AMP Sustainable Investing Report

Q1 2023

riaa Responsible Investment Association Australasia

Responsible Investment Leader 2022

AMP A little help

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Sustainable investing at AMP

What is sustainable investing at AMP?

Sustainable investment is about considering the impact our investments have on society and the world around us alongside other financial considerations. AMP is on a sustainable investing journey and our intention is to:

Support the good	Integrating environmental, social and governance factors into investment decisions.
Avoid the bad	Don't invest in companies causing harm, such as the fossil fuel industry.
Reduce our carbon footprint	Decarbonising our portfolios to achieve a net zero outcome by 2050 or sooner.
Advocate for change	Active engagement with companies to deliver better outcomes for customers, shareholders and the climate.

These four pillars form our **Sustainable Investment Philosophy.**

Note: We apply our Sustainable Investment Philosophy across our AMP-branded investment portfolios in our AMP KiwiSaver Scheme, AMP Managed Funds Scheme and NZRT. Our AMP KiwiSaver Scheme offers access to funds which are managed by third party providers who have their own investment policies.

Emission reduction results

Our greatest achievement to date from our Sustainable Investment Philosophy is the progress we have made on reducing our portfolio's exposure to Greenhouse Gas (GHG) Emissions[1]. At AMP, we believe that climate risk is an investment risk. We aim to be a leader in addressing climate change, and we know reducing our portfolio's exposure to GHG emissions is one of the many things we need to do to support the transition to net zero.

The changes to our GHG emissions across the AMP-branded portfolios[2] over the past three months are shown on the table to the right[3].

The journey to net zero is not always going to be a straight downward pathway. What we have seen over the past quarter is an increase in exposure to GHG emissions in most of our funds. This is expected as the way AMP measures our exposure to GHG emissions takes into account both the absolute emissions and the market value of a company, i.e., company valuations, company outcomes and data visibility on emissions will all have an impact. This means when the market value of carbon-intensive companies fluctuate, this can contribute to increases in our portfolio's GHG emissions exposure.

We are still tracking below our set emissions reduction targets, as can be seen on page 12.

The chart to the right shows how each fund's exposure to the weighted average of investee company's GHG emissions have changed over the three months to 31 March 2023.

Investment Portfolio (NZRT & KiwiSaver)	Quarterly % change in emissions
AMP Conservative Fund	8%
AMP Moderate Fund	9%
AMP Moderate Balanced Fund	12%
AMP Balanced Fund	15%
AMP Growth Fund	16%
AMP Aggressive Fund	15%
AMP International Shares Fund	24%
AMP Global Fixed Interest Fund	7%
AMP Australasian Shares Fund	-8%
	Quarterly changes are taken from 1 January 2023 to 31 March 2023

[1] AMP also offers other investment funds within its schemes which are managed by third-party providers. The data above only relates to AMP-branded funds.

[2] Carbon Emissions Data is provided to us through our data provider, Sustainalytics. Sustainalytics is a sustainable data platform, operating for over 25 years. For more information, visit www.sustainalytics.com

[3] We have excluded 2209 (38%) securities from this analysis due to limited data coverage.

ESG risk scores results

ESG risk scores[1] evaluate the level of risk, environmental, social and governance factors pose to a company. Not only can poor management of environmental, social and governance factors produce negative outcomes on people and the planet, these factors can also pose financial risk to a company.

For example, if an agricultural company fails to recognise and manage its effect on the local water supply, they may face legal costs, reputational costs, and production costs due to likely needing to look elsewhere for water. This would be classified as an environmental risk, which is an input to the overall ESG score.

ESG risk scores across some of our funds have increased marginally over the quarter. This is largely due to market value fluctuations of some companies within the International Shares Fund, which impacts the ESG risk score.

We continually monitor these ESG risk scores to understand whether any amendments should be made to our investment approach.

The table to the right shows how each fund's exposure to investee company's environmental, social and governance risks have changed over the three months to 31 March 2023.

