The AMP Capital Ethical Leaders Funds (the EL funds) have a very clear mission - to invest for the long term while making the world a better place. We do this in a few ways:

1. By excluding the companies and assets that have a significant negative social impact;
2. By investing in companies and managers at the better end of the spectrum on environmental, social or governance issues;
3. By choosing equity managers in Australia and overseas who engage with companies and lobby for change.

It is this third pillar that is crucial when it comes to making a difference.

In 2018, our Australian and global equity managers asked the most powerful companies in the world to do things differently on the EL funds’ behalf.

When 206 workers and civilians were killed when a tailings dam collapsed at a mine in Brazil, they asked mining companies that own or operate tailings dams to develop and agree to international safety standards.

When 50 men, women and children were killed in mass shootings at two Christchurch mosques, they asked the world’s largest social media companies to do more to prevent the live streaming and distribution of objectionable content, such as these shootings.

In recognition of the fact that climate change is one of the most significant challenges facing the world, AMP Capital continued to work with other large investors, asking companies to set emissions targets, adopt robust goals to reduce the impact of climate change, and improve the quality of their climate-related disclosures. Climate Action 100+ is proving to be a particularly significant initiative, with 320 investors responsible for more than US$33 trillion of assets under management now committing to work together to drive change.

When 91% of garment workers in Bangladesh unable to afford enough food for their families, they asked retailers to map and publish their supply chains and pay factory workers a living wage.
OUR POSITION ON CLIMATE CHANGE

Momentum is once again building behind global efforts to address climate change. In January 2019, the World Economic Forum announced that global leaders consider climate change to be the biggest risk the world faces over the next decade. Munich Re, one of the world’s largest reinsurers, says that global mean temperatures have risen by 1 degree Celsius since 1880. Since 2005, the world has experienced nine of the 10 warmest years since 1880.

Calls by activist groups for the complete divestment of all energy stocks are growing louder. While calls for divestment are understandable, if keeping temperature rises to below 2 degrees in accordance with the Paris Agreement is the goal that the world is working towards, simply divesting the entire energy sector is not the answer. Some companies in the energy sector will prove part of the solution.

To this end, we have a very clear approach to divestment, engagement and investing in the solutions.

1. We exclude all companies that make a material amount of money – more than 10 per cent of sales – from the most carbon intensive fossil fuels. These are thermal coal, oil sands, brown-coal, coal-fired power and the conversion of coal to liquid fuels or feedstock.

2. We do not invest in infrastructure companies that facilitate the most emissions intensive fossil fuels. For example, we do not invest in companies that own oil sands pipelines.

3. We do not invest in companies that generate nuclear power or mine uranium. While nuclear power has low carbon emissions relative to fossil fuel power generation, the risks when nuclear power goes wrong are catastrophic.

4. We use our influence as large investors to drive change.

5. We research the energy mix likely to be required in a 2-degree world and invest in these companies and assets.

6. We fund renewable projects by owning 55 green bonds worldwide and we direct capital to a cleantech private equity fund. We also invest in sustainable forestry, helping to ensure that our natural carbon sinks remain undisturbed.

When it comes to climate change, there are no quick fixes or easy answers, which is why the EL funds and its independent ethics committee have thought deeply about the best way to support the solutions to climate change and avoid investments that are inconsistent with a world transitioning to a 2-degree future.

REPORTING ON OUR IMPACT

This report provides a snapshot of the work the EL funds have been doing on your behalf to make a difference. We have also showcased some of the assets the EL funds have supported to make the world a better place – our investments in community infrastructure, sustainable forestry, clean tech and renewables are just as exciting as the engagement work we are doing with listed companies on issues including climate change.

The report ends with a summary of how our managers have voted at company meetings on the funds’ behalf. Some of these company meetings proved to be significant, with shareholder votes on climate-related disclosure, gender diversity and human rights in supply chains.

If you’d like to know more, hop on our website or join me on LinkedIn.

Kristen Le Mesurier  
Portfolio Manager
2. EQUITIES: ENGAGING FOR A BETTER FUTURE
The AMP Capital Ethical Leaders Funds choose equity managers who set out to make the world a better place.

EL’s managers do this in a few ways:

1. By investing in the better companies and assets on ESG grounds;
2. By excluding the companies and assets that significantly negatively impact our world; and
3. By engaging with companies and asking them to do things differently on investors’ behalves. Our managers meet with chairs and CEOs of the world’s largest companies, whether or not they have invested in that company on behalf of this fund.

This is a snapshot of the issues that the EL fund’s equity managers prioritised in 2018.
Have you ever wondered who makes the clothes you are wearing and how those workers are treated in the factories where the clothes are sewn? The rates of pay and conditions of Asia’s factory workers have been the focus of most of EL’s Australian equity managers for about 10 years now.

In the fast fashion industry where cheap production tends to be an important commercial driver when it comes to choosing manufacturers, brands and retailers may end up sourcing garments from factories that pay workers very little and expect them to work very long hours. Working conditions may be unsafe and in some factories, children may be employed.

