

AMP Sustainability Quarterly Report

Q4 2022



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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**.



Emission reduction results

Our greatest achievement to date from our Sustainable Investment Philosophy is the progress we have made, and continue to make, on reducing our portfolio's exposure to Greenhouse Gas (GHG) Emission¹. At AMP, we aim to be a leader in addressing climate change, and we know reducing emissions is one of the many things we need to do to solve climate change.

The changes to our GHG emissions in our portfolios over the past three months across the AMP-branded portfolios² are shown on the table to the right.³

The GHG emissions across most of our funds have decreased significantly over the quarter. The large decrease in the AMP International Shares Fund was caused by a benchmark reweighting, reducing our exposure to a high emitter in the Utilities sector, noting that this fund has a Climate Transition Benchmark inbuilt into its methodology, aiming to achieve a 7% annual reduction in GHG emissions intensity.

The Australasian Shares Fund experienced an increase in GHG emissions this quarter. While this is undesirable, the progress towards net zero is seldom in a straight line, there will be occasions over short time periods where emissions rise marginally. This quarter's small increase was due to the rise in market value of companies operating in the Materials sector in Australia.

The chart to the right shows how each fund's exposure to the weighted average of investee company's Greenhouse Gas (GHG) Emissions have changed over the three months to 31 December 2022.

Investment Portfolio (NZRT & KiwiSaver)	Quarterly % change in emissions
AMP Conservative Fund	-5%
AMP Moderate Fund	-7%
AMP Moderate Balanced Fund	-9%
AMP Balanced Fund	-10%
AMP Growth Fund	-11%
AMP Aggressive Fund	-11%
AMP Global Equities Fund	-19%
AMP Global Fixed Interest Fund	1%
AMP Australasian Shares Fund	3%
	Quarterly changes are taken from October 1 2022, to December 31 2022

¹ 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

² 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.

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



ESG risk scores results

ESG risk scores¹ 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.

Positively, most of our funds have reduced their exposure to environmental, social and governance risks over the quarter. The International Shares Fund experienced the largest increase in environmental risk this quarter, due to marginal increases across the Industrials, Materials and Utilities sectors. The Balanced, Growth & Aggressive Fund experienced marginal increases due to having higher exposure to International Shares.

We continually monitor these ESG risk scores to understand whether any amendments should be made to our Sustainable Investment Philosophy.

The chart 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 December 2022.

Portfolio (NZRT & KiwiSaver)	% Quarterly Change: Total Risk Score	% Quarterly Change: Environmental Risk Score	% Quarterly Change: Social Risk Score	% Quarterly Change: Governance Risk Score
AMP Conservative Fund	-3%	0%	-3%	-4%
AMP Moderate Fund	-2%	0%	-3%	-3%
AMP Moderate Balanced Fund	-2%	0%	-2%	-3%
AMP Balanced Fund	-2%	1%	-2%	-2%
AMP Growth Fund	-1%	1%	-2%	-2%
AMP Aggressive Fund	-1%	1%	-2%	-1%
AMP Global Equities	-1%	-1%	0%	-1%
AMP Global Fixed Interest Fund	-2%	-5%	-3%	-1%
AMP Australasian Shares Fund	-1%	3%	-2%	-1%
Quarterly changes are taken from 1 October 2022 to 31 December 2022				

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 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 2022 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 October 2022 to 31 December 2022. They show the volume, global reach and focus of their engagement approach.

The table to the right shows there are 2,386 companies in our portfolios that we have shareholdings in. Of these, BlackRock has engaged with 490 (20% of the total) companies over the December quarter.