Portfolio (NZRT & AMP KiwiSaver Scheme)	% Quarterly Change: Total Risk Score	% Quarterly Change: Environmental Risk Score	% Quarterly Change: Social Risk Score	% Quarterly Change: Governance Risk Score
AMP Conservative Fund	-1%	0%	-1%	0%
AMP Moderate Fund	0%	-1%	0%	1%
AMP Moderate Balanced Fund	1%	0%	1%	1%
AMP Balanced Fund	1%	1%	2%	1%
AMP Growth Fund	1%	1%	3%	2%
AMP Aggressive Fund	2%	0%	3%	2%
AMP Global Fixed Interest Fund	-2%	4%	-2%	-2%
AMP Australasian Shares Fund	-2%	-1%	1%	-2%
AMP International Shares Fund	4%	2%	5%	4%
	Quarterly changes are taken from 1 January 2023 to 31 March 2023			

[1] ESG Risk Scores assessments and measurements are provided to us through our data provider, Sustainalytics. Sustainalytics is a sustainable data platform, operating for over 25 years. For the past three years they have been rated among the top three firms for both ESG and corporate governance research in the Independent Research in Responsible Investment Survey. For more information, visit www.sustainalytics.com

[2] We have excluded 2209 (38%) securities from this analysis due to limited data coverage.

What is stewardship?

“Stewardship is about preserving and enhancing long-term value as part of a (responsible) investment approach. Responsibly allocating and managing capital for long-term value. Stewardship promotes sound corporate governance and business practices that lead to sustainable benefits for the economy, our environment and our society.” – Toitū Tahua, the Centre for Sustainable Finance

Two ways investors can be stewards of their client’s money are:

- **Engagement with companies:** a key mechanism for providing feedback or signalling concerns to companies about factors that affect long-term performance.
- **Voting on resolutions:** as an owner of shares, investors are granted voting rights. This means that investors are able to vote on proposals at Annual General Meetings of shareholders. Company management and large shareholders are able to put forward proposals to be voted on. These proposals can be about a range of topics, from proposing a company report on its carbon emissions to instructing a company to stop all oil and gas exploration. If there are important issues and a company is not willing to listen to shareholders or other stakeholders through engagement, voting at its AGM can be a powerful tool.

How does AMP think about stewardship?

AMP invests in thousands of companies across the world. As a NZ-based global investor with a strong and demonstrable commitment to sustainability, we have partnered with BlackRock, the largest investment manager in the world, to give us the capability and expertise to engage and vote effectively with companies. BlackRock undertakes the engagement and voting activities on behalf of AMP in our portfolios. BlackRock operates in more than 30 countries and 70 cities, and has a presence in every major capital market in the world.

BlackRock sees investment stewardship as a central tool to advance the long-term economic interests of its clients. Environmental, social and governance risks and opportunities (examples can be seen on page 8) inform BlackRock’s view on whether a company is well positioned to deliver long-term value.

BlackRock’s 2023 engagement priorities are:

1. **Board quality and effectiveness:** quality leadership is essential to performance. Board composition, effectiveness, diversity, and accountability remain top priorities.
2. **Strategy purpose and financial resilience:** a purpose driven long-term strategy, underpinned by sound capital management, supports financial resilience.
3. **Incentives aligned with value creation:** appropriate incentives reward executives for delivering sustainable long-term value creation.
4. **Climate and natural capital:** business plans with targets to advance the transition to a low-carbon economy. Managing natural capital dependencies and impacts through sustainable business practices.
5. **Company impacts on people:** sustainable business practices create enduring value for key stakeholders – employees, customers, suppliers and communities.

Engagement insights

The following charts and tables relate to BlackRock's engagements with companies we have shareholdings in, over the period from 1 January 2023 to 31 March 2023. They show the volume, global reach and focus of their engagement approach.

The table to the right shows there are 2,378 companies in our portfolios that we have shareholdings in. Of these, BlackRock has engaged with 402 (17% of the total) companies over the quarter to March.

As a global investor, it is important that our engagements reach companies in all markets. BlackRock's global reach and local expertise helps us to achieve this, as depicted in the chart to the right.

