustainable and community focused approach, showing our passengers, employees and shareholders the wider benefits of our business.

We set in motion a new five-year plan that focused on increasing our work with our airport communities, employees and customers, as well as making us the most environmentally friendly airport operator in the country. I believe that we have come a long way in achieving these aims. The prominence and importance of this work is growing consistently, and this year we took the decision to create our CSR Committee, chaired by Vanda Murray OBE, to support this work.

As MAG approaches the next phase in its history, investing over £1bn in the Manchester Transformation project and £500m in the dedicated arrivals terminal at Stansted, the time is right to assess again our approach to being a responsible business. Over the course of the next year we will produce a new five-year corporate social responsibility plan, ensuring that our growth will remain sustainable, fair and inclusive, and I look forward to working with our teams across the business to deliver on this important work.

*Charles T. Cornish*

**CHARLIE CORNISH**  
GROUP CHIEF EXECUTIVE, MAG



Our airports serve over **58m** passengers each year

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## OUR REPORT

Within each of the key subjects of the report, the page is split into three sections.

This report covers our activity during the reporting year 1 April 2017 to 31 March 2018.



### Our approach

This outlines the thinking behind our activity, highlighting why we do what we do.



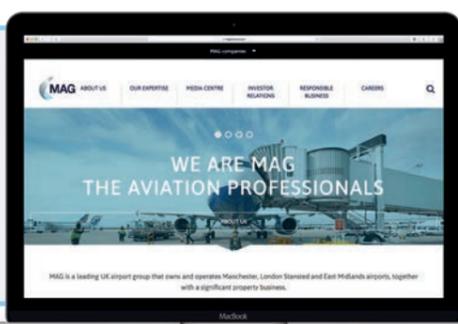
### Our activity

This shows how we translated our thinking into tangible changes across our business.



### Our ambition

This gives a flavour of our ambition, and just some of what we hope to achieve with our new strategy next year.



[www.magairports.com/responsible-business/](http://www.magairports.com/responsible-business/)

“Growth requires a sustainable and community focused approach, showing our passengers, employees and shareholders the wider benefits of our business.”

Last year I was pleased that MAG chose to elevate its CSR Committee to become a formal Board sub-committee. This change may seem small but demonstrates how over the last five years, MAG's approach to responsible business has become ever more integrated into the core of the business. By becoming the first airports in the UK to be carbon neutral and adopting hands on, pioneering approaches to local employment and skills training, MAG has made real strides in its determination to have a positive impact on its local areas.

MAG airports support over  
**45,000**  
jobs



Since this change, the Committee I lead has taken stock of all MAG's achievements over the course of the existing strategy. Be it through running the first airports in the UK to achieve carbon neutrality, or taking a pioneering approach to education and employment, MAG has led the industry in sustainable and inclusive growth and can be rightly proud of the work it has done.

However, change is on the horizon. With significant investments now underway, MAG is set to enter a new phase in its growth. This means that the time is right to set a new CSR strategy for the business, working to ensure that growth continues in a way which is fair and sustainable. I and my fellow non-executive directors, Cath Schefer and Jon Wragg, will help to shape this strategy and I look forward to the new ideas, new projects and new achievements that will make a real difference.

Finally, on behalf of the CSR Committee, I wanted to take the time to thank everyone within MAG who has put time and effort into creating and delivering MAG's CSR strategy over the last five years. The CSR report this year focuses not only on the outcomes of our work, our strategy in action, but on the people within the business who have strived to deliver it. This effort and achievement is well worthy of recognition, and I look forward to working with you all to deliver even more over the coming year.

**VANDA MURRAY, OBE**  
CHAIR OF CSR COMMITTEE

/// With significant investments now underway, MAG is set to enter a new phase in its growth. This means that the time is right to set a new CSR strategy for the business. ///



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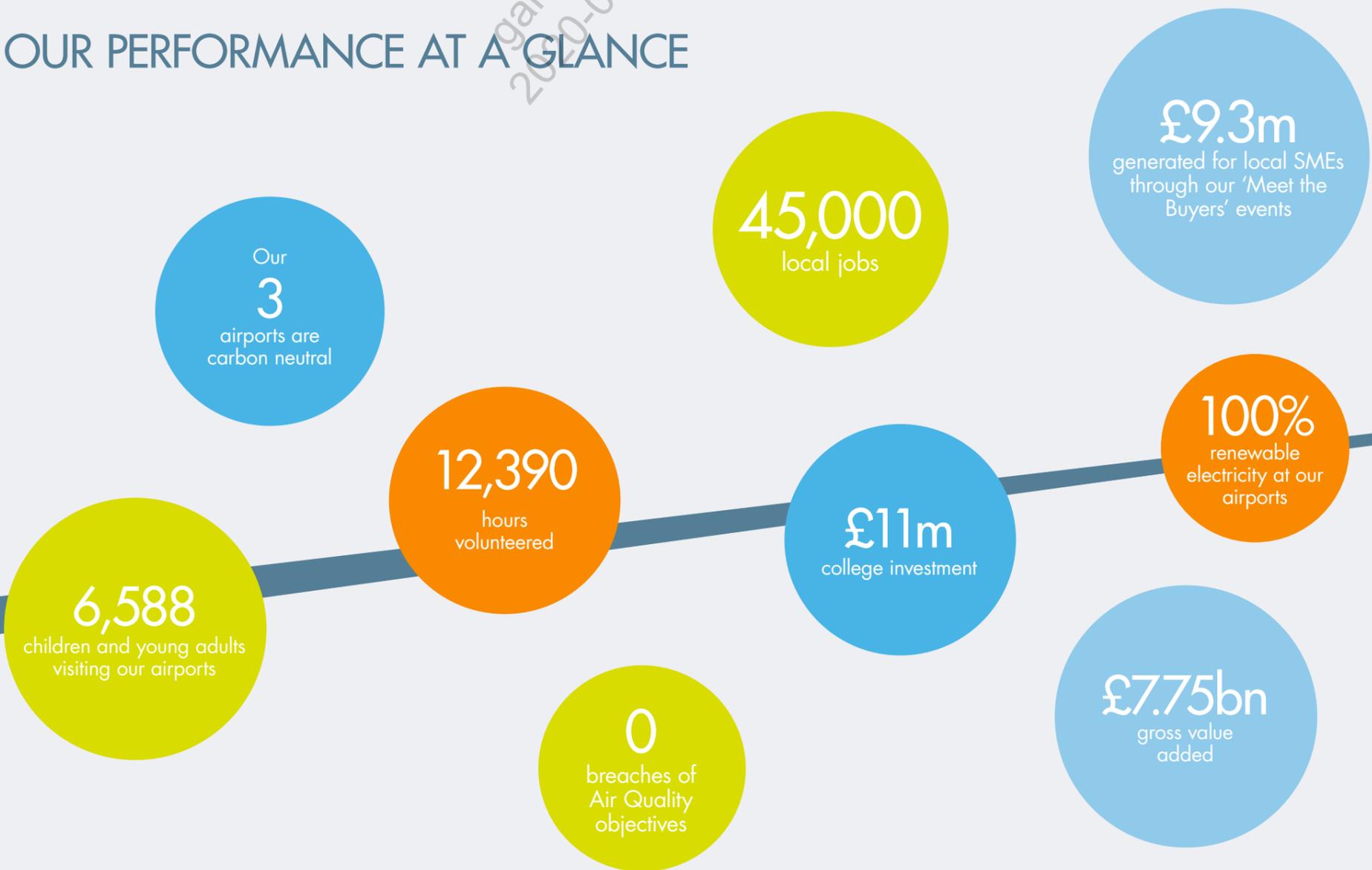
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OUR PERFORMANCE

## OUR PERFORMANCE AT A GLANCE





We've supported  
**223**  
local groups  
with

**£885,833**  
in donations

## OUR APPROACH TO CSR

### OUR VIEW

Being a socially responsible business should always be important, and the size and nature of our airports will always mean we are a significant part of our local communities. Our approach to Corporate Social Responsibility (CSR) reflects this, and we focus on ensuring those local communities are able to enjoy the economic and social benefits of our business, through the creation of jobs, through our support for local causes and by minimising our impact on the environment.

We recognise that our operations come with a duty to act responsibly, to work closely with our local communities and to grow in a way that is sustainable. Our commitment is to minimise our impact on the environment, maintain a safe workplace, provide a space for the development and wellbeing of our employees and to help share the benefits of living near an airport with our local communities.