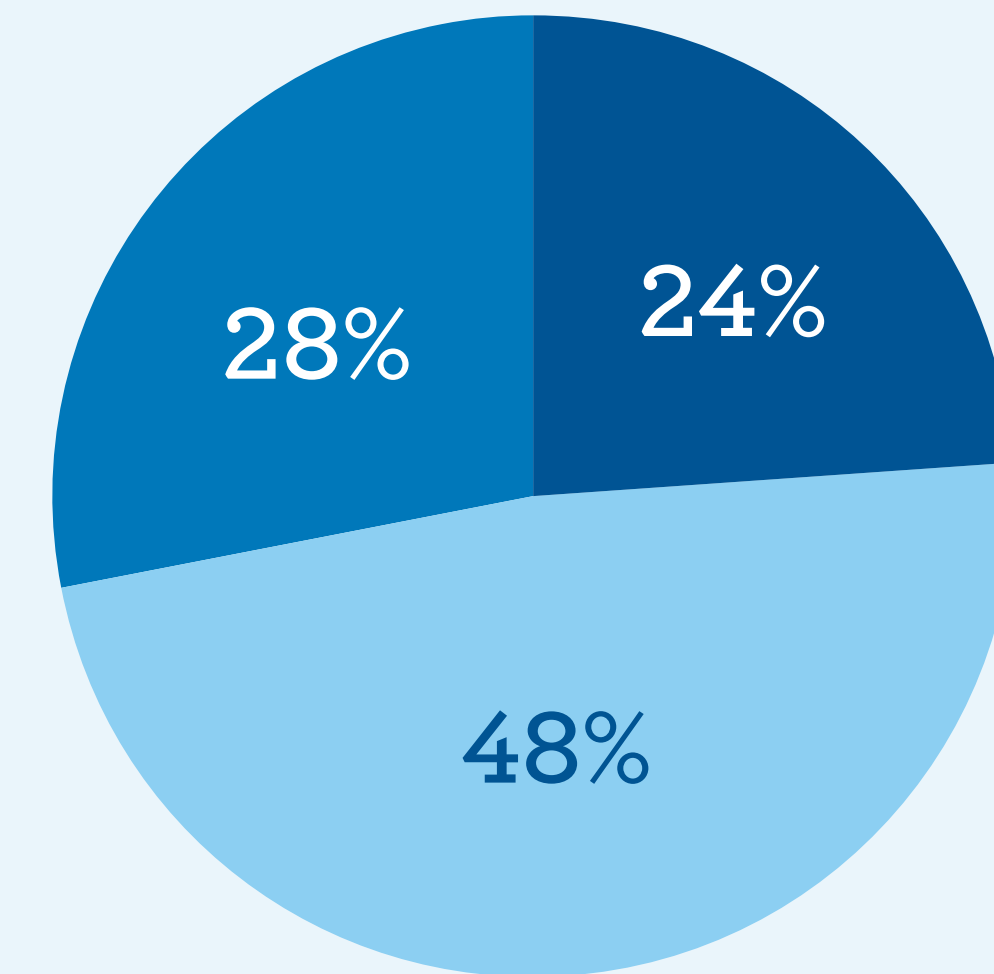
As a global investor, it is important that our engagements reach companies in all markets. BlackRock's global reach and local expertise helps us to achieve this, as depicted in the chart to the right.

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 climate risk management, 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.

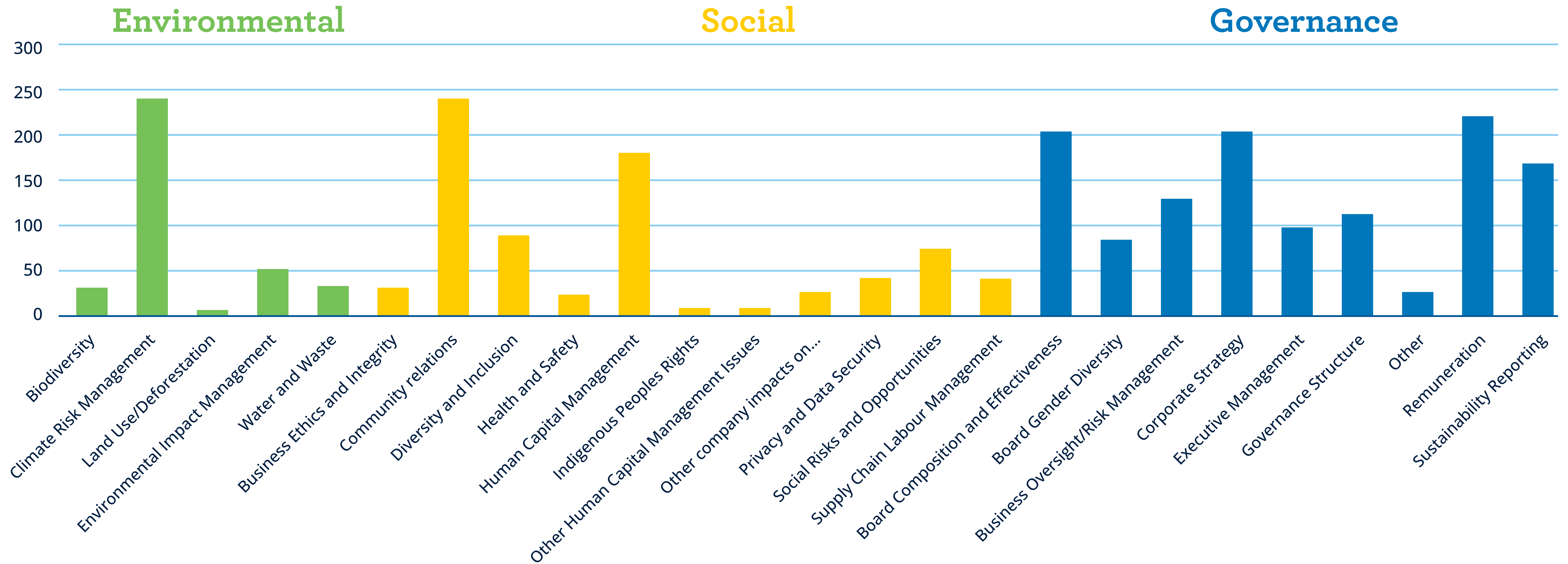
Number of companies we have shareholdings in	2,386
Total engagements with companies this quarter	490

Where in the world did we engage with companies?