The chart on the next page shows the topics that were discussed at engagement meetings. As you can see, the top three topics discussed were corporate strategy, board composition & effectiveness and remuneration. This is because BlackRock's engagement policies are grounded in the issues that are considered likely to impact companies' ability to deliver durable long-term shareholder returns.

Number of companies we have shareholdings in	2,378
Total engagements with companies this quarter	402

Where in the world did BlackRock engage with companies?

Engagement Data Source: AMP Portfolio Investment Stewardship Package, as provided by BlackRock

Proxy voting summary

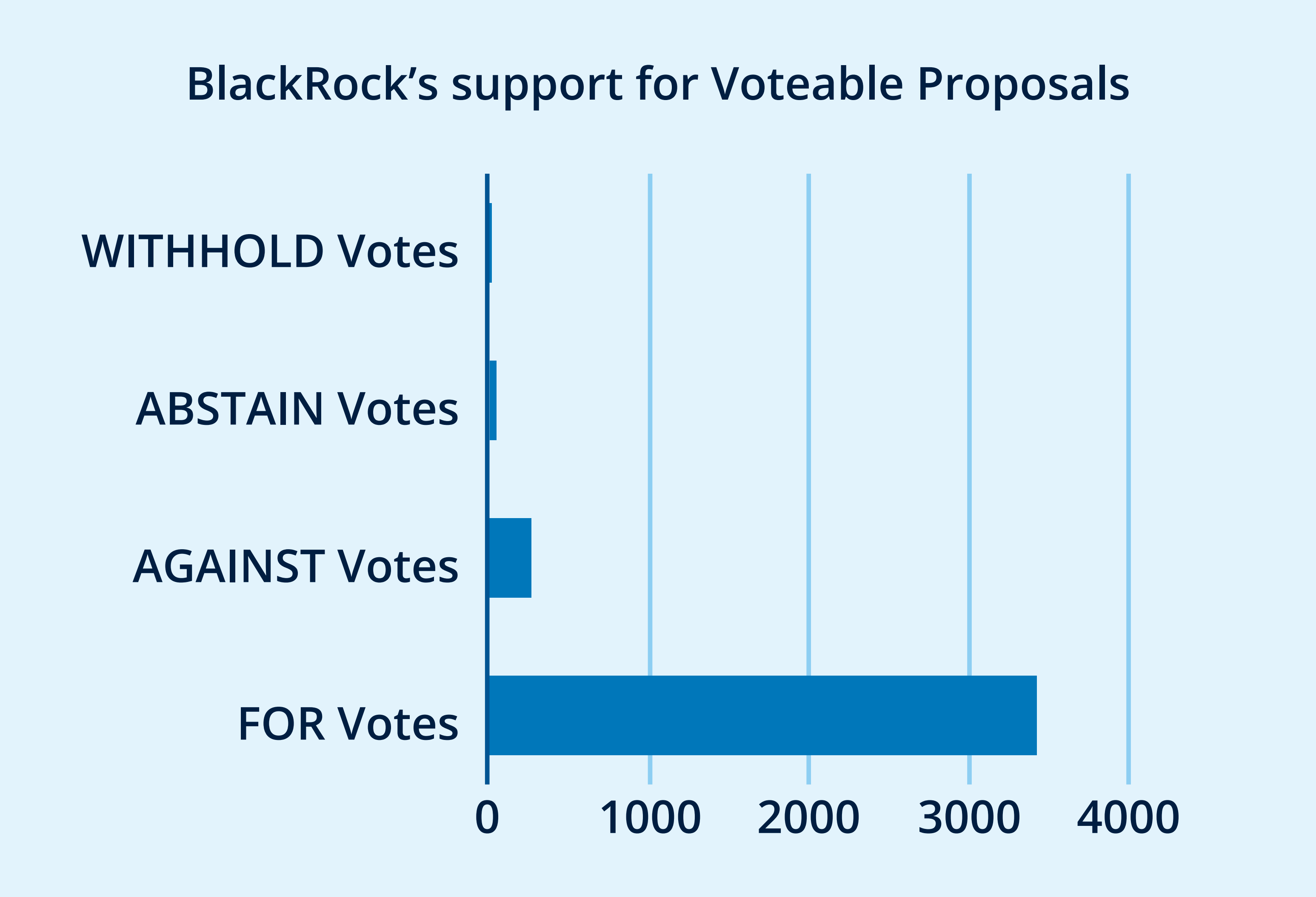
From 1 January 2023 to 31 March 2023, BlackRock attended 506 voteable meetings, where there were 4,679 proposals put forward by management and shareholders. BlackRock voted at 81% of these meetings, and on 81% of the proposals put forward. This amounts to around 42 votes a day, and six voteable meetings per day over the quarter.