There was hope that conditions for factory workers would improve as the world’s largest companies concentrated their sourcing in China. While conditions have improved in parts of China, some manufacturers have shifted to lower cost regions, either further inland in China or across the nearby borders of Bangladesh, Vietnam and Cambodia. In Bangladesh, factory workers are paid four times less than a worker in China on the minimum wage.

1.  Modern slavery and human rights in supply chains

WHY DO WE CARE ABOUT THE WAGES AND CONDITIONS OF THOSE WHO MAKE OUR CLOTHES?

There are a few reasons:

1. EL takes an ethical stand against companies that exploit the vulnerable for financial reasons. Those who work in factories should be able to expect a full-time wage above the poverty line.

2. A business model that relies on underpaid workers or a supply chain that does not account for its true environmental or social cost will not be sustainable in the long term. In this sense, it is an ESG issue that our managers consider when buying and selling shares.

3. The way a company deals with its suppliers or factory workers can provide fund managers with valuable insights into the way a company operates generally and whether it is likely to flourish in the long term. This is another ESG issue that our managers consider.
WHAT WE ARE CALLING FOR
In 2018, Ausbil and AMP Capital scrutinised Australian retailers and their supply chains and asked CEOs and chairs more detailed questions about the way they are managing these issues.

Both managers have been asking Australian companies to do the following:

EL FUNDS’ IMPACT
> Ausbil and AMP Capital separately met with the chairs and CEOs of all large Australian retailers and asked for action on the points above. We are pleased to see progress is being made on most of these targets. Quite often, when large shareholders ask boards and CEOs these questions, boards and CEOs are forced to think about the issues, if only to respond. We find that this often results in change.

> The Bangladesh Accord on Fire and Building Safety was extended until 2021, an extension EL’s managers have been actively supporting. Retailers, NGOs and unions signed the Accord in the wake of the Raza Plaza tragedy where 1300 factory workers died, legally committing to work towards the elimination of factory disasters in future.

> Participated in the Federal Government’s consultation on its proposed law requiring Australian companies to map and publish their supply chains. In 2018, the Modern Slavery Act was passed. It essentially requires Australian companies with annual turnover of $100 million or more to disclose their exposure to modern slavery in their operations and supply chains, outlining the actions that have been taken to reduce those risks, and whether those actions have been effective.

> Ausbil’s head of ESG co-wrote a guide for investors on how to engage with companies on supply chain risks, it can be found here: https://www.responsibleinvestment.org/wp-content/uploads/2018/08/HRWG-Investor-Tool-Kit.pdf

> AMP Capital and Ausbil signed the Investor Statement on Bangladesh, which encourages companies to do the following:

a. Join the multi-stakeholder initiative—the Accord on Fire and Building Safety—that includes the International Labor Organization, non-governmental organizations, trade unions and companies, to implement plans with measurable goals to address all aspects of fire and building safety in Bangladesh in a timely manner.

b. Commit to strengthening local trade unions and to ensuring a living wage for all workers.

c. Publicly disclose all their suppliers including those from Bangladesh, the programs they have in place to ensure the safety and health of all their workers and their performance against these goals including any corrective action.

d. Ensure that appropriate grievance mechanisms and effective remedies for affected workers and families, including compensation, are in place.
WHY EL FUNDS ARE TARGETING A LIVING WAGE FOR ALL FACTORY WORKERS

Paying factory workers in China or Bangladesh a minimum wage sounds like a good idea but it may actually trap workers in poverty. This is because living expenses like food and rent are growing faster than wages in some countries. In China, the gap between wages paid by factory workers and the minimum amount they need for basic rent and food grew from 6% in 2015 to 11% in 2016.

In 2017, Oxfam published a report finding that if workers in the Australian garment supply chains were paid a living wage, the average piece of clothing sold in Australia would increase by 1%3.

While 96% of workers reported an increase in rent the past year, only 64% reported any increase in wages during the same time.

The UN Sustainable Development Goals have a goal of eradicating slavery by 2030.

This is an ambitious target – it’s estimated that 40 million people are trapped in modern slavery all over the world right now. This includes 15,000 people in Australia.

The UN SDG’s focus on this issue will likely lead to increased regulatory change and growing pressure on companies by governments and investors to do more to drive change in their supply chains.

Source: Oxfam Australia3

Source: Oxfam Australia4
TACKLING CHILD LABOUR IN COCOA

EVER WONDERED HOW THE COCOA WE EAT IN OUR CHOCOLATE IS FARMED?

More than two million children are estimated to work on farms in West African countries Côte d’Ivoire and Ghana, the two countries that account for almost 70 per cent of cocoa production worldwide⁶.

While most of the world’s largest chocolate producers have committed to end child labour in the cocoa supply chain, a lot of work still needs to be done. Carried out by a network of millions of small-scale family farmers, cocoa production is labour intensive. Farm wages are low and the use of child labour is widespread. Many farmers feel they have no choice but for their own children or children from their extended family to help on the farms, just to make ends meet. This in turn prevents children from attending school and obtaining an education⁷.

Chocolate producers first started committing to take steps to combat child labour in 2001 when they formed the Harkin-Engel protocol. In 2010, the industry reaffirmed its commitment in a joint declaration to reduce the worst forms of child labour by 70 per cent by 2020⁸.

