



Responsible Investment Leaders – changes to the Charter of Operation

We are writing to advise you of changes made to the Responsible Investment Leaders (RIL) Charter of Operation (the Charter) to introduce an additional screen based on exposure to fossil fuels.

What is the Charter?

The Charter outlines the responsible investment policy of the RIL range of funds and sets the guidelines for how environmental, social and governance (ESG) considerations are integrated across all asset classes.

The Charter requires the RIL funds to avoid investing in companies with a material exposure to activities which have a high negative social impact including the production and manufacture of tobacco, nuclear power (including uranium), armaments, alcohol, pornography and gambling.

What are the changes?

Increasingly responsible investors want their portfolios to reflect their views on the need to address climate change. With the combustion of fossil fuels being the main source of global greenhouse gas emissions, these investors are choosing not to invest in companies which have a material exposure to fossil fuels.

Accordingly, the Charter now seeks to limit the RIL funds' exposure to companies which have a material exposure to the most carbon intensive fossil fuels. In future, 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 activities below will be excluded from the funds' investable universe:

- > 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

Expected impact on the portfolios

Our research suggests that our materiality test of 20% exposure, and limiting the exclusion to the abovementioned activities, should not add material unintended tracking risk to the RIL funds and should provide the appropriate balance between reflecting client values and managing additional investment risk.

As it stands, the pre-existing Charter requirement for managers to consider ESG factors when selecting securities already has the effect of excluding the majority of companies with material fossil fuel exposure, as evidenced by the very limited exposure to coal (or oil sands) in the RIL funds to date. However, we feel that having a formal limit on fossil fuels in the Charter more clearly reflects investors' growing interest and concern regarding fossil fuel investments and supplements the RIL funds' current ESG requirements and strong engagement approach.

The revised Charter is available for download on our website.

Further information

If you have any questions about this update or have any questions about your AMP Capital investments, please contact your Account Manager or our Client Services Team on 1800 658 404.

Further information about AMP Capital's products can be obtained from www.ampcapital.com.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Sean Henaghan', with a stylized flourish at the end.

Sean Henaghan
Chief Investment Officer, Multi-Asset Group
AMP Capital

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