To support our work on growing sustainably, we work closely with industry colleagues in Sustainable Aviation and we are proud to be chairing the organisation over the next few years. Through Sustainable Aviation, our aim is to deliver a more sustainable future for airports and airlines, through collaboration finding ways of improving our environmental performance and creating a balanced debate to ensure the sustainable growth of our industry.

### STRONG GOVERNANCE

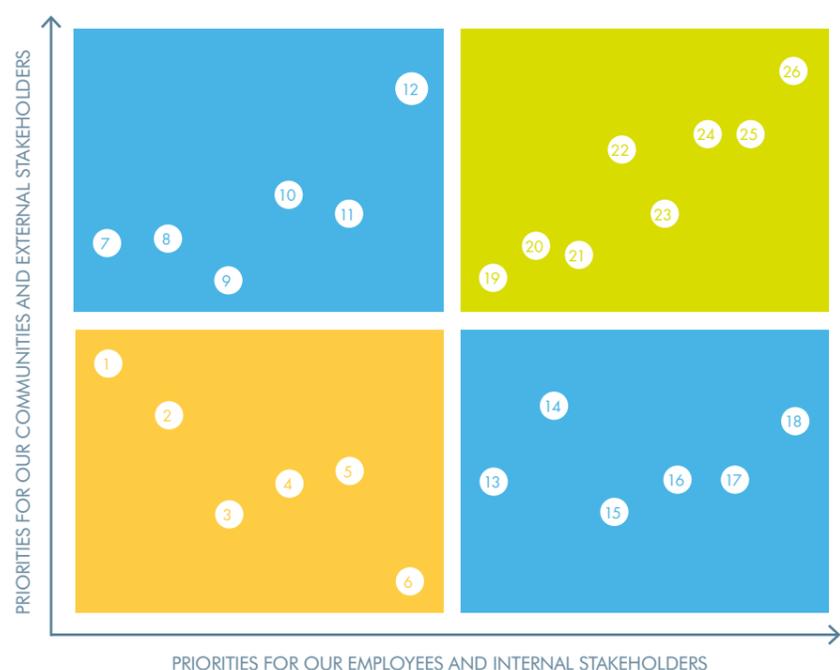
Effective and transparent governance is one of the foundations of our CSR programme. To make sure CSR is managed strategically and fully embedded across the organisation, we have a CSR committee which is a sub-committee of our Group Board. The Committee is chaired by Vanda Murray OBE (Non-executive Director) and all the Divisional CEOs are attendees. It oversees the effectiveness of MAG's CSR strategy, ensuring the successful integration and delivery of activities across the business. In addition to this CSR Report we publish a modern slavery statement and gender pay gap report. Both can be located on our corporate website [www.magairports.com](http://www.magairports.com) and additional information and disclosures can be found within the GRI index.

We commission an independent annual review of our material issues to check that our aims and objectives continue to reflect the issues of greatest relevance to our communities, colleagues, investors and customers. This helps us to keep up to date with what matters most to those who matter to us, and shapes our work over the following year.

This year our stakeholders told us that they gave increased priority to transport to and from the airport, as well as increased recognition of our support in the local community, be that through hiring local employees, buying from local businesses, or community investment and engagement. Our impact on the environment has also been high on the agenda of local communities, with issues such as noise abatement and our regional economic impact remaining prominent areas of interest. MAG has strategies in place to continue to improve our work in this area. A full list of issues is summarised in the figure opposite.

### MATERIALITY

We work hard to make sure we are fully aligned with the views and expectations of our stakeholders.



- |                               |   |   |
|-------------------------------|---|---|
| 1. Employee reward            | 10. Local sourcing and hiring             | 19. Ground and passenger transport      |
| 2. Ethics and governance      | 11. Passenger intermodality               | 20. Business development and expansion  |
| 3. Regulation                 | 12. Customer safety and security          | 21. Climate change and carbon           |
| 4. Land use and biodiversity  | 13. Diversity and inclusion               | 22. Community satisfaction              |
| 5. Procurement                | 14. Health and safety                     | 23. Local/regional economic development |
| 6. Waste                      | 15. Energy efficiency employee engagement | 24. Local sourcing/hiring               |
| 7. Local air quality          | 16. Public policy                         | 25. Noise abatement                     |
| 8. Impact on neighbours       | 17. Recruiting talent                     | 26. Trust and transparency              |
| 9. Construction and buildings | 18. Training and development              |   |

### A NEW APPROACH

During the course of the next year we will be updating our CSR strategy as part of a planned review. This will realign our goals with international best practice through the recently published Sustainable Development Goals, and reflect the issues most important to our business's stakeholders. To help us identify these issues, we have commissioned an independent consultancy to undertake an 'integral materiality review', a much more extensive stakeholder exercise than we have ever conducted before. We will provide an update on our new strategy and the outcomes of our integral materiality review in next year's CSR Report.

### STAKEHOLDER VIEWS

We take the views of our stakeholders seriously. Opposite is a snapshot of some of the issues that have been raised and how we have responded.

*The needs of the airport community naturally change over time, so our strategy adapts with them. We speak to a wide range of people, from local residents to shareholders and employees to customers to make sure that our strategy evolves with the needs of the people we serve.*

**NEIL ROBINSON**  
GROUP CSR DIRECTOR

### SURVEY

#### WHAT YOU TOLD US

It is important to our stakeholders that our airports are accessible, any time of the day.

It is important to our stakeholders that noise is minimised as much as possible.

It is important to our stakeholders that they feel listened to.

It is important to our stakeholders that we pay our employees fairly, irrespective of gender and race.

It is important to our stakeholders that passengers with disabilities experience the same ease that able bodied passengers do when experiencing our airports.

#### WHAT WE DID

- Our airports offer all colleagues discounts on their travel to and from work.
  - We have made it easier than ever for our colleagues and passengers to get into our airports. We have worked with partners to introduce new services at the start and the end of the day to both Stansted (train) and Manchester (tram and train) Airports.
  - At East Midlands Airport, working in partnership with local stakeholders has resulted in a 24-hour, seven-days-a-week commercial bus network serving three cities and many market towns and villages, and providing connectivity to nearly 2 million passengers.
  - We have been working closely with Government to improve access to all of our airports, pressing for HS2 access and Northern Powerhouse Rail at Manchester Airport, seeking earlier, later and faster trains to and from Stansted Airport.
  - We're also working towards improved frequencies to our airports on both the East Midlands and Cross Country franchises, working with Government, Network Rail and bidders to support better access for our employees and passengers.
- This year we will be reviewing, updating and consulting on new Noise Action Plans at each of our airports.
- Across MAG we ran 99 outreach events throughout the regions we operate, giving communities a platform to speak to our teams directly and allowing us to more effectively understand any concerns and seek to address them.
  - We also began our integral materiality process, which takes in the views of a wide range of company stakeholders and feeds into helping to shape our upcoming strategy review in reflecting their needs.
- MAG has monitored the gender pay gap for the last five years and seeks to ensure that opportunities at the airport are open to all. To do this MAG has:
- Stipulated that our partnership with Laing O'Rourke on the Manchester Transformation programme will support 150 apprenticeships, support 1000 jobs and that 50% of these roles must be local to the project, supporting our local economy.
  - Trialled name/gender blind screening at East Midlands Airport, with a view to finding the best ways to ensure equal opportunities to work at MAG.
  - Created unconscious bias training programmes.
  - Commissioned a review of all MAG employment and promotion practices to receive independent recommendations on how we can improve further. This is due to report later this year.
- We worked with Disabled Go to undertake an audit of Manchester Airport's website to ensure it is fully accessible.
  - We launched our first hidden disability survey; the findings of which will be included in next year's report.
  - We have set up independently chaired disability forums at all airports, to help shape our action and improve our service levels.

## OUR CSR PILLARS



### OUR BUSINESS

We will continue to work in the spirit of partnership to maximise our social and economic contributions in the regions we serve, in line with our CSR strategy. Our key objectives in this area are:

- Supporting businesses – helping small and local businesses prosper
- Promoting employment – creating opportunities for local people
- Meeting the needs of all passengers – supporting passengers with special needs
- Outstanding customer services – working on ways to improve our customer service
- Sponsorship and giving – supporting our regions to prosper.