Various programmes aimed at increasing productivity and improving the livelihood of cocoa-growing farmers have been scaled up over the years. Certification schemes such as Fairtrade, the Rainforest Alliance and UTZ Certified have spread, enabling large chocolate brands to demonstrate that their product is made using sustainably farmed cocoa. Systems to identify and remediate cases of child labour have been rolled-out in parts of the cocoa supply chain in Côte d’Ivoire and Ghana.

However, child labour remains widespread and more needs to be done. Our EL funds have joined a global investor initiative, signing the Investor Statement in Support of Combatting Child Labour in Cocoa in 2017. This collective of the world’s largest investors (60 in total), led by engagement specialist GES International, has been working with Nestlé, Mondelez, Hershey’s, Lindt & Sprungeli, Olam, Barry Callebaut and Cargill.

The investor initiative aims to:

› roll out systems to identify and remediate cases of child labour in the cocoa supply chain; and
› provide support and training to cocoa growing farmers so that they may move towards a living income.

Due to the continuing prevalence of child labour and farmers being trapped in poverty, despite programs being in place for almost 20 years, we expect investors to be focussing more on companies’ efforts to address these issues in 2019.

Click here to read more.
2. Climate change

Climate change is one of the most important areas of focus for the EL funds when it comes to engaging for a better future. Not only does climate change pose a major risk to economic growth; it threatens the homes and livelihoods of millions of people.

The United Nations Intergovernmental Panel on Climate Change is warning of extreme weather patterns and events, biodiversity loss, the collapse of ecosystems, natural catastrophes, food crises and water crises if global temperature rises are not contained below 2 degrees celsius.

From an investment perspective, the risks stem from two key areas:

1. The physical impact of climate change, for example, extreme weather patterns and natural catastrophes.
2. The financial impact on companies as the world transitions to a lower carbon economy. This might include regulatory change, changing consumer demand, and/or changing energy mix.

WHAT WE ARE CALLING FOR

Ultimately, the EL funds are targeting two things when it comes to engaging on climate change:

1. A clear path to a lower carbon economy, as quickly and sensibly as possible.
2. Clear commitments and disclosures from companies on their path to lower emissions.

We are working towards the first by participating in industry-level work on climate change policy and collective engagements with other large investors all over the world. This way we have the might of a large community of asset owners, pension funds and fund managers beside us.

We are working towards the second by asking companies to comply with the recommendations on climate-related disclosures handed down by the Financial Stability Board’s Taskforce on Climate-related Financial Disclosures (TCFD) in 2017. The TCFD’s suggested framework requires the disclosure of scenario analysis, including how companies will operate in a 2-degree world.
EL funds’ impact

1. In 2018, EL financed renewable energy projects all over the world by devoting 30% of its global bond allocation to green and social bonds. The fund is currently financing a vast array of renewable projects including wind and solar farms, low carbon public transport and sustainable forestry plantations.

2. Each of EL’s four Australian equity managers have asked Australian resource, energy and utility companies to comply with the TCFD and disclose their climate change scenario planning. Ausbil has been providing feedback on the adequacy of a number of Australian companies’ reporting under the TCFD.

3. AMP Capital, DNR Capital and Ausbil are active participants in Climate Action 100+, a global investor initiative with US$33 trillion of assets behind it. AMP Capital led global investor engagements with BHP Billiton and Wesfarmers in 2018, while DNR and Ausbil actively supported other lead investor engagements.

4. AMP Capital’s co-head of ESG research, Dr Ian Woods, led the policy working group at the Australian Investor Group on Climate Change, the Australian investor group whose mission it is to work with industry and governments on sensible climate change policy on behalf of investors.

5. A number of EL’s fund managers have signed up to the Carbon Disclosure Project which calls for greater disclosure on carbon emissions and climate change risk.

6. Actively participated in Australian investor groups designed to facilitate coordinated engagement work e.g. the Responsible Investment Association of Australia’s ESG Working Group, the Financial Securities Council ESG Working Group.

7. Talked to management and boards of large Australian companies asked by environmental activists to make a range of disclosures in their annual reports in the guise of some AGM resolutions.

8. Ausbil and AMP Capital met the new CEO of the Minerals Council of Australia, the mining industry’s body, to discuss their position on climate change.
Why we care about climate change

In January 2019, the World Economic Forum announced that global leaders consider climate change to be the biggest risk the world faces over the next decade. Of the top 10 risks by likelihood, the WEF listed extreme weather, the failure of climate change mitigation and adaptation and natural disasters as numbers one to three.

The second risk is really about the world’s inadequate response to the threats posed by climate change. This also ranked second on the top 10 list of potential economic impacts. “Of all risks, it is in relation to the environment that the world is most clearly sleepwalking into catastrophe”, the report warns.

Many agencies are warning about new records being set in global consumption of greenhouse gas emissions, and extreme weather events. Munich Re, one of the world’s largest reinsurers, says that global mean temperatures have risen by 1 degree Celsius since 1880. Since 2005, the world has experienced nine of the 10 warmest years since 1880.

