

RESPONSIBLE INVESTMENT CHARTER

APRIL 2017



CHARTER OF OPERATION

RESPONSIBLE INVESTMENT CRITERIA

The AMP Capital Responsible Investment Leaders range of funds (RIL Funds) comprise:

- > Responsible Investment Leaders Conservative Fund
- > Responsible Investment Leaders Growth Fund
- > Responsible Investment Leaders Balanced Fund
- > Responsible Investment Leaders NZ Shares Fund, and
- > Responsible Investment Leaders Global Shares Fund.

The RIL Funds have a long-term investment strategy that recognises broader environmental, social and ethical considerations, labour standards and corporate governance factors can impact long term business success. The Funds will invest in funds or through managers, which have a demonstrable process for taking these matters into account.

FUNDS SELECTION APPROACH

The process used for identifying funds for selection involves the following key elements.

Exclude investment in areas of high social impact

The RIL Funds will avoid companies operating significant production or manufacturing within sectors with recognised high negative social impact. This means the RIL Funds will avoid exposure (either directly or indirectly through underlying funds and managers) to companies with a material exposure to the production or manufacture of:

- > tobacco
- > uranium (including nuclear power)
- > armaments
- > gambling
- > alcohol, and
- > pornography.

Further to this, the Responsible Investment Committee recommends avoidance of companies deriving substantial revenue from the sale (rather than production or manufacture) of these negative social impacts. A company deriving more than 10% of its total revenue from these industries constitutes material exposure.

However, for those companies involved in the production of tobacco or 'controversial weapons', or essential components of them, a zero revenue materiality test applies. Controversial weapons are considered to be land mines, cluster munitions, nuclear weapons and biological or chemical weapons.

In addition, with the combustion of fossil fuels being the main source of global greenhouse gas emissions, the RIL Funds seek to limit exposure to companies which have a material exposure to the most carbon intensive fossil fuels by excluding any company that has more than a 20% exposure (as measured by percentage of market capitalisation, or other appropriate financial metric) to one, or a combination of, the following:

- > mining thermal coal
- > exploration and development of oil sands
- > brown coal (or lignite) coal-fired power generation
- > transportation of oil from oil sands
- > conversion of coal to liquid fuels/feedstock.

Assess fund based on financial and social and environmental factors

Global share funds (or managers) will be selected based on their traditional financial assessment process and ability to factor broader social and environmental factors into company selection. While financial assessment is the primary consideration, there is growing evidence that insights on social and environmental factors can give insights into intangible assets of a company, and its market valuation.

Specifically, the RIL Funds will strive to seek out global share funds (or managers) which are identifying companies that are leaders across industries in their responsible approach in a range of areas, including:

- > Environmental considerations including energy and resource use and product stewardship (for example, where a company takes into account the life cycle of the product, from manufacture to the extent to which the product can be recycled).
- > Social considerations including community involvement in indigenous relations.
- > Governance considerations, including meeting corporate governance guidelines on board structures and remuneration.
- > Ethical considerations, including meeting fundamental human rights, and articulating and implementing a code of conduct.
- > Labour standards including Occupational Health and Safety, International Labour Organisation (ILO) standards, working conditions and exclusion of child labour.

Further towards the goal of seeking responsible investment, investment managers will also be well regarded if they actively participate in corporate engagement and corporate governance initiatives on behalf of the Fund.

Other asset classes

When selecting funds to invest in for other asset classes, in addition to considering the capacity to deliver strong financial returns and the risk/diversification characteristics of the fund, weight will also be given to the underlying fund's ability to substantially meet the responsible investment criteria outlined above in this Charter.

As a minimum, the funds should meet the negative screening criteria outlined above. Additionally, for direct property and alternative assets, environment considerations are taken into account.