### OUR ENVIRONMENT

We will make the best use of natural resources and minimise the environmental impact of our operations. Our key objectives in this area are:

- Energy and carbon smart – improving energy efficiency to become carbon neutral
- Preventing pollution – protecting the environments around our airports
- Reducing supply chain emissions – working in partnership with our suppliers
- Eliminating waste – working to reduce all waste to landfill
- Balanced noise management – limiting the amount of people impacted by noise.



### OUR COMMUNITY

By building enduring relationships with our local communities, we will seek to understand the issues that are important to them and use our combined skills and resources to work together for our mutual benefit. Our key objectives in this area are:

- Supporting young people – helping young people to prepare them for the world of work and make work an inspiring choice
- Investing in the community – continuing to operate community funds
- A trusted company – operating our business in a way that commands trust
- Promoting international culture – promoting the development of language and cultural links with other countries
- Reach out to the community – delivering community outreach programmes at each MAG airport.



### OUR COLLEAGUES

Keeping them safe at all times, we will support and develop our people so they consistently deliver high performance.

- Developing our people – building a MAG leadership ethos
- Being positive about diversity – valuing and actively promoting diversity
- Safety at all times – providing safe places for our colleagues and customers
- An engaged workforce – creating an inclusive environment where colleagues are motivated to contribute to the improvement of MAG.

### OUR CSR PILLARS ARE UNDER PINNED BY OUR BUSINESS VALUES





# CREATING SHARED VALUE

## Our approach

Combined, our airports generate £7.75bn in GVA\*, supporting over 45,000 local jobs. The scale of our operations and the nature of our work though, make us a huge part of our local communities, and being supportive, active members of them is an important part of what we do. We want the people around us to feel the benefit of living near to an airport, and part of that means supporting jobs, opportunities and training in the areas we serve. Last year, alongside an increased economic impact and supporting even more jobs, our programmes directly supported 30,654 young people in education, from primary school age right through to graduate level.

//  
*Since the investment started you can see how much it's changed. There are new airlines all the time and hundreds of jobs here. It's a massive project and it'll make a huge difference to Manchester.*  
//

STEVE LAKIN  
RANGER, MANCHESTER AIRPORT

271  
of our airport suppliers  
are within 25 miles of  
our airports

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## Our activity

**Manchester Airport** is the largest UK airport outside London and is central to the future growth of the Northern economy. Already this year we have surpassed the 27 million passenger mark for the first time in our history, and with new routes to Ethiopia and Mumbai announced recently, the airport's role in the region's economy is growing. It is important that we invest in our airport, so that we can reach our full potential. At £1 billion, the planned Manchester Transformation Project is one of the largest private investments in the North for decades and it will revolutionise the way the airport functions and support economic growth over the coming years. This year, we completed the first major phase of the transformation project, marking six months of successful development. During 2017/18, Manchester's direct economic contribution to the region was £1.55bn, a 29% increase on last year, and the airport directly supported 25,000 jobs.

**London Stansted** is set to be the fastest growing airport serving the capital in 2018, and is the key express freight hub for London and the South East. The airport supports 12,500 jobs across the region and contributes £850m to the regional economy, a 16% increase on last year. With new services to New York, Boston, Toronto and Dubai launched this year, we are investing to make sure our airport has the facilities to meet the growing demand from passengers. Recently, work began on the second phase of Stansted's transformation: a five-year, £600 million construction programme that will see a new arrivals building alongside the conversion of the existing terminal into a dedicated departures only facility. Reflecting the growing demand for our services, this year we have also sought planning permission to increase the limit on passenger throughput from 35mppa per annum to 43mppa. As the airport's role expands, we will continue in our commitment to support our local area and build our contribution to the economy.

**East Midlands Airport (EMA)** sits between Nottingham, Derbyshire and Leicestershire. Whilst its role as an important regional airport is well understood, its role as the UK's largest hub for pure freight aircraft is less well known. As the economy grows, the logistics which serve this globally exporting region must grow too. Key to this is East Midlands Airport, which serves as the largest pure cargo airport in the UK. This capability means logistics giants such as DHL, UPS, Amazon and Royal Mail choosing to locate globally important hubs at this prime location, with both UPS and DHL having recently made substantial new investments.

This year EMA grew as the UK's principal gateway for high value express freight, handling 359,338 tons of cargo. Last year, the airport's operations served 4.85 million passengers, supporting 6,200 jobs and providing a contribution to the regional economy of £300m.

### MAG CONNECT

To grow a business of our size sustainably, we need to ensure we attract and retain talented people who can develop and grow with the company. To support this objective, our MAG Connect programme brings together an array of employment initiatives under one roof, with the purpose of ensuring that people of all ages and at all stages of their career can have access to employment at MAG and have all the support they need to do so.

### DEPARTMENT FOR WORK AND PENSIONS PARTNERSHIP

This reporting year we created a new programme, MAG Connect, an initiative to take the recruitment drive out of our airports and into the areas where it will have the greatest impact. The first MAG Connect initiative was a jobs fair organised by London Stansted

and held in Tottenham, an area of London only 35 minutes from the airport by train, with fares subsidised by 80% for airport employees. The jobs fair also kicked off a new partnership between London Stansted Airport and Tottenham Job Centre Plus, which gave our business a permanent presence within the job centre to directly employ local people. We look forward to receiving our first full year of employment statistics results later this year, and are expanding the programme to other sites and locations.

### AIRPORT ACADEMIES

Airport Academies have been developed at Manchester, London Stansted and East Midlands Airports to act as employment hubs between the airports and our business partners. Our academies are open to all, whether they are currently working for us, looking for a new career, or need support to find a job, with our Academies offering targeted interventions, including courses on employment skills, work experience and CV development. Last year our Academies helped to support 903 local people into jobs at our airports.

### AEROZONES

Our Aerozones provide tailored programmes aimed at a variety of age groups, from primary school through to 18. They are designed to showcase the career opportunities available at our airports, to help prepare young people for the world of work by building their confidence in key 'STEM' skills that are important in the workplace. They are a free resource for schools and colleges. Over 6,588 young people have attended a day at our Aerozones this year. With Manchester's new facility planned for later in 2018, we hope to inspire many more young people to consider a career in aviation.



PURE INNOVATION

We want to make jobs at our airports accessible to everyone. As part of this, we have partnered with Pure Innovation, a charity that helps to provide support for people whose disability might otherwise prevent them from gaining the independence and employment they deserve. Last year was the third year of our partnership and saw the introduction of a supported internship programme, where an employment-based course gives students with additional needs the opportunity to develop employability skills. These skills are matched to job roles within the airport, where they undertake a rotation of three, ten-week work placements giving them experience in a variety of jobs and building confidence. MAG and its partners have already seen seven students complete the course and gain employment at our airports this year.

EDUCATIONAL PARTNERSHIPS

Alongside our own on-site facilities, MAG works in partnership with local schools and colleges to provide funding, training and insight into our business, and to support the development of young people's careers.

Across the Group, MAG has directly supported the education of 30,654 young people this year.

CUSTOMER SERVICE

The aviation sector is a competitive, customer-focused environment, and it's important to ensure high standards of service for all passengers, regardless of their needs or requirements. We are always looking at new ways to make the journey for our passenger's smoother and more comfortable, implementing important improvements through both large and small-scale investments. We acknowledge that we need to improve our performance in supporting passengers with restricted mobility. This year we have increased our work with a range of disability organisations, including creating new regular forums at all airports. We have implemented a number of improvements including Audio Described Information (ADI) access in each of our three terminals in our Manchester Airport accessible toilets. By improving specialist travel advice, enhancing our facilities and listening to our customers we aim to improve our services in an area which we have found particularly challenging.

This year we have also launched MAG-O, a dedicated start-up digital business, tasked with using technology to create the best possible experiences for our customers, and connecting up the journey for all of our passengers, so that they can have a smooth, and stress-free, experience.

MEET THE BUYERS

Small and Medium Sized Enterprises (SMEs) are important to the long-term sustainability of our business and supporting the growth of local SMEs matters to MAG. Last year we were supported by numerous local businesses, and to encourage SME growth and support our supply chain, we also ran 'Meet the Buyers' events alongside our business partners at both Manchester and London Stansted Airports. Our event at London Stansted welcomed nearly 300 businesses from across the East of England and London and attracted a record-breaking 46 private and public-sector buyers with a combined purchasing power of £200 million in potential new sales and contracts. These events act as an exchange for local SMEs and businesses across our airports, promoting trade between the two.