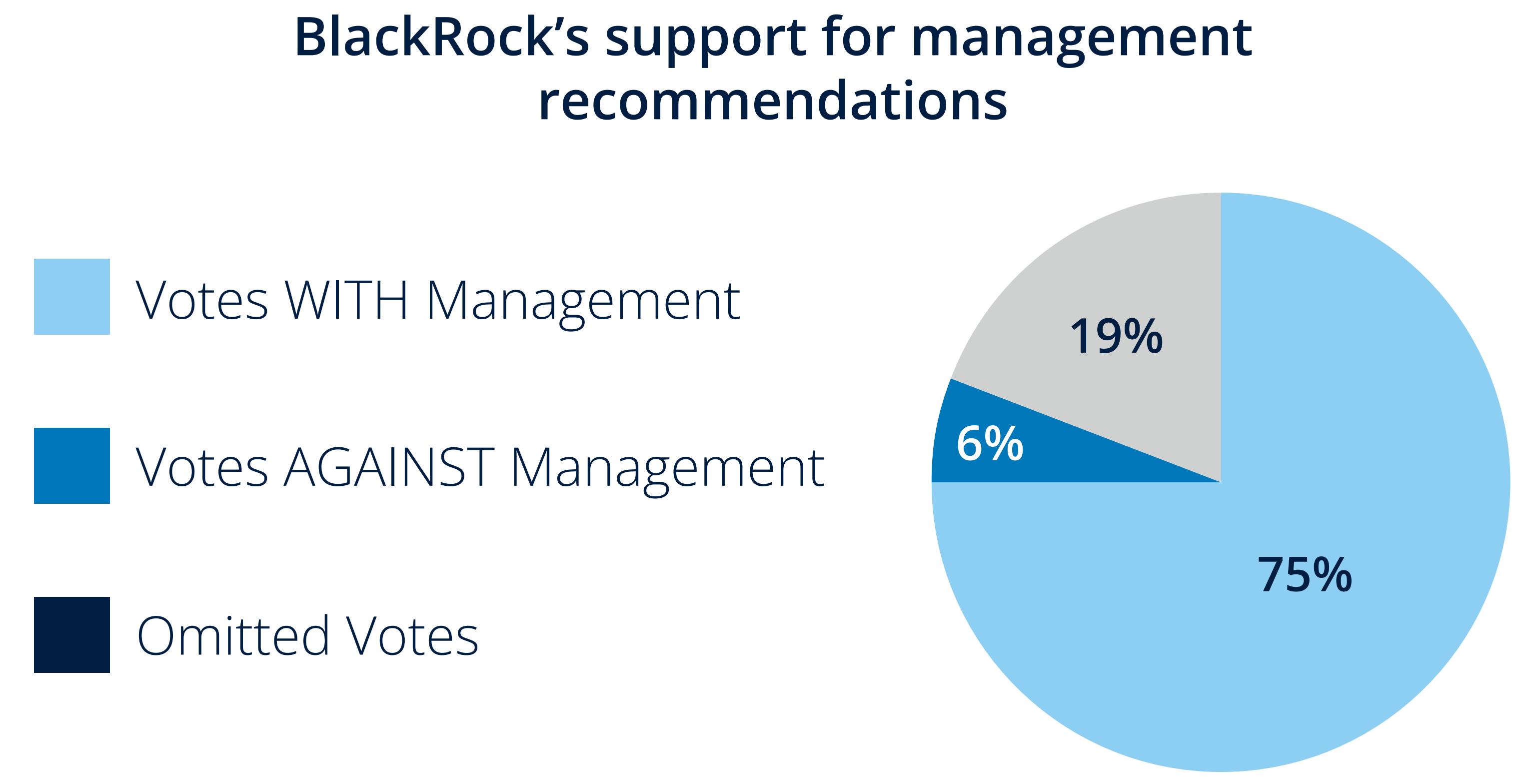
How did BlackRock vote?