The chief risk officers at global insurers have published a new report on the state of global emissions, likely trajectories, and the impact on the economy and society if emissions are not reduced to achieve a 1.5-2-degree temperature increase by 2100.

This Chief Risk Officer report, “The Heat is on”, sets out the probability of meeting the Paris target of 2 degrees by 2100 (see below for probabilities). It is just 5%. Equally probable is a 5-degree temperature rise, which the report warns would be catastrophic. This degree of warming would be equivalent to the warming that occurred from the last Ice-Age to the modern era, and in 1/100th of the time. As the CRO report states, this would “overwhelm the ability of the world’s natural systems to absorb and adapt”. The physical and economic impacts under various temperature rise scenarios are also contained below.

Probability of temperature rises by 2100

The Paris target (1.5–2°C) to limit dangerous physical effects of climate change is vital but tough to meet. Research indicates that 3–4°C warming is most likely. There is a risk of >5°C which would be catastrophic.

Probability of warming by 2100(°C)

RCP is a Representative Concentration Pathway, a greenhouse gas concentration (not emissions) trajectory adopted by the UN’s Intergovernmental Panel on Climate Change. Each pathway depends on how much greenhouse gas is emitted in the years to come.
Physical and economic impacts of climate change under various temperature scenarios

The UN’s Intergovernmental Panel on Climate Change’s report in 2018 made it clear that limiting global warming to 1.5 degrees Celsius will require large-scale and unprecedented changes in all sections of society. The Paris Agreement alone is unlikely to be enough to get us there. Given the scale of the challenge and the severity of the potential impacts, the EL funds are committed to using our seat at the table where we can to help drive change. The funds do so with global, industry-level engagement, and company specific engagement.

<table>
<thead>
<tr>
<th>Warming by 2100</th>
<th>&lt;2°C</th>
<th>2°C</th>
<th>3°C</th>
<th>5°C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical impacts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sea-level Rise (cm)</td>
<td>0-0.6 m</td>
<td>0.4-0.8 m</td>
<td>0.4-0.9 m</td>
<td>0.5-1.7 m</td>
</tr>
<tr>
<td>Coastal assets to defend ($tn)</td>
<td>$10.2tn</td>
<td>$11.7tn</td>
<td>$14.6tn</td>
<td>$27.5tn</td>
</tr>
<tr>
<td>Chance of ice-free Arctic Summer</td>
<td>1 in 30</td>
<td>1 in 6</td>
<td>4 in 6 (63%)</td>
<td>6 in 6 (100%)</td>
</tr>
<tr>
<td>Tropical cyclones: Fewer (#cat 1-5)</td>
<td>-1%</td>
<td>-6%</td>
<td>-16%</td>
<td>Unknown</td>
</tr>
<tr>
<td>Tropical cyclones: Stronger (#cat 4-5)</td>
<td>+24%</td>
<td>+16%</td>
<td>+28%</td>
<td>+55%</td>
</tr>
<tr>
<td>Wetter (total rain)</td>
<td>+6%</td>
<td>+12%</td>
<td>+18%</td>
<td>+35%</td>
</tr>
<tr>
<td>Frequency of extreme rainfall</td>
<td>+17%</td>
<td>+36%</td>
<td>+70%</td>
<td>+150%</td>
</tr>
<tr>
<td>Increase in wildfire extent</td>
<td>x1.4</td>
<td>x1.6</td>
<td>x2.0</td>
<td>x2.6</td>
</tr>
<tr>
<td>People facing extreme heatwaves</td>
<td>x22</td>
<td>x27</td>
<td>x80</td>
<td>x300</td>
</tr>
<tr>
<td>Land area hospitable to malaria</td>
<td>+12%</td>
<td>+18%</td>
<td>+29%</td>
<td>+46%</td>
</tr>
<tr>
<td>Economic impacts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global GDP impact (2018: $80tn)</td>
<td>-10%</td>
<td>-13%</td>
<td>-23%</td>
<td>-45%</td>
</tr>
<tr>
<td>Stranded assets</td>
<td>Transition: fossil fuel assets (supply, power, transport, industry)</td>
<td>Mixed: some fossil fuel assets mothballed, some physical stranding</td>
<td>Physical: uninhabitable zones, agriculture, water-intense industry, lost tourism etc</td>
<td></td>
</tr>
<tr>
<td>Food supply</td>
<td>Changing diets, some yield loss in tropics</td>
<td>24% yield loss</td>
<td>60% yield loss, 60% demand increase</td>
<td></td>
</tr>
<tr>
<td>Insurance opportunities</td>
<td>New low-carbon assets and infrastructure investment (e.g. CCS)</td>
<td>increasing demand to manage growing risks</td>
<td>Minimal: recession, tensions, high and unpredictable risks</td>
<td></td>
</tr>
</tbody>
</table>

Source: CRO “The heat is on” March 2019

Investing in opportunities – renewables and cleantech

The flipside of such fundamental change in the world’s energy mix is the opportunities that will arise. The EL funds are constantly seeking these opportunities to ensure the fund is positioned to take advantage of a lower carbon economy.

We are directly financing renewable energy projects all over the world with green bonds and have invested in a private equity fund of global cleantech investments.