- North and South America
- Europe, the Middle East, and Africa
- Asia Pacific



Environmental, Social, Governance Engagements



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

Proxy Voting Summary

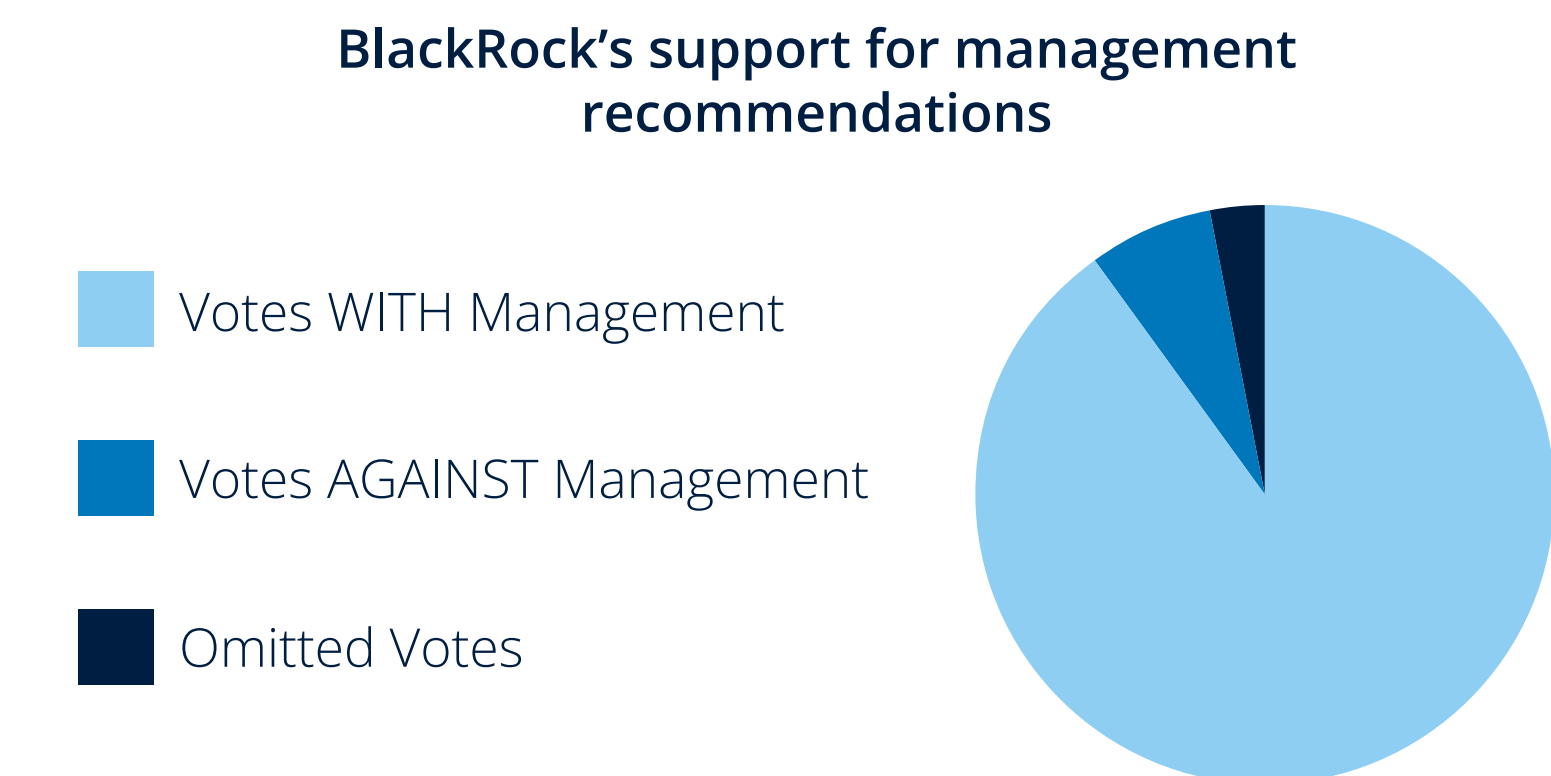
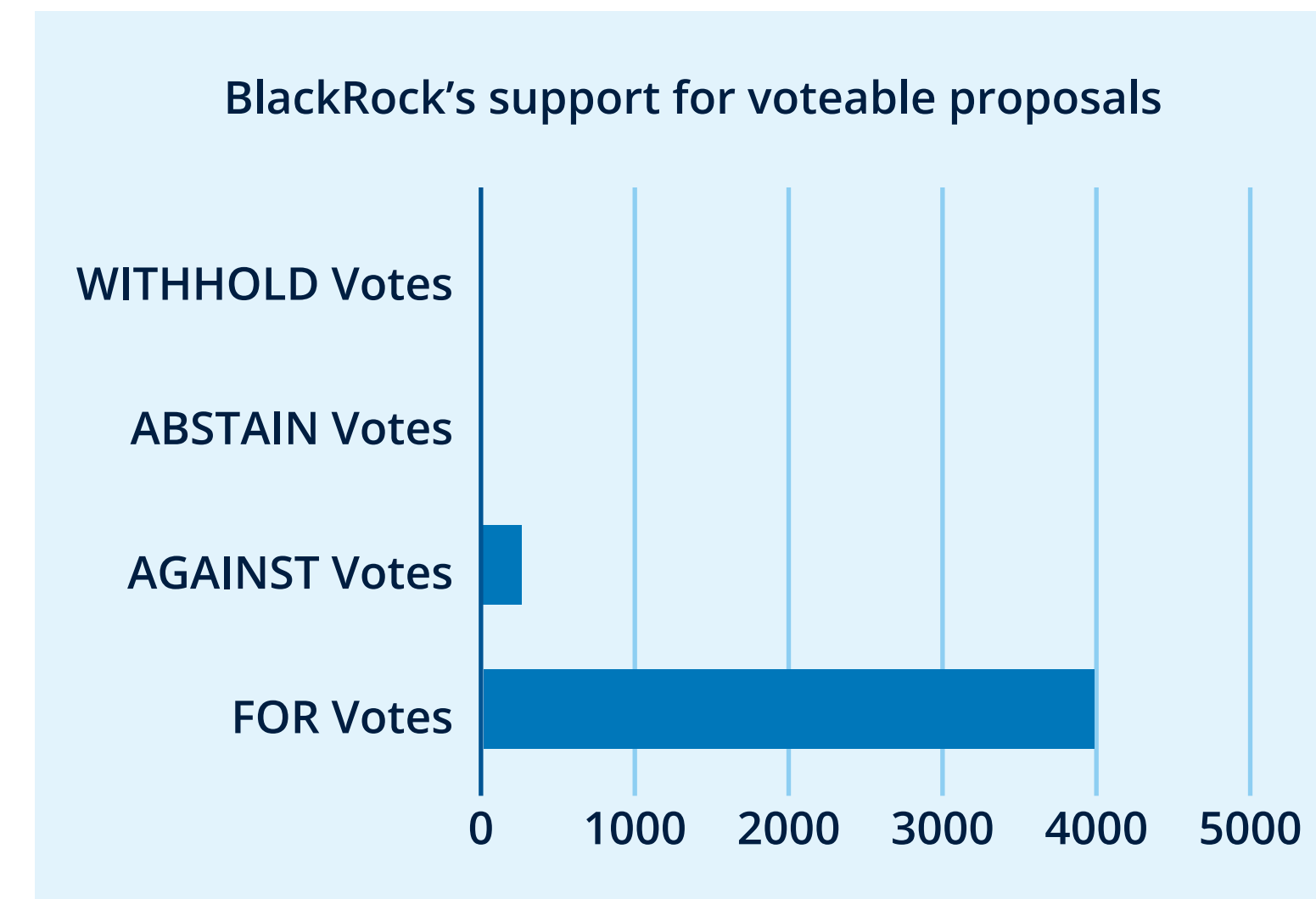
From 1 October 2022 to 31 December 2022, BlackRock attended 689 voteable meetings, where there were 4497 proposals put forward by management and shareholders. BlackRock voted at 97% of these meetings, and on 98% of the proposals put forward. This amounts to around 48 votes per day.

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 singular 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 following pages.