MODERN SLAVERY

We are committed to making sure there are no occurrences of modern slavery or human trafficking in our supply chain or in any part of our business. Our anti-slavery and human traffic policy reflects our promise to act ethically and with integrity in all our business relationships and to implement and enforce effective systems and controls to ensure that modern slavery is not taking place in our supply chain. Our comprehensive approach to mitigating modern slavery and human trafficking can be found under the procurement section of our website.



Our ambition

To continue to grow our business in a way which supports local communities, local people and local opportunity, be that through work, training, culture, or charitable support. We want to ensure too that we can improve access to the world for all our customers, regardless of their needs, so that as MAG grows, everyone can have access to the benefits.

Looking forward, we already have some significant plans for next year:

- Stansted College: We are thrilled that our on-site college will be opening in September 2018. The college is a joint partnership with Stansted Airport and Harlow College to develop a Technical and Professional Skills Centre at the airport. The centre will provide young people with the skills that employers across the airport need, ensuring that young people living in the area have access to the right training to begin a career with us. (See our Colleague section for more details.)
- By working with partners and stakeholders and by investing in and implementing breakthrough technology, we are aiming to create a future where our passengers experience the very best in personalised travel when they pass through our airports
- We are excited to reach the next phase of our Manchester Airport Transformation Programme (MAN-TP).

OUR WORK IN PRACTICE

MANCHESTER AIRPORT TRANSFORMATION PROGRAMME

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Our approach

The £1 billion Manchester Airport Transformation Programme (MAN-TP) is the most significant programme of investment ever made in Manchester Airport, one of the largest private investments in the North for decades, and will see the airport developed to provide a whole new operation, world class facilities and exciting changes to our customer's experience. MAN-TP will also serve as a catalyst for driving up skill levels in the region, alongside a range of new career opportunities. The construction phase of the scheme will support 1,500 jobs alone and over 150 locally recruited apprenticeships.



Our activity

Manchester Airport and its construction partners work with public sector partners and organisations, including Greater Manchester Chamber of Commerce, to ensure that training provided as part of the project will deliver maximum benefits to the local economy. Our contractors have committed to a number of strategic CSR targets to ensure local contracts are awarded to businesses in the regional supply chain and all roles are advertised locally. The programme aims to revolutionise the way the airport functions and support economic growth for years to come. This year we completed the first major phase of the transformation project, marking six months of successful development. To mark the occasion, two apprentices, Elektra Politis, 22, Denton and Holleeann Walker 19, who had earlier been recruited to the scheme, tightened the final bolt on the steel framework connecting one of the new airport piers to the Terminal Two extension for the first time.



Our ambition

To work with Greater Manchester Chamber of Commerce to capture and evaluate the social value of this project on an ongoing basis. The study will map skill levels in Greater Manchester, the North West and wider North. It will also identify other large-scale projects planned in these places and anticipate the skills demands they will have, and help to ensure that the skills developed by local people as part of MAN-TP can help support the wider region.



# SHARED VALUE

**/// Genuine opportunities to tender for work for potential new clients. ///**

**TRUE FORM ENGINEERING**  
MEET THE BUYERS ATTENDEE

**£9.3m**  
generated for local SMEs through our 'Meet the Buyers' events



We directly supported **30,654 young people's education** in the last year, that's a 45% increase on the previous year.

### YOUNG PEOPLE SUPPORTED

2018	30,654
2017	29,304

**/// We support so many young people every year, and seeing them come back, grow and change is fantastic! ///**

**COLLEEN HEMPSON**  
EAST MIDLANDS AIRPORT CSR MANAGER



Last year our Academies helped support a record **903 local people into jobs at our airports.**



**43**  
Graduates

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**32**  
Apprentices

**3%**  
Increase on last year



**£11m**  
Stansted Airport College

**/// The new College will provide a fast track to employment in an industry and a sector that is growing really quickly and I think is a great way of training for the future. ///**

**RT HON CLAIRE PERRY MP**

Over **6,500** young people have attended our Aerozones this year



### YOUTH ATTENDANCE AT AEROZONES

2018	6,500
2017	2,306

MAG supports over **45,000** local jobs

The national economic footprint of MAG airports is **£7,750 (GVA)** (£m) direct, indirect and induced.

**6,181** employees a 15% increase on last year

**/// The Manchester Transformation Project is designed to make a big impact, not only on the airport itself, but on the diversity and range of skills available in the local area. Through the project, MAG and Laing O'Rourke are working together to create 150 local apprenticeships and sustain 1,500 jobs, that will leave a lasting skills legacy within the local economy. ///**

**BRYAN GLASS, PROJECT DIRECTOR, LAING O'ROURKE**



# OUR AIRPORTS AND THE ENVIRONMENT



## Our approach

It is important for all businesses to do whatever they can to mitigate their impact on the environment. As an airports operator, the nature and scale of our business mean that protecting the natural environment and minimising our impact on local communities is particularly important. In all areas of our business, we aim to deliver managed growth so that we may develop in a sustainable way. We have already led UK airports in the drive to reduce carbon emissions, operating the first airports in the UK to achieve carbon neutrality. This work required over a decade's worth of research, investment and innovation. Now, we are extremely proud to say that earlier this year Stansted received ACI's Airport Carbon Accreditation, certifying it carbon neutral, and meaning all of MAG's airport operations are carbon neutral. In addition, all of our airports are certified against the international environmental management standard ISO 14001, helping us to manage and improve our performance in this area. In addition, London Stansted Airport has become the first UK airport to be certified against the energy management standard ISO 50001.



**“** Over the last five years we've massively reduced our energy use and our carbon footprint, as well as increased the amount we recycle. Now we're moving towards a more renewable, emission free future, and it's great to be part of it. **”**

**SUE HODNETT**  
ENVIRONMENT ADVISOR



## Our activity

### CLIMATE CHANGE

The Paris Agreement, where countries across the world submitted plans to reduce their emissions, sets an ambitious target to prevent damaging climate change. Climate change is an important area for us and for our stakeholders, as we operate large sites with potentially significant impacts.

Achieving carbon neutrality at each of our airports has been challenging. We have focused on reviewing energy and fuel use, cutting waste, retro-fitting efficient technologies and smarter operations. Our initiatives include the generation of electricity from wind turbines at East Midlands Airport, and following a successful trial last year, at Manchester Airport we now recycle food from all of our terminals through an anaerobic digester to create renewable energy, supplying 140 tonnes last year. At a group level, since 2010 MAG has purchased its electricity from renewable sources through a supply agreement with an independent supplier.

For emissions that cannot yet be avoided (residual emissions), such as those produced by emergency or mandatory equipment and the use of diesel in vehicles, this year we purchased carbon offsets from a project which funds reductions in emissions across the world. One of our projects reduces emissions by providing fuel efficient cookstoves in Uganda. This not only helps families to save time and money but reduces exposure to toxic smoke, which accounts for nearly 4 million deaths annually from indoor air pollution.

Our CSR Strategy commits us to measure and report supply chain emissions. As a significant buyer we can influence our suppliers to reduce their emissions and, working together, identify more sustainable options. MAG's top 192 suppliers (by value) were asked to provide information about their energy and fuel use, carbon emissions and revenue during the previous reporting year. Overall, information from 132 suppliers was analysed. Supply chain emissions, measured through the supply chain project, were 6,305 tonnes. We are now working with these suppliers to find ways we can reduce the identified emissions.

### LOW CARBON TECHNOLOGY

To reduce emissions in a long-term, meaningful way, businesses must invest in new technology and working practices. We have pioneered new, low carbon technologies to make sure that when we reduced our carbon output, it led to a real-world reduction in carbon emissions. We have shown that wind turbines can be used safely at an airfield. We have created bespoke lighting systems to reduce our energy consumption, and even helped to develop the international methodology now used at all airports to reduce carbon emissions. Despite already achieving carbon neutral status, we are consistently looking for new ways to reduce our emissions.

Alongside our own work, we recognise that tackling climate change effectively means that we must work in close partnership with the rest of the aviation industry, including other airports, airlines, manufacturers and air traffic controllers. To support this, MAG was a founding member of Sustainable Aviation, which brings together companies from across the UK's aviation industry to improve the sustainability of the sector.

