

Position on Cluster Munitions, Anti-Personnel Landmines, Chemical and Biological Weapons

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INTRODUCTION:

AMP Capital is committed to making responsible investment decisions for the benefit of our clients. In line with our ESG and Responsible Investment Philosophy, we continue to evolve how we can best integrate environmental, social and governance (ESG) issues into investment decisions. We were early pioneers of responsible investing within Australia and are well placed to raise the global focus on these issues to influence better outcomes for our investors.

AMP Capital was an early signatory to the UN backed Principles for Responsible Investment in 2007, committing to extend responsible investment and ESG integration activities across our entire investment universe. We believe that responsible investing provides greater insight into areas of potential risk and opportunity that will impact the value, performance and reputation of the investments we make on behalf of our clients.

AMP Capital's Responsible Investment Standpoint

Consistent with AMP's values, AMP Capital also considers the broader impacts to society in delivering investment returns to customers. In exceptional circumstances, AMP Capital may seek to exclude particular companies, asset types or industry sectors from our investable universe on moral or ethical grounds. AMP Capital also recognises that the evolution of market trends, regulatory, policy, legal and social norms may affect growth and risk factors within industry sectors, challenging the outlook and sustainability of relevant businesses.

Review of our ESG and Responsible Investment Philosophy

Our ESG and Responsible Investment Philosophy has been revised in February 2017 to reflect our standpoint on the impact of ESG issues on our investment activities, and can be found at www.ampcapital.com.au. To help us deliberate complex ethical matters, a principles-based decision making framework is included in this Philosophy. This framework guides our application of moral and ethical criteria as a factor in the assessment of all our investments across asset classes¹.

Under the new framework:

In exceptional circumstances AMP Capital may seek to exclude particular companies, asset types or industry sectors from our investable universe on moral or ethical grounds. In making such a decision, AMP Capital will take into account the extent (if any) to which a company's activities (conduct), products or services:

- > Violate the principle of respect for persons which affirms the intrinsic dignity of all people irrespective of age, gender, race, religion and prohibits the treatment of any human being merely as a means to an end, and/or

- > Can be used without causing harm to others including those who may choose to make use of the relevant goods or services.

In undertaking its assessment AMP Capital will consider (without limitation):

- > Whether activities (conduct), products or services contravene principles accepted under international human rights laws including but not limited to UN conventions;
- > The principle of 'double effect' – which may allow conduct that is not intrinsically wrong and is undertaken for an ethically justified 'principal effect' even if it has an unintended harmful 'secondary' (double) effect. Where a form of conduct may have a harmful 'double effect', AMP Capital will assess the extent to which the company is actively engaged in minimising and mitigating the unintended harm;
- > The extent to which the relevant activity, product or service is material to the conduct of the company in which the investment is to be made; and
- > Any reasonable argument or rebuttal submitted in good faith, as to why an adverse assessment may be based on an error of fact or assumption.

AMP Capital's Investment Committee is responsible for ensuring that any decision to exclude or divest a company, asset type or industry sector from its investable universe takes into account, among other considerations, fund investment objectives and strategy and recommendations from its own research and investment teams.

¹ Other than cash, sovereign bonds, derivatives and exchange traded funds.

Our Decision to Exclude Cluster Munitions, Anti-Personnel Land Mines, Chemical and Biological Weapons:

In applying the framework, cluster munitions, anti-personnel mines, chemical and biological weapons contravenes the criteria set out in our ESG and Responsible Investment Philosophy and, therefore, will be excluded from current investments.

Support of these weapons through investment in securities issued by companies with known material involvement in the manufacture, maintenance or delivery of such weapons does not meet the criteria (principles) defined in our ESG and Responsible Investment Philosophy. Accordingly, investment in companies considered by AMP Capital to be materially involved in the manufacture, maintenance or delivery of such weapons will be excluded from our portfolios. This is due to the following reasons:

- > the ability for such weapons to indiscriminately kill military and civilian targets through normal use (including post conflict) which violates the principle of 'respect for persons'; and
- > such weapons cannot be used as intended without causing harm to others and resulting in significant negative social impacts.

We firmly believe in company engagement in order to effect meaningful change. However, in the case of these weapons we believe no engagement can address these matters.

Cluster Munitions:

A cluster munition is 'a conventional munition that is designed to disperse or release explosive submunitions each weighing less than 20 kilograms, and includes those explosive submunitions'², indiscriminately striking military targets and civilians. These submunitions are designed to detonate in the air a few metres above a target or on contact with the ground or the target. Many fail to detonate, effectively becoming landmines that continue to kill and maim for many years after the conflict has ended.

Anti-Personnel Landmines:

An anti-personnel landmine is 'a mine designed to be exploded by the presence, proximity or contact of a person and that will incapacitate, injure or kill one or more persons'³. They are not aimed at a particular target, and therefore can kill and maim for even decades after the conflict has ended.