BlackRock Investment Stewardship Team uses voting as a key tool to provide long-term value creation to shareholders. BlackRock votes on each proposal put forward based on its merit, with a key focus on its implications for long-term value creation. Environmental, social & governance risks can all impact the foundations of growth, as can be seen on the pages above.

BlackRock's active engagement style has meant they occasionally vote against proposals, or disagree with how company management has recommended for shareholders to vote.

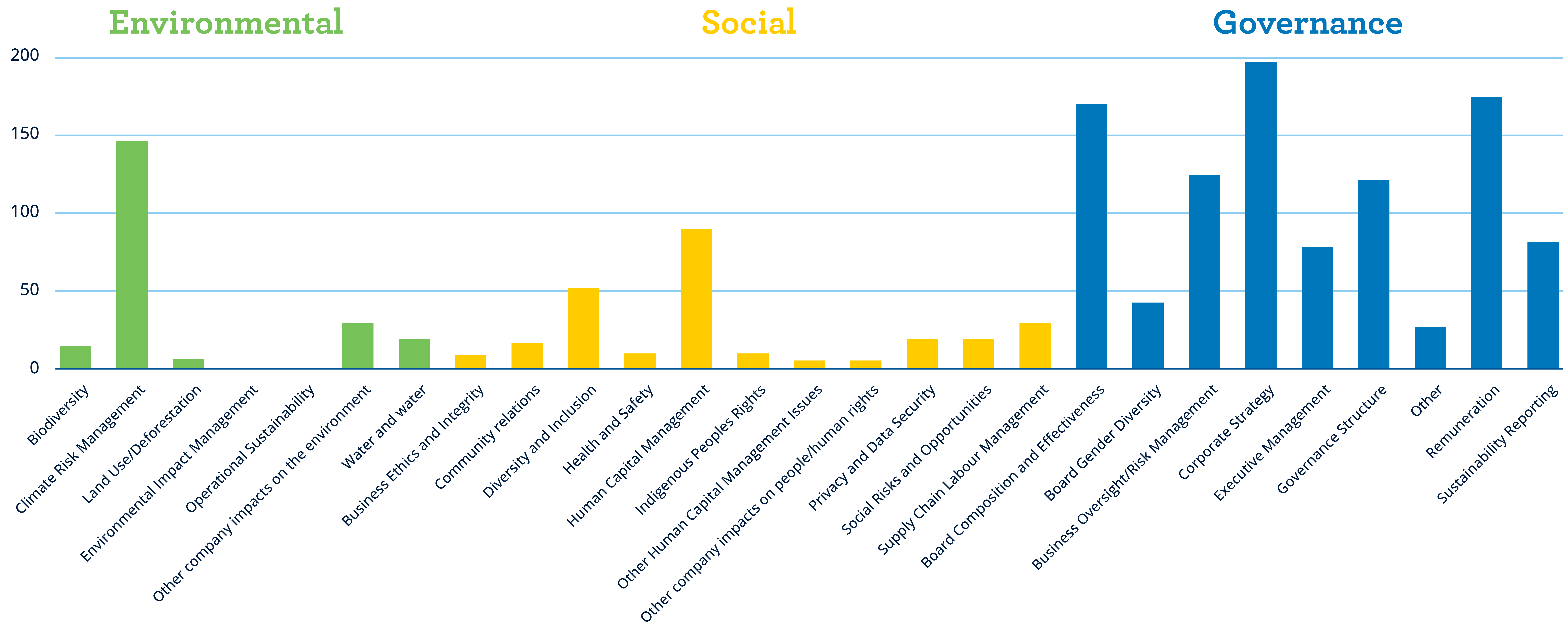
Voting Summary	Total	Percent
Voteable meetings	506	
Meetings voted	464	92%
Meetings with one or more votes against management	144	28%
Voteable ballots	507	
Ballots voted	464	92%
Voteable proposals	4679	
Proposals voted	3796	81%
FOR votes	3444	74%
AGAINST votes	275	6%
ABSTAIN votes	49	1%
WITHHOLD votes	2	0%
Votes WITH management	3507	75%
Votes AGAINST management	289	6%