### AIR QUALITY

The quality of the air around us has received greater attention as an issue over the last few years. At our airports we work with airlines to ensure that, wherever possible, taxiing aircraft use the minimum power and number of engines required; we provide discounted public transport for staff to reduce the number of staff vehicle journeys to and from our airports; we have shown that all-electric aircraft turnarounds are viable; and we are supporting the creation of new cleaner aircraft fuels and modern airspace infrastructure to bring down the number of delays and overall emission levels.

This approach has been successful, and as in all previous years, there have been no breaches of air quality objectives at any of our airports this year.

We have been working with partners at our airports, as well as with the wider aviation industry, to develop techniques which help to maintain clean, healthy air at our airports, and to support policies and investments that will help to protect our local air quality.

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## Our activity continued

### REDUCING THE IMPACT OF NOISE

We know that aircraft noise can be intrusive and disruptive for those who live closest to an airport, so it is central to environmental management at our airports. We work with airlines, air traffic controllers, the Government and regulators, as well as local communities, to better assess and understand the effects of aircraft noise, including any impacts on people's health and wellbeing, so that we can continue to build programmes of work which keeps noise to an acceptable minimum. This year, London Stansted Airport has continued to use advanced satellite technology – known as performance based navigation (PBN) – to reduce the number of people overflown by aircraft around the airport. The airport has also invested in new technology to help us more accurately measure where our noise footprint falls. Where our airline partners have used the PBN mechanism, we have been able to reduce the number of people overflown by aircraft by up to 85% compared to conventional, less precise methods.

Combined with Noise Preferential Routes (NPR), which help move aircraft away from built up areas, and the continued investment of our airline partners in the next generation of new and quieter aircraft, we will continue to seek to minimise the number of people affected by aircraft noise. Throughout this process, we have created frequent opportunities to meet directly with our local communities; hosting meetings, discussions and Q&As between local residents and our colleagues to ensure our local stakeholders are aware of any changes and taking any concerns into consideration wherever possible. In addition, we have worked collaboratively with our air traffic control provider, NATs, and our helicopter operators to find the best possible option for departing and arriving helicopters to/from the west to help reduce noise further.

### PLASTIC REDUCTION STRATEGY

We have been looking at opportunities to reduce single use plastics across our airport terminals, and particularly within our own operation and direct control. This year as part of our plan to reduced plastics we have:

- Improved the visibility of our on-site water fountains and provided information on their locations via our website and the Refill app.
- Banned plastic straws from our 'Escape' and '1903' VIP lounges.
- Eliminated plastic stirrers in staff areas and begun looking at alternatives for single use cups.
- Handed out over 2,000 reusable coffee cups to colleagues to discourage the use of non-recyclable cups.

Looking to the future, at Manchester Airport we are exploring ways in which we can ensure that the new facilities that we develop as we make substantial investments in Terminal 2, minimise the use of plastics. As a first step, this includes special provisions such as a ban on plastic straws, being written into our contracts for new catering units.



## Our ambition

We will continue to minimise the environmental impact of our operations with the aim of leading the sector on this issue within the UK. This means maintaining our air quality record with a particular focus on increasing the use of low and zero emission vehicles, continuing to work with partners to minimise the impact of aircraft noise disturbance. As we begin to implement our part of the UK-wide programme to modernise controlled airspace, this will be a particular focus and we will ensure that local communities are at the heart of the changes that we introduce. We will also seek to grow the volume of materials we recycle and continue our work in offsetting our carbon emissions in a meaningful way. Crucially, we will bring in best practice as new ways of protecting the environment emerge, and wherever possible we will do so in a way which benefits our local communities.



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### OUR WORK IN PRACTICE

## WASTE MANAGEMENT AND RECYCLING PROGRAMME OF THE YEAR, BETTER SOCIETY AWARDS



## Our approach

Reducing our impact on the environment is one of the greatest challenges facing all industries. But wherever possible, we want all of our activity to consider how it might support the community and this is no exception. So we challenged ourselves to find a way to support our local community in a way which supported our work to protect the environment.



## Our activity

Last year we trialled a project at Stansted in partnership with a number of local food banks, to recycle passengers' pre-security surrendered or restricted non-perishable food, drink and toiletries. In just three months, Stansted's scheme donated 2.4 tonnes, or 5% of the total collected for the whole year. Due to its success, the trial has been made a permanent feature. Items are sorted by volunteers and transported to local food banks. We are proud that our project has recently been awarded the Waste Management and Recycling Programme of the Year at the Better Society awards.



## Our ambition

The programme is now a permanent feature of our recycling programme and regularly supplies food to local food banks, and we aim to ensure that as much as possible is passed on from Stansted to support our local food bank.



# OUR AIRPORTS AND THE ENVIRONMENT

It takes thousands of staff, working for hundreds of companies, to make our airports work. Our collaborative approach to environmental management is therefore critical to minimise, and reduce, the impacts we collectively have. More importantly, we're stronger together, and can deliver real benefit – both environmentally and socially.

ADAM FREEMAN,  
ENVIRONMENT ADVISOR

0  
breaches of air quality objectives across all our airports



43%  
reduction in gross carbon emissions per traffic unit over five years



All our airports are carbon neutral

Stansted invested **£30,000 in recycling equipment** to identify and donate food products and toiletries surrendered at security to support the vulnerable.

Better Society  
— 2018 —  
**AWARDS**  
WINNER

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95%  
reused, recycled and recovered

Renewables are a vital part of tackling climate change, and keeping renewable electricity at the centre of our procurement strategy has supported Stansted in becoming a carbon neutral airport.

TOM RIX  
UTILITIES RELIANCE AND COMPLIANCE MANAGER, STANSTED

100%  
of electricity from renewable sources\*



87%  
of aircraft at Manchester used CDA, an increase from 82% last year



15%  
reduction in our gross carbon emissions per traffic unit since 2016/17



It took a lot of work and a shift in how we work as a business to get there, but I'm proud Stansted is now one of just five carbon neutral airports in the UK.

MARTIN CHURLEY  
ENVIRONMENT MANAGER, STANSTED



# SUPPORTING OUR COMMUNITIES



## Our approach

We want the communities living close to us to be familiar with what we do, to have a voice to help shape our activities and to trust us to carefully consider and respond to any concerns they raise with us, Feedback tells us local people value these opportunities too. We also offer support to the local causes that matter most to our colleagues and local residents, and we work to develop local arts and culture through our substantial sponsorship programme, ensuring we are an active member of the wider community.



Every year we need to come up with new ways to reach and support our local communities. Some of the feedback we receive makes all the effort worthwhile.



WENDY SINFIELD  
CSR MANAGER, MANCHESTER AIRPORT

12,390  
hours volunteered,  
a 5% increase on  
last year



## Our activity

### OUTREACH

We always seek to ensure that local communities have a platform to express their views, and arrange regular community outreach sessions in the airports' surrounding areas. In addition, our airport consultative committees allow us to debate and respond to queries regarding operations at our airports, and provide a regular opportunity for members of the community to express their views. These mechanisms enable us to hear thoughts on everything we do from people across the community, from passengers and councillors to airlines, local businesses and charities.

This year, we held 99 outreach events, each one helping us to directly inform residents around the airport about what we do and allowing us to hear from the people that live and work in these areas, to listen to their views on what impacts them, and to support local causes.

### ARTS AND CULTURE

This year MAG contributed £335,000 to supporting the vibrancy and culture of the cities we serve. Alongside numerous theatres, exhibitions and festivals, we continued to support the Hallé Orchestra, which runs workshops with local schools as part of our sponsorship. Alongside this funding, MAG was also a proud sponsor of Pride in Manchester, Birmingham, Liverpool and Newcastle. Not only is this unique event worth celebrating as a flagship of equality across the whole of the UK, it's also a lot of fun.

### COMMUNITY PROJECTS

Supporting the local people around our airports has been an important part of what we do for many years. Our community funds provide direct financial support to local community projects throughout, and this year we were able to invest £885,833 in 223 good causes around our airports.

London Stansted has become the first airport in England to sign up to the Armed Forces Covenant, outlining how it will support both serving and retired military personnel and reservists. The Armed

Forces Covenant is a promise from the nation via businesses, charities and organisations to ensure those who serve or who have served in the armed forces, and their families, are treated fairly.

With our close proximity to Colchester Garrison and Carver Barracks, we would like to increase the number of ex-military personnel working at Stansted to demonstrate our commitment to being an armed forces friendly airport. Members of the armed services can bring real value to our business and we recognise our duty to support those individuals who fulfil difficult roles across the world and return to civilian life.