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	689	
Meetings voted	668	97%
Meetings with one or more votes against management	157	23%
Voteable ballots	689	97%
Ballots voted	668	
Voteable proposals	4497	
Proposals voted	4394	98%
FOR votes	4009	89%
AGAINST votes	371	8%
ABSTAIN votes	8	0%
WITHHOLD votes	6	0%
Votes WITH management	4059	90%
Votes AGAINST management	335	7%



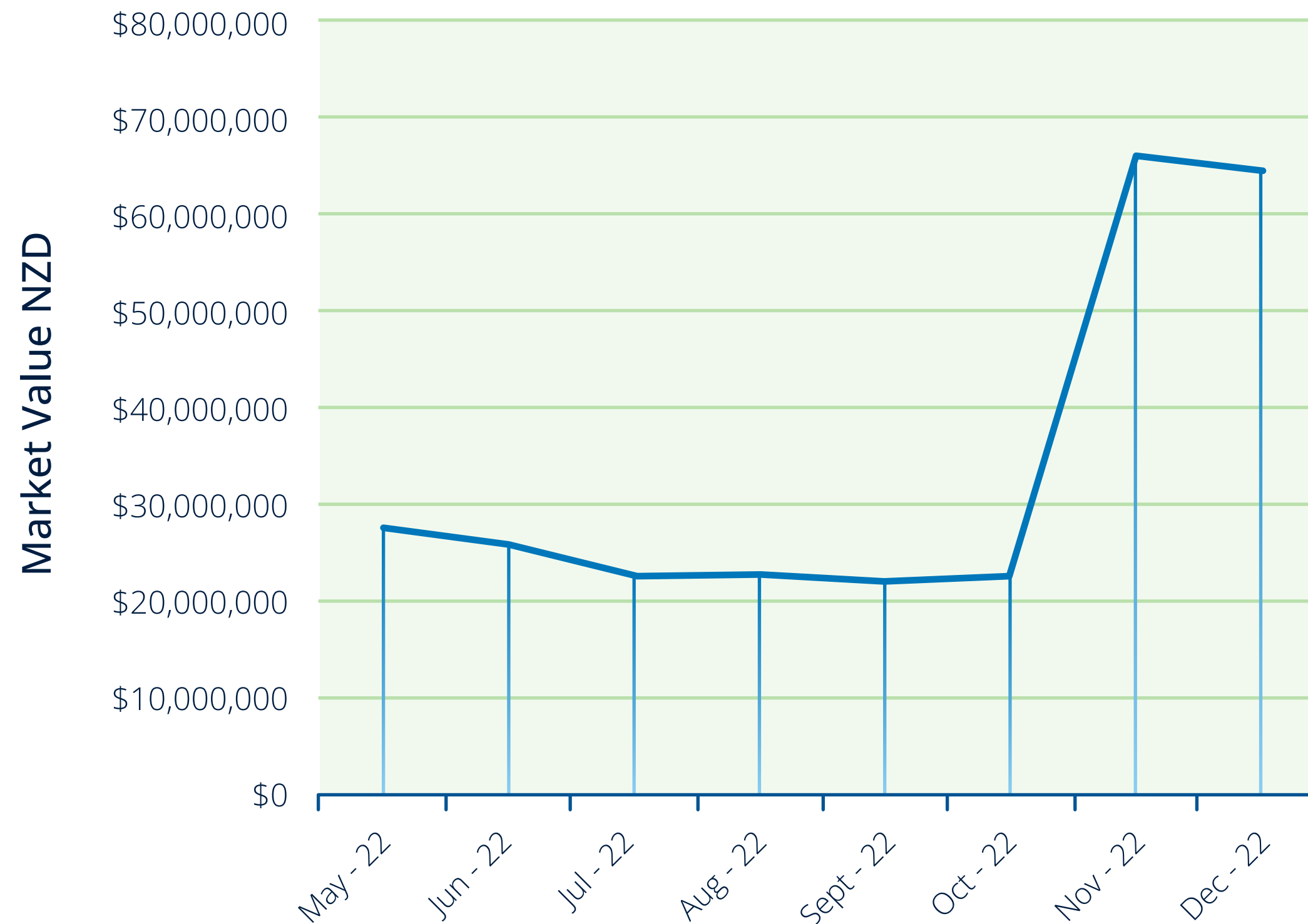
What are Green Bonds?

Green Bonds are like regular bonds, except they are used to raise capital for climate and environmental projects. They can be issued by companies, governments and other large organisations. The capital raised from these bonds must be invested into projects that specifically contribute to environmentally positive outcomes, such as sustainable water management, sustainable agriculture, clean transportation and energy efficiency.

AMP's Green Bond investments

AMP has been investing into Green Bonds for several years. In November 2022, the New Zealand Government issued its first Green Bonds. As of 30 December 2022, we have forty million dollars invested in New Zealand's environmental journey, bringing our total investment into Green Bonds to sixty-five million dollars. See this on the chart to the right.