Proxy Voting Data Source: AMP quarterly proxy vote summary report, as provided by BlackRock
Note: omitted votes were due to share blocking. BlackRock don't vote in situations where voting would prevent the positions from being traded due to liquidity concerns.

Environmental, social, governance engagements



Engagement Data Source: AMP Portfolio Investment Stewardship Package, as provided by BlackRock.
Based on engagements with 402 companies in AMP portfolios between 1 January 2023 and 31 March 2023

Renewable energy use

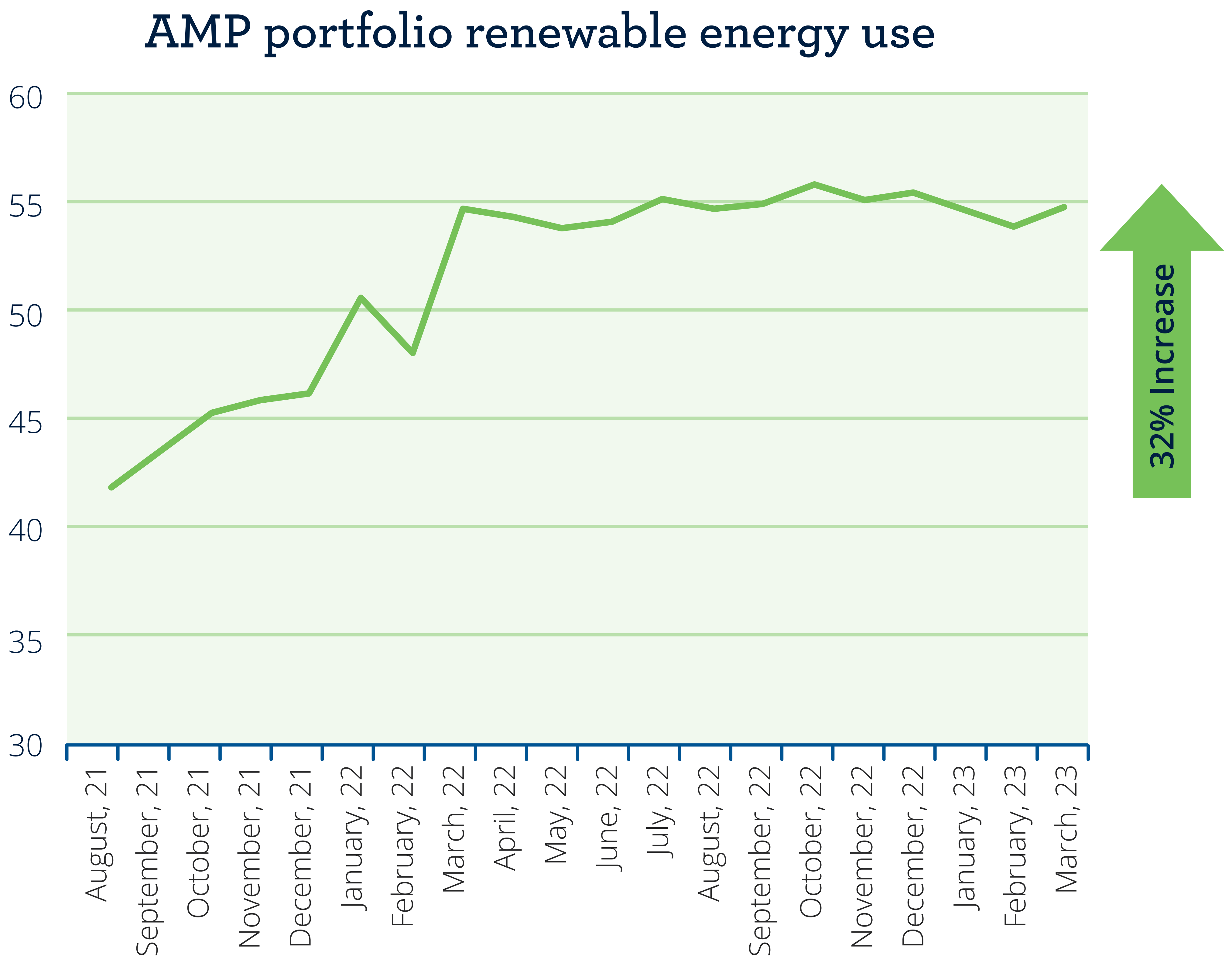
AMP portfolio renewable energy use

At AMP, we know it is key that companies generate more of their energy from renewable sources, rather than fossil fuels, for their operations. The more companies that make this change, the more likely we are to meet our global net zero targets.

The chart on the right shows the changes in the Renewable Energy Use Score[1] across our portfolio since August 2021.

The Renewable Energy Use Score assesses the proportion of renewable energy used by the companies we invest into. This includes sources like solar, wind, hydropower, ocean and geothermal.

Since August 2021, the Renewable Energy Use Score of AMP's portfolios has increased by 32%, which represents great progress in the use of renewable energy by the companies we invest in. This is a score we aim to continually increase, as the companies we invest into effectively transition to net zero GHG emissions by 2050.