Chemical Weapons:

Chemical weapons are toxic chemicals and their precursors or munitions and devices specifically designed to cause death or harm through the toxic properties which would be released as a result of employment.⁴ They can cause significant harm to civilian populations either by being deliberately used on them or by chemicals drifting into civilian areas from the battlefield. The threat of use has also been used to intimidate civilian communities.

Biological Weapons:

Biological weapons deliver toxins and microorganisms such as viruses and bacteria to inflict disease among people, animals and agriculture. These weapons cannot be targeted only to infect military targets so infecting civilians is almost an inevitable aspect of their use.

Our Investment Policy:

Identifying companies for exclusion due to material involvement

To identify companies with material involvement, AMP Capital has considered whether:

- 1) The company is involved in an essential and unique aspect in the manufacture, maintenance and delivery of the controversial weapon; and
- 2) The company plays a substantial role in the provision of that service (i.e. is there only one company providing the service or multiple).

This consideration of material involvement will be interpreted for each weapon class we exclude.

Cluster Munitions:

For the purposes of AMP Capital investment, the following would be considered a material involvement in cluster munitions:

- > The production of cluster munitions and submunitions
- > The production of single-use cluster munition delivery systems

However, the following would not in and of themselves meet the grounds for exclusion:

- > The production of multi-use delivery systems
- > Working in the destruction of existing cluster munition stockpiles
- > The use of cluster munitions for research as permitted under the CWC

Anti-Personnel Landmines:

For the purposes of AMP Capital investment, the following would be considered a material involvement in anti-personnel landmines:

- > The production of victim-activated, anti-personnel landmines and single-use parts for use in anti-personnel landmines
- > The production of single-use anti-personnel landmine distribution systems

However, the following would not in and of themselves meet the grounds for exclusion:

- > Working in the destruction of anti-personnel landmines
- > The production of multi-use landmine distribution systems
- > The use of landmines for research as permitted under the Mine Ban Treaty
- > The production of "man-in-the-loop" antipersonnel landmines permitted by the Mine Ban Treaty which are rendered harmless when no longer required on the battlefield

Chemical Weapons:

For the purposes of AMP Capital investment, the following would be considered a material involvement in chemical weapons:

- > The production of chemical weapons
- > The production of single-use chemical weapon distribution systems
- > The production of single-use precursor chemicals including those chemicals that may be combined to produce a chemical weapon in a binary system

² Convention on Cluster Munitions, dated 30 May 2008

³ Mine Ban Treaty, dated 18 September 1997

⁴ Article II of the Chemical Weapons Convention (CWC), which came into force on 29th April 1997

However, the following would not in and of themselves meet the grounds for exclusion:

- > Working in the destruction of chemical weapons stockpiles
- > The production of multi-use chemical weapon distribution systems
- > The production of multi-use chemicals which can be weaponised but that are sold for peaceful purposes
- > The use of chemical weapons to research defence against their use by antagonists

Biological Weapons:

For the purposes of AMP Capital investment, the following would be considered a material involvement in biological weapons:

- > The production of biological weapons including toxins
- > The production of single-use biological weapon distribution systems

However, the following would not in and of themselves meet the grounds for exclusion:

- > Working in the destruction of biological weapons stockpiles
- > The production of multi-use biological weapon distribution systems
- > The production or use of biological agents for medical research purposes

Scope

All managed funds where AMP Capital has been appointed as the investment manager will be subject to the decision to divest from and exclude cluster munitions, anti-personnel mines, chemical and biological weapons securities. Where AMP Capital has appointed an external fund manager under a separate investment mandate, we will instruct those investment managers to adopt these same divestment and exclusion strategies.

Where AMP Capital does not have exclusive control of externally managed funds (for example where we invest in externally managed pooled vehicles without a separate investment mandate), we cannot influence the external manager(s) to uphold our policy. We may continue to invest in such pooled funds, unit trusts or exchange traded funds which may themselves invest in securities of companies with involvement in cluster munitions, anti-personnel mines, and chemical or biological weapons.

It may be the case that in certain jurisdictions for regulatory or related reasons, we may exclude investments in other types of controversial weapons in addition to those noted above.

Our Process:

Governance

AMP Capital's Investment Committee is responsible for ensuring relevant information is considered prior to reaching a decision to exclude or divest a company, asset type or industry sector from its investable universe.

Excluded stocks will be subject to an annual review by AMP Capital's ESG research function, with oversight from AMP Capital's Investment Committee. Any changes to the exclusion list resulting from this review process will be communicated to portfolio managers within AMP Capital and to our external fund managers. In the event that a new company is added to the exclusion list, generally AMP Capital will, and will instruct its external fund managers to, sell down any positions held in the securities issued by that company over a period of up to twelve months.

Reporting

The list of excluded companies will be published on an annual basis. The latest exclusion list can found at www.ampcapital.com.au