AMP total portfolio investment into Green Bonds



New Zealand Green Bonds

In November 2022, the New Zealand government issued NZD 3B in Green Bonds, to provide finance for specific government projects with climate change mitigation and environmental outcomes.

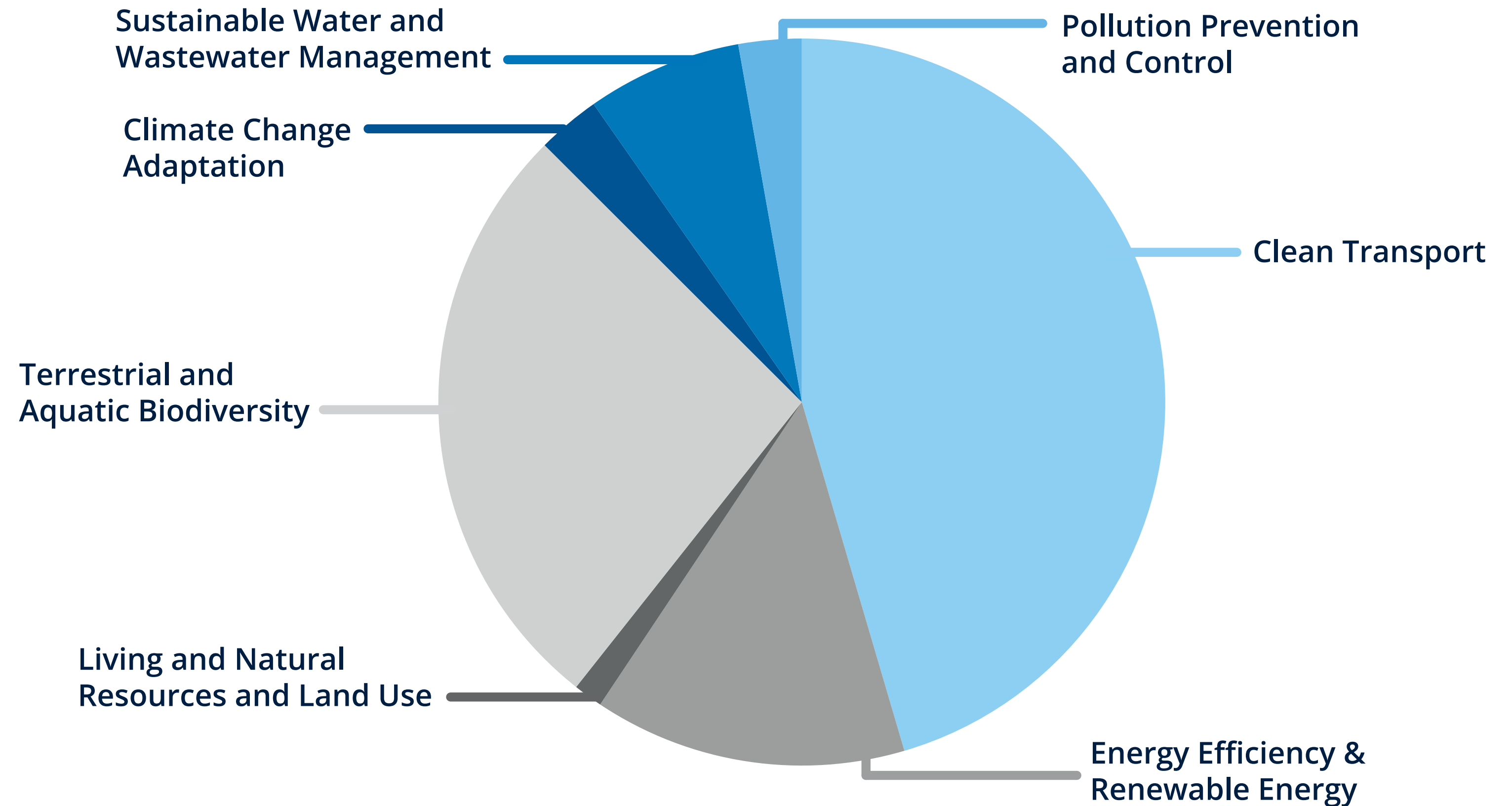
As we are advocates of positive environmental outcomes, we chose to invest more money into these Green Bonds relative to the benchmark weight.

The specific government projects these green bonds will be used to finance are:

1. Clean transport
2. Energy efficiency and renewable energy
3. Green buildings
4. Living and natural resources and land use
5. Terrestrial and aquatic biodiversity
6. Climate change adaptation
7. Sustainable water and wastewater management
8. Pollution prevention and control

Regular reporting will be undertaken by the New Zealand Government, showing the impacts these Green Bonds are having on the New Zealand environment. We will provide these insights as they arrive.