[1] Renewable Energy Use Score metrics are provided to us through our data provider, Sustainalytics. Sustainalytics is a sustainable data platform, operating for over 25 years. For the past three years they have been rated among the top three firms for both ESG and corporate governance research in the Independent Research in Responsible Investment Survey. For more information, visit www.sustainalytics.com

Our net zero commitment

If we want to preserve a habitable planet for future generations, it is quite clear that we urgently need to reduce GHG emissions. We recognise our position and ability as a responsible investment manager to contribute positively to beneficial environmental outcomes for our planet.

Therefore, we at AMP have committed to reaching net zero GHG emissions across our investment portfolios by 2050 or sooner.

As we stand in 2023, we do not know all the actions and decisions required to achieve a net zero outcome for our portfolios. Many of the solutions have not been invented, thought of, or commercialised.

What we can do is set targets for our GHG emissions reductions and strive to meet those with the resources and knowledge we have today. This is what we have done. At the beginning of 2022, we set three possible scenarios for what our annual emissions reduction could look like. The more we reduce each year, the quicker we can hit net zero GHG emissions, and the lower the impact of climate-related events on our planet. Our targets and the likely year we will achieve net zero are set out in the table to the right.

Our Scenarios	Annual emissions reduction	Hit net zero GHG emmissions by
Worst case (minimum UN standard)	7%	2050
Base case	9%	2045
Best case	10%	2040