On the equity side, many of the companies the EL funds invest in are positioned to benefit from the shift in energy mix that is already occurring.
Climate 100+: global investors unite to tackle climate change

The EL funds are actively involved in Climate Action 100+, a five-year global initiative designed to bring the world’s largest investors to the table with the world’s largest greenhouse gas emitters. To date, 320 investors responsible for more than US$33 trillion of assets under management have committed to the initiative, including AMP Capital, Ausbil, DNR Capital, Boston Partners via RobecoSAM and Investec.

These managers have been asking companies to reduce emissions, set emissions targets, adopt robust goals to reduce the impact of climate change, and disclose in line with the TCFD.

In Australia, the investor group is focusing its attention on companies including Rio Tinto, BHP Billiton and Wesfarmers.

In 2018 and early 2019, Climate Action 100+ had significant impact. Royal Dutch Shell announced a comprehensive commitment to reduce carbon emissions in December 2018 and revealed plans to link emissions reduction targets to executive pay. In February 2019, Australia’s largest coal miner Glencore announced that it is capping global coal mining at current levels and aligning its business with the Paris Agreement. One week later, Rio Tinto released its first climate change report, complying with the TCFD for the first time.

Tailings dams
Safety issues following the Brazilian collapse in January 2019

In January 2019, a tailings dam in Brazil collapsed, killing at least 206 people. Another 102 people are still unaccounted for. The dam was at an iron ore mine owned by Vale, called Corrego do Feijao.

Tailings dams are supposed to permanently contain mining waste and prevent environmental contamination, but time has proven them susceptible to failures. In 2016, a tailings dam at a mine co-owned by Vale and BHP Billiton, Samarco, collapsed, killing 19 people and causing significant environmental damage. One of EL’s emerging market equities managers, Investec, has summed all tailings dam failures since 1965. There have been 270 failures over that time. While there are thought to be 18,000 tailings dams all over the world, there is no register of dams or independently verified number.

Both collapses have drawn investor attention to the safety risks posed by tailings dams. Two of EL’s equity managers are actively engaging with mining companies and their industry bodies on this issue, particularly given the fact that there is no industry standard on tailings dam safety.

Investec is participating in a UN PRI-led investor engagement with industry body International Council on Mining and Metals (ICMM) and Vale. The ICMM has now revealed plans to establish international standards, which are expected to include global safety classifications as well as a system for credible, independent reviews of tailings facilities and requirements for emergency planning and preparedness. ICMM will work with the United Nations Environment Program on the standards to ensure they are independent and in the best interests of safety and the environment.

Once the standards are developed, we expect managers to call for companies to adopt and comply with these standards.

EL is carbon footprinting

In February 2019, the EL Balanced fund published updated carbon footprints on AMP Capital’s website.

We see a fund’s carbon footprint as an important step on the road to measuring climate risk in multi-asset portfolios. It is by no means the answer to understanding how much climate risk is contained in a multi-asset fund but it is a simple measure of carbon emissions per $1 million invested at one point in time.

We plan to track the footprint over time and expect the footprint to shrink as the companies in which the fund invests emit proportionally fewer emissions than the standard index.

EL’s Australian equity footprint: 40% less than the benchmark, ASX200
EL’s International equity footprint: 50% less than the benchmark, MSCI ACWI
EL’s Emerging markets equity footprint: 13% of the benchmark, MSCI EM

Tailings dams

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Once the standards are developed, we expect managers to call for companies to adopt and comply with these standards.
Women represent half of the population but earn 14 per cent less than their male equivalents in Australia and occupy one-third of the number of ASX board seats.

In some industries and at some levels the gap widens considerably. For example, female leaders at a chief executive or equivalent level received 24 per cent less than their male equivalents in 2018. That's an annual pay gap of $100,000 every year\(^1\).

While we have come a long way when it comes to gender diversity, there is still a long way to go.

In some respects, progress appears to have stagnated. The gender pay gap has stayed between 14 per cent and 19 per cent for the past two decades, according to the Australian Human Rights Commission, despite women comprising 47 per cent of all employees in Australia. This means that a woman is required to work an extra 56 days a year to earn the same pay as a man for doing the same work.

The gap is wider in the private sector compared with the public sector. Since 1998, the gender pay gap has hovered between 17.4 per cent and 22.1 per cent in the private sector and between 13.5 per cent and 10.4 per cent in the public sector, according to the Workplace Gender Equality Agency.

It is when progress stagnates that calling for equal pay and access to career opportunities for women is so important.
WHY DOES GENDER DIVERSITY MATTER?
Paying men and women equivalent amounts for the same work is obviously the right thing to do, but there are economic and social benefits as well.

1. According to the International Monetary Fund, gender inequality is linked to sub-optimal economic growth. Unequal pay and opportunities result in unequal access to education, health services and financial markets.

2. Achieving gender equality in the workforce could boost global annual GDP by $28 trillion by 2025, according to McKinsey. Unfortunately, at the current rate of progress, it will take 217 years to eliminate gender-based economic and health disparities, according to the World Economic Forum.

3. Firms with high gender diversity deliver better risk-adjusted shareholder returns than those with low gender diversity.