### CORPORATE CHARITY

We are proud to continue to support CLIC Sargent, a charity which works tirelessly to help families deal with childhood cancer, as our corporate charity partner. Employees voted in 2015 to support the charity and we have set ourselves a stretching target to raise at least £1million for them. This year our fundraising to date was £124,221 and we are now a third of the way to our target of £1million, having raised almost £320,000 in the last three years.



We gave **£124,221** to our group charity, CLIC Sargent, spent **£335,000** on local arts funding and a total of **£254,105** on community projects.

12,390  
community hours  
volunteered,  
a 5% increase  
on last year

99  
community  
outreach  
events held this  
year

### COMMUNITY OUTREACH PROGRAMMES

2018	99
2017	90



## Our activity continued

### COMMUNITY FUNDING & CHARITABLE INVESTMENT

As well as taking the time to talk with our airport community, we have long-standing commitments to supporting several local charities, groups and people that make a difference. Last year we spent £254,105 funding 223 such projects of all shapes and sizes and with worthwhile goals large and small. All of these projects make a difference to the communities around our airports, helping to make them better places to live and work.

### VOLUNTEERING

We know our employees boast a wide variety of skills and experience; from engineering and accountancy, through to security and HR. As well as putting these to use at MAG we know that local charities and community groups can often benefit from additional support, be it borrowing some professional skills or just an extra pair of hands.

In 2017/18 17.2% of MAG staff volunteered in their local communities, giving a total of 12,390 hours of support that helped the projects and charities that make a community a better place to be.



## Our ambition

At MAG we encourage our colleagues to volunteer for the local projects and charities that matter to us and are close to their hearts, so we have set ourselves a challenging target to increase the proportion of our workforce that take part in volunteering to 30%. In addition, we are committed to continue raising money for our group-wide charity of the year, CLIC Sargent. With a target of £1 million to raise during our partnership, we are looking forward to all the different and interesting challenges our colleagues will come up with to raise funds. Crucially, too, we will continue our wide ranging and extensive engagement with local communities on the issues which will impact them, and wherever possible act on their views in our decisions.



### HERO PROJECT

## AUTUMN LEAVES LUNCHESES



*I had an absolutely splendid time at the Afternoon Tea at the Brookdale Club this afternoon, thanks to you and everyone who helped. I shared a table with 2 existing and 2 brand new friends. I realise it's PR for the airport, but one of the lovely aspects of these community affairs is how they give some people a purpose for the day and the chance to meet others.*

**FRAN SMITH**  
LOCAL RESIDENT



## Our approach

It's important to us to make sure that when we offer help and support to our local communities, we provide the right assistance, guidance, funding or skills to suit their needs. So we work with local community groups, politicians and customers to give them the opportunity to tell us what they need, allowing us to have the maximum, positive impact on our local area.



## Our activity

When speaking with local councillors, they suggested to us that projects that work with older people in the community would be a welcome addition to our community programme. We came up with our Autumn Leaves luncheons for those residents in Wythenshawe, one of our closest neighbours. Each year we offer over 65s a three course lunch served by our Manchester team, with entertainment from local schools and airport staff.

Our lunches proved so popular that we started to offer afternoon tea to over 65s from different local areas, including Knutsford, Mobblerley, Shaw Heath, Shaw Heath, Heald Green and Bramhall. Over 400 people each year are treated to champagne, cream tea, sandwiches and cake, alongside meeting new friends in their area.



## Our ambition

To continue our work in helping the over 65s to meet and socialise locally, growing the number of attendees and having to buy more cake.



# OUR COLLEAGUES



## Our approach

Airports are complex working environments, relying on thousands of employees across our sites to deliver a smooth and effective service for our customers. With a huge range of roles, often requiring highly specialised and varied experience, our teams are our most important asset. That's why ensuring we value our colleagues, and treat them respectfully, fairly and, equally, is critical to our success. We maintain a long-term commitment to diversity and inclusion, and seek to build an inclusive culture where everyone can do their best work.

We are proud too, to employ thousands of local people and of our strong record on developing the best and the brightest within our company. Our Early Talent Identification strategy is designed to develop and retain the best talent through internships, apprenticeships and graduate schemes, and we work with Jobcentre Plus, charities, schools and other local stakeholders to ensure that the opportunities our airports create can be shared with people of all ages, abilities and backgrounds. We believe it is particularly important that we provide extra help for those who need additional support to get into work and our MAG Connect programme (see page 13) is central to this aim.



*Our focus for the coming year is diversity, making sure that the opportunity to work and develop with us is actively pushed to the widest possible area.*



**SARAH MCGUIRE**  
GROUP HEAD OF RECRUITMENT



## Our activity

### EARLY TALENT STRATEGY

MAG is a growing business, and our need to recruit and retain talented people is crucial. This, of course, needs to happen at all levels within our business, but our Early Talent Strategy focuses on bringing young people into the business through our internship, apprenticeship and graduate programmes. These programmes allow us to invest in young people, help them to build the right skills, and get a deeper understanding of our business right from the start, providing us with an additional opportunity to recruit new colleagues with fresh perspectives, a hunger to learn, and lots of potential for growth. This year we have also a new Apprenticeship Manager, with a focus on helping our apprentices get the maximum value out of their time at MAG and during study.

Over the last four years we have taken on 43 graduates. During the reporting year we have recruited 32 apprentices, and as part of our future strategy we hope to see this figure increase substantially over the coming years. As a responsible employer, we seek to reward the dedication of our colleagues, whatever their background or circumstances, by providing engaging careers and supporting them with development opportunities.

### HEALTH AND SAFETY

Airports can be a hazardous working environment, so it is important for us to do everything we can to make our airports as safe as possible.

MAG is certified against the international standard for Health and Safety, OHSAS 18001, giving us and our staff an assurance of the quality of our safety management system and its relevance to the organisation. Recognising that our assets also play a significant role in the safety of our customers, we are currently progressing an asset management programme to be certified under ISO55001, the international standard for asset management.

Our Vision Zero initiative sets us an ambitious target of no reported injuries to anyone across our airports throughout the year. This year, we have reported 10 incidents to Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). Since the implementation of Vision Zero we have significantly improved our approach to health and safety and we will continue to seek to understand, and where possible minimise and eliminate the causes of accidents.

### ACCESS TO OUR AIRPORTS

Our airports operate 24 hours a day, so it's important for our employees and customers alike that they are well connected. We recognise that the cost of travel can be difficult for some colleagues, particularly those that are returning to the workplace. To ensure that they have efficient and affordable access to our airports, MAG colleagues are able to claim reduced cost travel to our airports. At London Stansted Airport, for example, with the support of our business partners, we are pleased to be able to provide employees with an 80% subsidised travelcard, making it easier than ever to access opportunities in the region.

### DIVERSITY AND GENDER PAY GAP

We want MAG to be a great place to work, where every colleague is rewarded for the individual effort they contribute, irrespective of gender, ethnicity or sexuality.

Base salaries for all non-management roles are annually reviewed with Trade Unions at an airport level and awarded uniformly. For management-level roles, pay rates are set within the agreed pay range guidance, and qualifications, experience, performance and market forces are taken into consideration when reviewing salaries. We conduct regular internal checks on salary levels and salary progression. We believe that offering flexible and part-time working is important for the attraction and retention of staff regardless of

gender, and extended parental leave is offered and supported should colleagues wish to take it. This year we published our pay gap report, showing that our mean hourly pay gap is 8.6% and our median pay gap is 2.6%.

We know the benefits of a diverse and skilled workforce are integral to our longevity and success, and that is why we set ourselves the objective of working towards an equal gender split. This year we have 27.5% of our leadership positions filled by women. We are also in the process of trialling new approaches to recruitment, including anonymising all CVs sent to managers for shortlisting to remove unconscious bias, an examination of available technologies to remove bias automatically, alongside commissioning a full audit of processes and procedures to remove barriers to attracting a diverse talent pool to MAG.



## Our ambition

We want to continue to build an inclusive environment where colleagues can contribute to the improvement and success of our company and feel proud to be a part of the business. In the pipeline for next year we will focus on our employee engagement strategy and build on the success of our Early Talent Strategy. The other key element of our strategy will be to continue on our approach to close the gender pay gap at all our airports, to grow a truly diverse workforce.