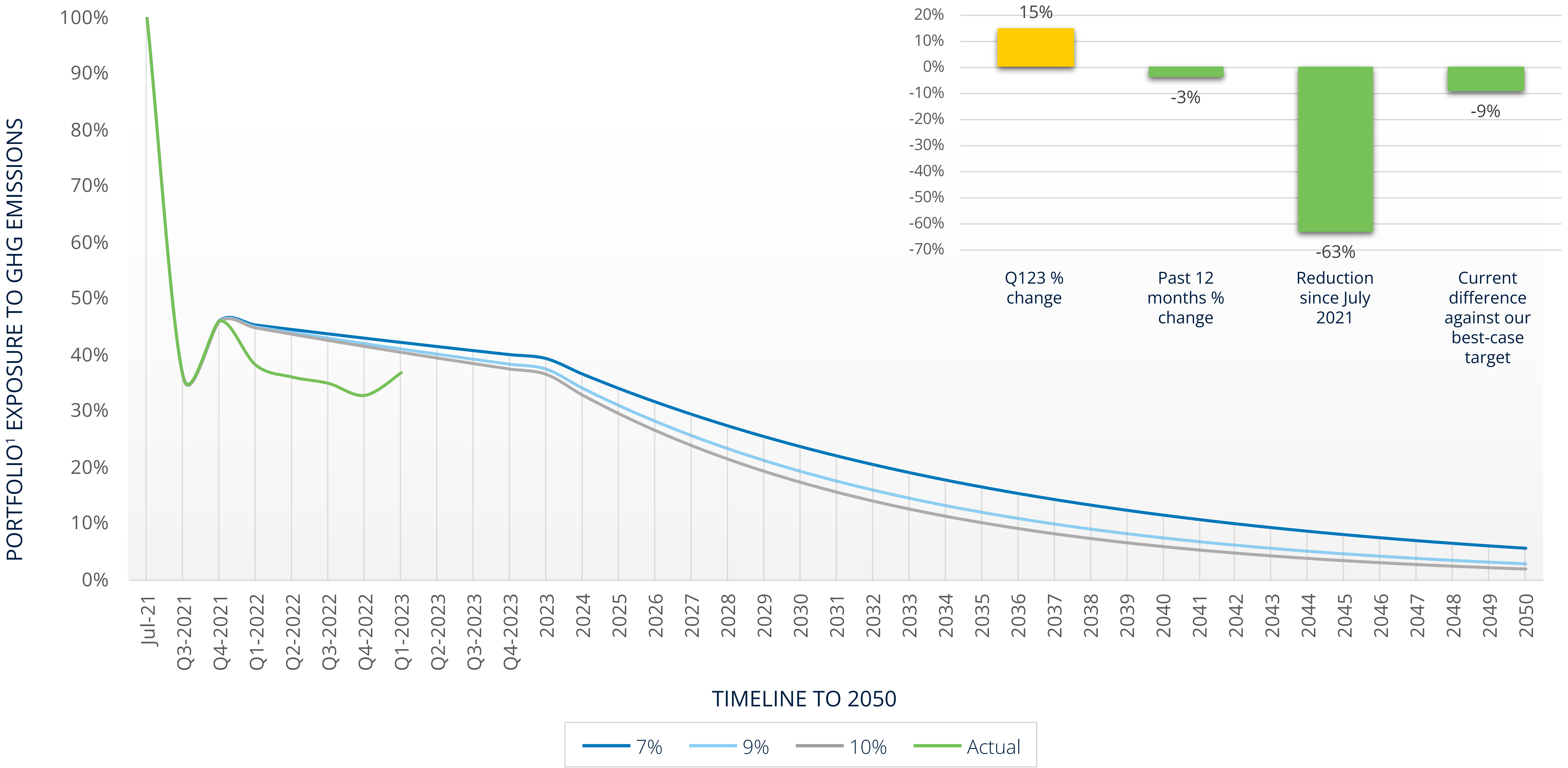
We have followed UN guidance on the recommended annual reduction to reach net zero emissions by 2050. The UN recommends a minimum annual GHG reduction of 7%. We have set more ambitious targets than this too, as we believe we can achieve this. This was proven in 2022, as we reduced our portfolio[1] exposure to GHG emissions by 29%.

Despite seeing an increase in emissions this quarter, we are still sitting 10% below our target after the first quarter of 2023.

Our net zero progress is displayed on the next page.

[1] This relates to AMP-managed funds.

Net zero progress tracker



[1] This relates to AMP-managed funds.

Note: Changes in emissions can occur from changes in investee company emissions, selling securities, market value changes & changes in investee companies' carbon accounting practices. The initial drop from Jul-21 to Q3-21 was due to implementing our Sustainable Investment Philosophy.

Disclaimer: The tCO2e emissions data used for the calculations in the above charts are sourced from our sustainable data provider, Sustainalytics. This data is subject to some limitations as can be seen here: https://www.sustainalytics.com/legal-disclaimers. These pathways have been calculated using AMP's methodologies as at 28.10.2022. Given the rapid development of methodologies & standards in calculating tCO2e emissions, we will continue to develop our approach as the relevant resources are set out. Due to the limitations with tCO2 data, this information is provided on an indicative basis only & no undue reliance should be placed on this.

Thank You

Important information

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