The chart to the right shows the current make-up of eligible categories of expenditure and approved eligible expenditure for NZ Green Bonds Financing. Green Buildings are expected to be included in this chart before the end of the year.



Global Green bond exposure



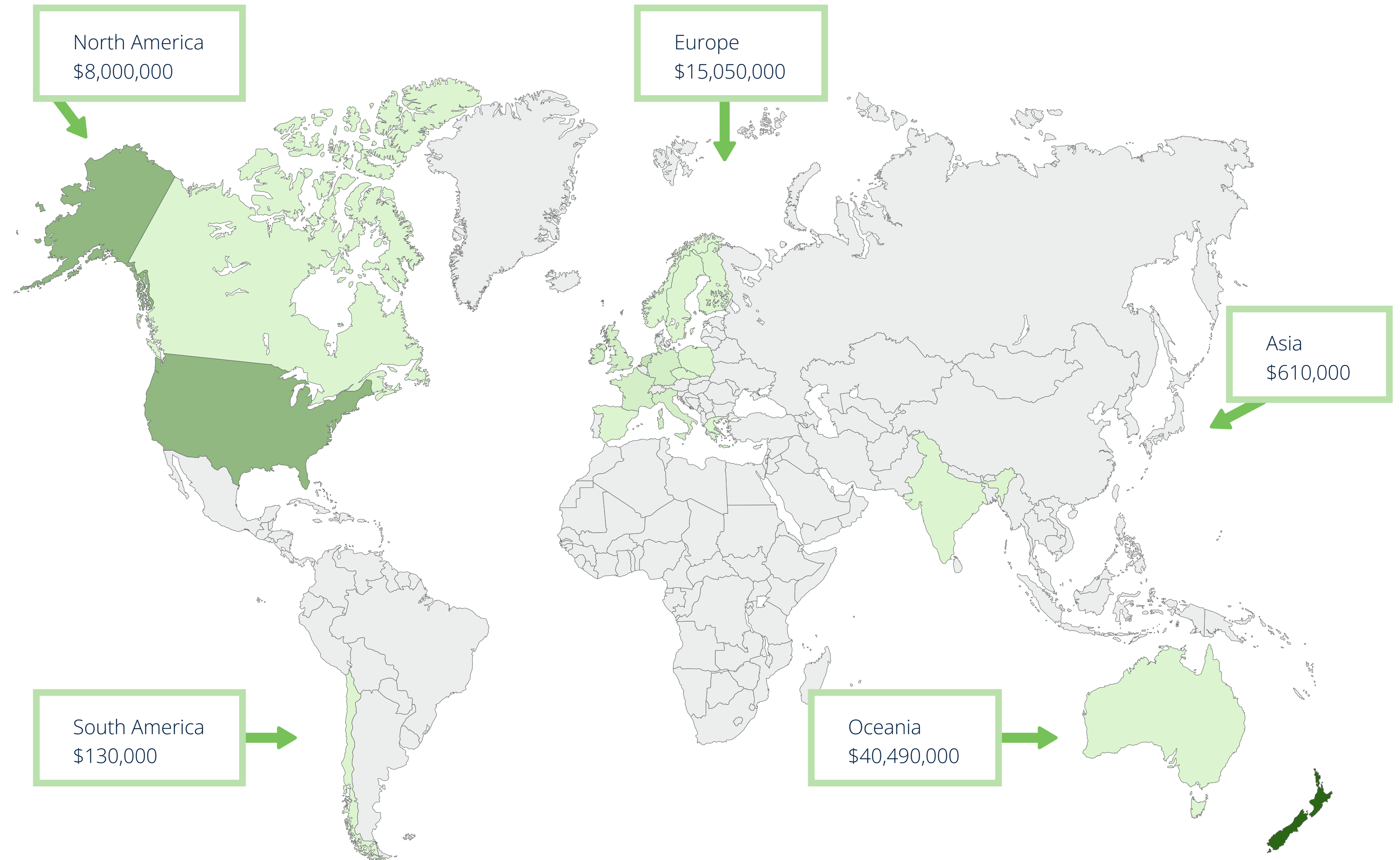
Where in the world does AMP invest in Green Bonds?

This map shows all the countries in the world where we hold Green Bonds. We hold \$65,000,000 in Green Bonds globally for our customers, in 24 different countries over 5 different continents. Our highest Green Bond concentration is in New Zealand, followed by the U.S., the Netherlands, France then Italy.

NZD Market Value¹ of AMP investment in Green Bonds.