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2020-01-16 14:05 +00



OUR WORK IN PRACTICE

# STANSTED AIRPORT COLLEGE



## Our approach

Our new £11 million Stansted Airport College is the first on-site college of its kind at any major UK airport, and is a joint venture between Harlow College and London Stansted. The development of the college is critical in supporting Stansted Airport's ambitious future growth plans, providing skilled workers and valuable training opportunities for young people in the region.



## Our activity

When the college opens in time for the 2018 autumn term it will aim both to boost the skills of students in the area and to provide a pipeline of future talent for the airport and the 200-plus companies based there.

The two-storey facility has received two separate £3.5 million grants from the South East Local Enterprise Partnership (SELEP) Local Growth Fund and Essex County Council, and is also supported by a £300,000 grant by Uttlesford District Council.

The college will welcome more than 500 students each year and offer courses designed to bridge the skills gap in STEM (Science, Technology, Engineering and Maths) subjects as well as courses in specific airport areas such as aircraft and airport engineering, business studies, logistics and supply chain management, asset management, hospitality and customer service.

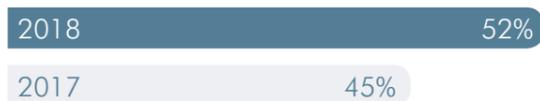


## Our ambition

With our first 250 trainees already signed up, we look forward to reporting next year on how the students are settling in and the progress they have made and will seek to replicate this approach across the Group.



### LEADERSHIP PROMOTIONS through internally developed candidates



**32**  
apprentices recruited over the past year

At London Stansted we provide employees with an **80%** subsidised travel card



New **£11 million** Stansted Airport College will be opening in autumn 2018 and welcome more than **500 students each year.**



# OUR PERFORMANCE



## OUR BUSINESS

Issue	Strategic CSR objective	Target	Indicator	2015/16	2016/17	2017/18	Change %	
SUPPORTING BUSINESS	With a particular focus on the regions we serve, we will maximise the economic impact of our operations.	<p>"We will support local, small and disadvantaged businesses so that they are better equipped to supply our airports. We will target and measure our outcomes.</p> <p>To inform our development strategies, we will regularly analyse and report the economic impact of our operations. We will target and measure our outcomes."</p>	% of local (within 25 miles of airports) businesses supplying MAG.	30.7%	30.2%	14.2%	-16.0%	⬇️
			The national economic footprint of MAG airports (GVA) (£m) direct, indirect and induced.	6,160	7,060	7,750	8.9%	⬆️
PROMOTING EMPLOYMENT	We will create opportunity offering jobs and support with skills by developing the scope and scale of our airport academies.	To provide training placements for 5,000 people by 2020, at least 50% placed into employment since 2014/15	Number of people trained through airport academy.	509	948	634	-33.1%	⬇️
			% of people who have received training through airport academy and then are placed into employment.	52%	75.2%	81.70%	6.5%	⬆️
MEETING THE NEEDS OF ALL PASSENGERS	We will ensure that we recognise and provide for those passengers who have special needs.	Each MAG airport will undertake a systematic review of special needs provision and then publish programmes to address priorities.	DEPARTING – PRE-BOOKED: Upon arrival at the airport, once passengers have made themselves known to the Passenger Services Team – 90% within 20 Minutes (taken as annual average, full information is available on individual airport websites).	New Measure	Alteration in KPI	MAN – 100.00%	⬆️	⬆️
						STN – 100.00%		⬆️
			ARRIVALS – PRE-BOOKED: Assistance should be at the aircraft side/gate for: 90% of Passengers should wait no longer than 10 minutes of 'on chocks' (taken as annual average, full information is available on individual airport websites).	New Measure	Alteration in KPI	MAN – 78.49%	⬆️	⬆️
						STN – 96.84%		⬆️
EMA – 100%	⬆️	EMA – 88.70%	⬆️					
OUTSTANDING CUSTOMER SERVICE	We will offer consistently high standard of customer service.	Passenger feedback will place the service at our airports in the top quartile compared to our peers.	ASQ quartile results.	2014	2015/16 (Quartile)	EMA – 3 MAN – 3 STN – 3	EMA – 3 MAN – 4 STN – 4	⬆️
				3.81	4.01			
				3.89	3.94			
				4.0	4.15			
				3.62	3.63			
SPONSORSHIP AND GIVING	We will support organisations that make the regions we operate in vibrant places to live and work.	By 2020 we will invest at least £500,000 in our charitable donations and sponsorships. (Annual)	Total annual given charitable donations and sponsorships. (£)	£735,416.37	£1,017,647.57	£885,833.25		⬆️



OUR COMMUNITY

Issue	Strategic CSR objective	Target	Indicator	2015/16	2016/17	2017/18	Change %	
<b>SUPPORTING YOUNG PEOPLE</b>	We will help young people to prepare them for the world of work and make work an inspiring choice.	To directly support the education of at least 50,000 young people by 2020.	Number of young people's education directly supported by MAG.	20,530.0	21,136.0	<b>30,654.0</b>	45.0%	↑
<b>INVESTING IN THE COMMUNITY</b>	We will continue to operate community funds and encourage all our people to take part in community work.	To promote volunteering with a long-term target that 30% of colleagues will participate. Invest £100k annually through community funds.	% of employees who volunteered.	15.9%	15.2%	<b>17.2%</b>	2.0%	↑
			Number of volunteer hours.	10427	11787	<b>12390</b>	5.1%	↑
			Total community investment through community funds (£).	£291,540	£279,445	<b>£254,105</b>	-9.1%	↓
<b>A TRUSTED COMPANY</b>	We will operate our business in a way that commands trust in our conduct and our communications.	Building on our community impact studies, we will devise a new metric and measure and report the degree to which we are trusted.	Good neighbour feedback (%) from community impacts studies (all main sites).	68.5	73.0	<b>68.0</b>	-5.0%	↓
<b>PROMOTING INTERNATIONAL CULTURE</b>	As we seek to foster closer international links to new markets, we will promote the development of language and cultural links.	Bring language and culture to local school partnerships.	# of young people who MAG have introduced other international cultures and languages to.	277	147	<b>396</b>	169.4%	↑
<b>REACHING OUT TO THE COMMUNITY</b>	We will deliver community outreach programmes at each MAG airport.	A minimum of 50 outreach meetings annually.	Number of outreach meetings held.	89	90	<b>99</b>	10.0%	↑



OUR ENVIRONMENT

Issue	Strategic CSR Objective	Target	Indicator	2015/16	2016/17	2017/18	Change %			
<b>ENERGY AND CARBON SMART</b>	Reduce climate change emissions by increasing efficiency and obtaining energy from renewable sources.	Reduce climate change emissions by increasing efficiency by 26,000 MWh, by 2020.	Total MWh.	173,902.5	172,714.1	<b>172,066.1</b>	-0.4%	↓		
			Carbon emission per traffic unit.	1.197000	1.022000	<b>0.869765</b>	-14.9%	↓		
			Net carbon emissions (tonnes of CO <sub>2</sub> e).	3,174.0	116.0	<b>105.7</b>	-8.9%	↓		
<b>PREVENTING POLLUTION</b>	We will control activities and developments at our airports to protect the environment.	Achieve 100% compliance with environmental permits and maintain ISO14001 certification.	% of samples within water discharge consent limits.	98.0	95.2%	<b>89%</b>	-6.3%	↓		
			% of samples within effluent discharge consent limits.	91.0	93.6%	<b>98.0%</b>	4.7%	↑		
			% of major operational sites with ISO14001.	100%	100%	<b>100%</b>	0.0%	↔		
			Total breaches of air quality limits.	0	0	<b>0</b>	0.0%	↔		
<b>REDUCING SUPPLY CHAIN EMISSIONS</b>	We will work in partnership with our suppliers to identify and implement carbon emission savings.	We will measure and report supply chain emissions.	Measurement of supply chain emission has started but is not complete.	NA	NA	<b>NA</b>	NA			
<b>ELIMINATING WASTE</b>	We will minimise waste, promote recycling and eliminate landfill.	Send no waste to landfill after 2018 (excluding International Catering Waste), where no other options are available.	% of waste diverted from landfill.	83.1%	84.5%	<b>90.3%</b>	6.5%	↑		
			Total waste tonnage.	5,569.2	17,496.4	<b>16,347.6</b>	-7.0%	↓		
<b>BALANCED NOISE MANAGEMENT</b>	We will limit and try to reduce the number of people affected by noise from airport operations.	Deliver the measures set out in the Noise Action Plan and update each airport's plan by 2019.	% of departures within preferred noise routes.	97.3%	97.2%	<b>97.8%</b>	0.6%	↑		
			% of flights using continuous descent approach.	92.2%	91.4%	<b>92.8%</b>	1.5%	↑		
			Number of complaints per 1,000 air traffic movements.	4.68	16.22	<b>21.63</b>	25.0%	↓		
			Noise Footprint 57dB LAeq day (07:00 – 23:00)							↓