4. The presence of women in the executive suite also correlates with profitability. Diverse leadership teams boost innovation and improve financial performance.

5. Diverse workforces tend to perform better because they are more likely to mirror their customer and client bases. This helps produce better decisions.

Australia’s gender pay gap

| FULL-TIME AVERAGE WEEKLY EARNINGS OF WOMEN | $1,455.80 |
| FULL-TIME AVERAGE WEEKLY EARNINGS OF MEN | $1,695.60 |

Australia’s full-time gender pay gap

14.1% (Women earn on average $239.80 per week less than men)

Gender Pay Gap by State and Territory

<table>
<thead>
<tr>
<th>Lowest</th>
<th>Highest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victoria - 9.3%</td>
<td>Western Australia - 23.1%</td>
</tr>
</tbody>
</table>

Gender Pay Gap by Industry

<table>
<thead>
<tr>
<th>Lowest</th>
<th>Highest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Administration and Safety - 5.1%</td>
<td>Financial and Insurance Services - 26.9%</td>
</tr>
</tbody>
</table>

Source: Workplace Gender Equality Agency, February 2019
Gender diversity on corporate boards worldwide, 2013-2017

Although the pace slowed in 2017, gender diversity on corporate boards has been increasing in most of the world over the past five years. This is shown in the chart below, compiled by one of EL’s international equity managers Boston Partners and their ESG arm, RobecoSAM.

With 29 per cent of female board members, Europe is the best-performing region – although its rate of progress has recently slowed. At the other end of the spectrum is Latin America where less than seven per cent of board members are women. While countries in the Asia Pacific perform slightly better than Latin America with 13 per cent female board members, they still lag significantly behind other regions.

At a country level, the worst-performing of the sample are Japan, Mexico, Chile, and South Korea where boards are overwhelmingly dominated by males – a male to female ratio of 93 per cent to less than seven per cent. That’s equal to more than nine males with one lone female participant.

The best performing country in Europe is France, with 44 per cent of board seats held by women on the largest 200 European companies domiciled in France. France’s high share of female directors follows its 2011 decision to legislate that women make up at least 40 per cent of all CAC 40 boards by the end of 2017.

Australia drags up the Asia Pacific average, with 29.7 per cent female representation on ASX200 boards at the end of February in 2019, according to the Australian Institute of Company Directors. Now, just three boards in top 200 companies in the country don’t have any women. If we delve into the universe of smaller listed companies, however, the numbers deteriorate. Of the top 300 companies in Australia, 28 do not have any women sitting on the board.
Palm oil is the most commonly used vegetable oil in the world. It is also the most controversial. It is a popular ingredient because it has a long shelf life, can be used in everything from detergent to chocolate, and is higher yielding than other oils.

It is also produced in tropical environments which has led to some significant rainforest and biodiversity destruction in Asia. The removal of natural forests for plantations has led to a range of negative environmental impacts: carbon dioxide emissions, loss of pristine forests and peatlands, soil erosion, air pollution as forests are burned to make way for plantations, loss of habitat for animals including the orangutan, elephants, critically endangered rhinos and tigers and social conflict. Some local landholders in Indonesia have also been victims of land grabs.

WHAT'S BEING DONE ABOUT THIS?
These issues have been well known since the 1990s and a few global initiatives have been put into place since then to try to limit deforestation. For example, the Roundtable for Sustainable Palm Oil (RSPO), which was set up by WWF, Unilever, the Malaysian Palm Oil Association and others in 2004, certifies palm oil as sustainable and deforestation free. Some large consumer goods companies have committed to buying ‘sustainable palm oil’ that has been certified by programs like RSPO.

This is an important first step and sends a powerful signal to the palm oil traders that sustainability needs to improve. However, there are challenges with these programs. To be certified by the RSPO, farming practices need to be sustainable, meaning naturally farmed without herbicides and chemicals. This can be expensive, time consuming and often requires farmers to be educated about farming methods and the improved yields that follow. It’s also challenging to trace the palm oil back to the farm and prove that it is in fact sustainably farmed.

This means that deforestation is unlikely to be solved by simply asking companies to limit their sourcing to RSPO accredited palm oil. Much more needs to be done to address the web of social challenges that leads to deforestation.

Our managers are calling for the following:

1. Programs that tackle poverty and educate small landholders on sustainable farming practices.
2. Evidence that the companies they invest in are tracing palm oil all the way back to the plantations.
3. Time-bound commitments for sourcing only RSPO certified palm oil, preferably from small farmers directly.
Isn’t palm oil that’s sustainably certified ok?

Certification under RSPO requires much more than a commitment not to clear land for plantations. It requires sustainable farming practices, including no herbicides and chemicals for weed control, so a completely different farming approach is required. Certification is also expensive and time consuming for small growers, which farm about 40 per cent of Malaysia and Indonesia’s palm oil\textsuperscript{28}. The flipside is that farmers who comply with RSPO produce yields that are up to three times greater within three to four years of obtaining certification because of their improved understanding of farming and working with the land.