Supranational
 "bonds issued by two or more central governments to promote economic development for member countries."
 \$860,000



Source: Aladdin Climate, using Refinitiv Data to identify Green Bonds

¹ Market Values NZD rounded to nearest ten thousand

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 WMNZ have committed to reaching net zero greenhouse gas (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.

We have also become the first KiwiSaver provider to formally sign up to the internationally renowned Science Based Targets initiative (SBTi), a partnership between the UN Global Compact, World Resources Institute and the Worldwide Fund for Nature that helps large organisations meet their climate change targets with genuine scientific principles, rather than 'window dressing' changes.

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

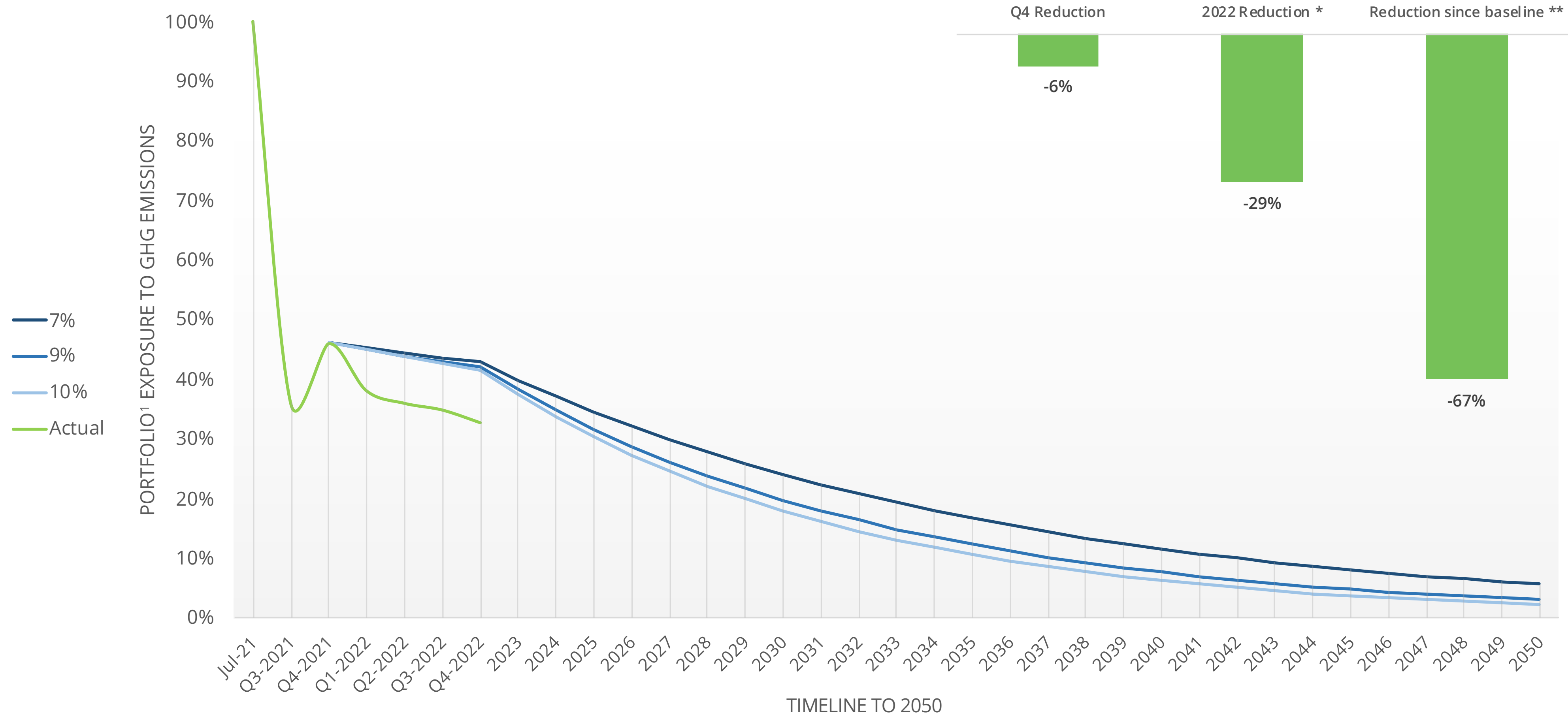
We have followed UN guidance on the recommended annual reduction to reach net zero emissions by 2050. The UN recommends a minimum annual GHG reduction of 7%. We have set more ambitious targets than this too, as we believe we can achieve this. This was proven in 2022, as we reduced our portfolio¹ exposure to GHG emissions by 29%.

Our net zero progress is displayed on the next page.

¹ This relates to AMP-managed funds.

Net zero progress tracker

*2023 reduction: Q421-Q4-22
 **Reduction since baseline: July21 – Q422



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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