## OUR COLLEAGUES

Issue	Strategic CSR objective	Target	Indicator	2015/16	2016/17	2017/18	Change %	
DEVELOPING OUR PEOPLE	We will build a MAG leadership ethos. We will seek to harness the unique strengths of every individual in the business within a general competency framework that is fit for purpose.	To engage 90% of colleagues in a documented and meaningful performance process.	% of colleagues who have completed a performance review.	53.0%	56.0%	42.0%	-14.0%	⬇️
		To achieve 50% of leadership promotions through internally developed candidates.	% of leadership promotions through internally developed candidates.	27.7%	21.7%	52.0%	30.3%	⬆️
POSITIVE ABOUT DIVERSITY	We will value and actively promote diversity to build a business that reflects the regions we serve.	We will work towards an equal gender split. By 2020 we will increase the number of females at leadership level by 10%.	% of females at leadership level.	20.4%	32.8%	27.5%	-5.3%	⬇️
SAFE AT ALL TIMES	We will provide safe places for our colleagues and customers and continually reduce accidents.	By 2020 accidents to employees involving lost time will be reduced by 30%.	Number of accidents to employees involving lost time (Lost time incidents).	17.0	20.0	17.0	-15.0%	⬆️
A POSITIVE WORKING ENVIRONMENT	We will engage colleagues, providing an environment within which they can improve their health and wellbeing.	We will continue to reduce sickness and absence as we work towards a target of 3.5% by 2021.	Annual sickness and absence %.	4.07%	2.07%	3.32%	1.3%	⬆️
AN ENGAGED WORKFORCE	We will create an inclusive environment where colleagues can contribute to the improvement of MAG and are proud to be part of the business.	By 2018 we will increase colleague engagement by 15% from 2014/15.	Colleague engagement score.	53%	55%	n/a (no survey carried out this year)		

MAG GLOBAL GHG EMISSION DATA (TONNES CO<sub>2</sub>E)

Issue	2017-18	2016-17	2015-16	2014-15	2013-14
<b>DIRECT EMISSIONS</b> Combustion of fuel and operation of facilities	16,520	15,971	15,916	15,872	19,014
<b>INDIRECT EMISSIONS</b> Electricity, heat, steam and cooling purchased for own use	41,171	47,603	53,442	60,233	57,085
<b>INTENSITY MEASUREMENT</b> Emissions per traffic unit <sup>1</sup>	0.870	1.022	1.197	1.403	1.540

\* Data for previous years has been restated to remove data from Bournemouth Airport, which has now been sold.

MAG supports the Government's drive towards mandatory greenhouse gas emission reporting. Although the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 do not require greenhouse gas reporting of MAG, we have reported on all of the emissions sources required by the Regulations, including fugitive emissions from refrigerant gases which are not reported in other MAG carbon footprints. These UK emission sources fall within our consolidated financial statements. We do not have responsibility for any UK emission sources that are not included in our consolidated statement.

Our emissions are calculated based on data gathered for voluntary emissions reporting and compliance with the CRC Energy Efficiency scheme and EU ETS. UK Government Conversion factors for Company Reporting published by Defra and DECC in 2017 were used with historic emissions re-calculated where required.

<sup>1</sup> We have chosen an intensity measurement against a traffic unit, which is defined by the International Air Transport Organisation (IATA) as equivalent to 1,000 passengers or 100 tonnes of freight.

# INDEPENDENT ASSURANCE STATEMENT

## MANCHESTER AIRPORTS GROUP



### OBJECTIVE OF THE ENGAGEMENT

Manchester Airports Group plc (MAG) has engaged TÜV NORD to provide independent assurance over MAG's Corporate Responsibility Report 2018 (herein referred to as "the report"). The assurance engagement has been performed using a moderate level of assurance according to Assurance Standard AA1000AS:2008. The aim of the engagement is to provide assurance regarding the report's adherence to the chosen reporting guideline, AccountAbility Principles, as well as reliability and objectivity of the reported information. The report has been declared to comply with the "in accordance" – Comprehensive Option of the Global Reporting Initiative's Sustainability Reporting Standards (GRI SRS) and covers all of MAG's business activities and locations.

### SCOPE OF WORK

Independent assurance within the reporting period comprised of

- Reliability of reported information.
- Adherence to the GRI SRS Reporting Principles.
- Adherence to the requirements according to GRI SRS "in accordance" – Comprehensive Option (for those indicators deemed material).
- Adherence to the AccountAbility Principles.

The engagement has been performed using a Type-2 Engagement with a moderate level of assurance according to Assurance Standard AA1000AS:2008 and covered the following chapters of the report:

- Our approach to CSR
- Our Business
- Our Environment
- Our Community
- Our Colleagues
- Our Performance

Within the assurance scope various reported GRI Indicators have been verified. These included the GRI SRS Standard Disclosures according to the chosen reporting option, Specific Disclosures and GRI G4 Sector Disclosures for airport operators, determined by MAG's materiality analysis as described in "Our approach to CSR":

201-1	201-2	201-3	201-4	202-1	202-2	203-1	204-1
305-1	305-2	305-3	305-4	305-4	305-6	305-7	
405-1	405-2	413-1	413-2	416-1	416-2		
AO3	AO5	AO7	AO9				

### LIMITATIONS AND EXCLUSIONS

Excluded from the scope of work are the following:

- Statements regarding the company positioning.
- Information not related to the defined reporting period.
- Specific information of the suppliers.
- Financial data (as provided by MAG's Annual Report).

An engagement with a moderate level of assurance relies on risk-based sampling for assurance of the reported information. It also relies on MAG's internal data collection processes. Hence, based on the mentioned limitations and exclusions, this statement should not be relied upon to detect all misstatements or errors that may exist.

### RESPONSIBILITIES

The sole responsibility for the content and presentation of the report lies with MAG.

TÜV NORD did not, in any way, contribute to the preparation of the report and its responsibilities are limited to:

- Assurance of the report content using a Type-2 Engagement with a moderate level of assurance according to Assurance Standard AA1000AS:2008.
- Forming of an independent assurance opinion.
- Reporting the conclusions and recommendations to management.

### METHODOLOGY AND SUMMARY OF WORK PERFORMED

The assurance engagement included, but was not limited to:

- Assessment of MAG's internal systems for data collection and aggregation of report content regarding functionality, accuracy, appropriateness, sources of error and limitations.
- Interviews of relevant personnel from various levels throughout the organisation at the following sites
  - Manchester Airport
  - East Midlands Airport
  - Stansted Airport.
- Identification of relevant samples for the assurance of report content.
- Performance of various verification procedures appropriate to the identified samples.
- Assessment of the methodology and results of stakeholder- and materiality-analysis to identify report content.
- Evaluation of the reported information against the requirements of the GRI SRS and G4 Sector Disclosures.

### CONCLUSION

Based on our independent assurance engagement, nothing came to our attention to suggest that:

- MAG does not adhere to the AccountAbility principles.
- The reported has not been prepared in accordance with the GRI SRS.
- The reported information is not fairly stated in all material aspects for the defined reporting period.

### RECOMMENDATIONS

Based on our work performed, several recommendations for improving the report could be identified. These recommendations are presented in a separate report to the management of MAG.

### STATEMENT OF INDEPENDENCE, IMPARTIALITY AND COMPETENCE

TÜV NORD is an independent assurance provider, whose employees have extensive experience in the assessment and assurance of sustainability information and associated processes and systems for data collection. TÜV NORD operates a certified Quality Management System according to ISO 9001:2008, ensuring and actively managing the quality of all processes related to appointment of auditors and compilation of assurance teams.

Members of the assurance team are not involved in any other projects or activities that would cause a conflict of interest with regard to the assurance engagement.

Essen, 24.08.2018

**ANDREAS BACKS**  
(LEAD AUDITOR)

**DR. TAHSIN CHOUDHURY**  
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