The challenge is small farmers’ current knowledge about farming practices. An International Finance Corporation analysis of small farmers in Indonesia has reported that about 80 per cent of those surveyed farmed on land originally occupied by forests, and only half said they would not burn when replanting\textsuperscript{29}. There are also challenges with the large palm oil traders that supply the big consumer goods companies. Some have committed to no deforestation or exploitation, yet they source as much as 80 per cent of palm oil from third parties without auditing or assessing those suppliers. It is also practically difficult to separate certified and non-certified palm oils tracing and accountability is a challenge.

Not for profit groups like Greenpeace and World Wildlife Fund have recognised these challenges so are increasing the scrutiny of the entire palm oil supply chain and calling out companies that source from unsustainable producers, directly or indirectly.

What’s the link to palm oil and deforestation?

Agriculture is a primary driver of deforestation worldwide but palm oil plantations are a particular driver of deforestation in Indonesia and Malaysia.

In Indonesia, the area of land devoted to oil palms has tripled since 2000. In Malaysia, land devoted to oil palms has grown by about 70 per cent over the same time frame\textsuperscript{30}. Oil palms are tropical plants so as global demand for palm oil has grown, production has expanded in areas with high carbon forests and peatlands.

This has contributed to significant deforestation, the loss and drainage of peatlands, and greenhouse-gas emissions. Stockbroking firm CLSA reported in 2018 that in the 15 years to 2013, 54 per cent of new palm oil plantations in Indonesia came at the direct expense of cleared forests. In Malaysia, 40 per cent of new oil palms were planted in cleared forests.

Across Southeast Asia, about 20 per cent of palm oil plantations were thought to have been planted on drained peatlands in 2012\textsuperscript{31}. That proportion is likely to have increased since then.

If palm oil production continues to expand at the same pace without improving yields, another 14 mega hectares of land in Malaysia and Indonesia is expected to be developed by 2050. This would mean an additional 61 per cent in emissions from land-use change and peat, compared with 2010-2020\textsuperscript{32}.

AMAZING FACT:
In 2015 alone, 146 million tonnes of carbon was emitted from degraded peatland in Malaysia, Sumatra and Borneo. This is equivalent to about 65 per cent of annual emissions in Malaysia and Indonesia from fossil-fuel burning, cement production and gas flaring\textsuperscript{33}. Together with deforestation, peat emissions are a major contributor to the palm-oil sector’s wider climate change impact.
In 2018, our eyes were opened to the use and potential abuse of our personal information by the world’s large social media companies with the Cambridge Analytica scandal. This was followed by the livestreaming of two consecutive terrorist attacks in New Zealand in March 2019. The attacks killed 50 people and injured 50 more, making it the deadliest mass shooting in New Zealand’s history.

These events have spurred governments all over the world into action. Some are starting to respond with rules and regulation on livestreaming, privacy and the monitoring of content. Others are investigating the social media companies’ practices and considering whether laws and regulations are required.

Since the Christchurch shootings in March, some investors have joined forces to call for action on the monitoring of extremist content and livestreaming – a call that AMP Capital Ethical Leaders Funds support – with the intention to prevent content like the Christchurch shooting from ever being uploaded to social media companies in the first place.

**How private is our personal information?**

Social media companies typically make money by selling targeted advertising to companies based on user data. The more targeted the advertising, the more companies pay for the privilege to reach specific users.

Users are typically happy to provide their personal information in exchange for free use of the platform, providing their information is handled securely and used in ways they expect.

It is in this context that trust is key. If user data is sold, stolen or mishandled, or used in a way that users don’t expect, users question the safety of their information, undermining the social media companies’ business models. Governments are also inevitably called to intervene.

The management of user data is accordingly key. EL managers who invest in publicly listed social media companies have been engaging with the companies on their efforts to manage user data with integrity and ensure there are appropriate safeguards in place to keep user data secure.

**Live streaming and the Christchurch massacre – what we are doing about it**

The day after the Christchurch shootings in March 2019, five superannuation and investment funds, led by the New Zealand Super Fund, announced a global engagement agenda to strengthen controls to prevent the live streaming and distribution of objectionable content, such as the shootings that took place in Christchurch.

AMP Capital is part of this investor engagement group and the AMP Capital Ethical Leaders Funds support the efforts of the group.

Ultimately, we want Facebook, Alphabet and Twitter to put controls in place to prevent the live streaming and distribution of content that promotes or supports acts of torture, extreme violence or cruelty, rather than accepting that it may take social media companies time to take the content down.

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**Chart: Which social media networks are the most popular?**

*Most popular social networks ranked by number of active users (in millions)*

<table>
<thead>
<tr>
<th>Social Media Network</th>
<th>Active Users (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facebook</td>
<td>2,600</td>
</tr>
<tr>
<td>YouTube</td>
<td>2,000</td>
</tr>
<tr>
<td>WhatsApp</td>
<td>1,400</td>
</tr>
<tr>
<td>Facebook Messenger</td>
<td>1,200</td>
</tr>
<tr>
<td>WeChat</td>
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</tr>
<tr>
<td>Instagram</td>
<td>700</td>
</tr>
<tr>
<td>QQ</td>
<td>600</td>
</tr>
</tbody>
</table>

Source: Statista, Global social networks ranked by number of users (in millions), January 2019
New Zealand’s recent ban on semi-automatic weapons and parts that can be used to assemble prohibited firearms has put guns, violence and regulation back in the spotlight. Australia’s 1996 gun reform laws have provided New Zealand with a template. After a massacre in Tasmania killed 35 people, semi-automatic weapons, pump-action shotguns and rifles were removed from civilian possession, and firearm deaths fell. Even so, while evidence and academic studies suggest that the fewer people who have access to firearms, the safer a community is, gun controls remain controversial in some countries, most notably the US. There are more than one billion firearms in the world and the majority are owned by ordinary people according to the Small Arms Survey. It estimates that 85 per cent are in civilian hands, 13 per cent are in military arsenals and two per cent are owned by law enforcement agencies.

Figure 1: Global firearms ownership estimates, 2017
Small Arms Survey

- Civilians (857 million)
- Law enforcement (22.7 million)
- Military (133 million)

Source: The Economist

National ownership rates vary hugely. From about 120 firearms for every 100 residents in the US to less than one firearm for every 100 residents in Indonesia, Japan and Malawi. Japan is also often cited as a gun-control success, with strong and repetitive tests that act as a barrier to ownership. There, only shotguns and air rifles are allowed, and if you want to buy one, you need to attend lessons, pass a written test and a shooting-range test. After that, you would undergo mental-health and background checks.

The result of low Japanese gun ownership is almost no shootings - 0.02 gun deaths per 100,000 people in 2014. That compares with more than 10 deaths per 100,000 in the same year in the US, where guns are a hotly contested, highly political and often emotionally charged topic.

Assault rifles, like the AR-15 and AK-47, that fire dozens of rounds of ammunition per minute, came many decades later. Today, they are the gun of choice for Americans, and have played a role in most of the country’s high-casualty shootings, highlighting a dramatic shift in the style and potential impact of gun ownership.

The AMP Capital Ethical Leaders funds do not invest in companies that manufacture controversial weapons and have had this ethical exclusion since the funds began in 2004.
3. **GREEN + SOCIAL BONDS**

The EL funds started by buying green bonds to support renewables and energy efficiency projects in 2017.

Green bonds ensure that important renewable projects get the finance they need to get off the ground. Sometimes they are issued by publicly listed utilities looking to build renewable energy power generation, sometimes they are issued by countries who need the money to develop clean public transport or plant and protect largescale forests. They can also be issued by companies like Apple and Unilever who are committed to sourcing renewable energy or solving environmental issues like pollution.

Large institutions like the World Bank also issue green bonds for projects that are desperately needed, like in India where green power could generate power for those who have never had electricity.

We are particularly passionate about investing in green bonds because the money raised goes straight to a climate-related or environmental project. We can trace the funds and the impact they are having on the world.
Financing renewables with green bonds

WHICH PROJECTS HAVE EL FUNDS SUPPORTED?
Of the 55 green bonds EL currently invests in, here are a few examples.

A. Apple’s two green bonds issued to fund renewable energy generation and recycling and materials recovery projects. The bonds have funded 28 projects, including:
   - Daisy, Apple’s materials recovery robot. Daisy pulls apart up to 200 iPhones per hour, removing and sorting materials that traditional recyclers can’t. By managing the recycling process itself, Apple can recover and reuse more parts of devices than before, sending them back into the supply chain and reducing the need to mine more resources from the earth.
   - The development of a new aluminium alloy, made of 100 per cent recycled materials, for its Macbook notebooks. Before developing this material, aluminium smelting was required - the single largest contributor to Apple’s carbon footprint. The new recycled alloy has halved the carbon footprint of each product.

B. In Australia, the EL funds invested in the NSW Government’s first green bond, issued by TCorp. The projects funded by the bond include:
   - A water recycling plant in Sydney’s west, which is expected to save about 18 billion litres of drinking water a year;
   - Building the Sydney Metro Northwest and Newcastle’s new Light Rail.

C. Netherlands: a bond issued by TenneT, a European electricity transmission system operator, to build a transmission line carrying renewable power from two offshore wind farms in the North Sea to the Netherlands’ grid. These two wind farms are expected to save over 1 million tonnes of CO2 emissions per year and will be operating in 2019 and 2020 respectively.

D. United Arab Emirates: the First Bank of Abu Dhabi, the largest bank in the UAE and the first bank in the country to issue a green bond. Proceeds are being used to reduce energy and water use – vital for the region given the environmental challenges faced by such large cities in the desert. The bond is funding:
   - A district cooling system in Dubai, which is an alternative to standard air conditioning and uses 50 per cent less electricity. Air conditioning in Dubai currently accounts for 70 per cent of total electricity consumption
   - District cooling systems produce chilled water within a centralised energy plant and distributes it through underground pipes to buildings to provide air conditioning
   - A wastewater treatment plant, recycling 430,000 m³ of wastewater each day.
   - Water efficiency is vital in the Arab region. Half of the Arab population live in regions of extreme water scarcity (< 500 m³ per capita per year) and 18 of 22 Arab nations fall below the water poverty line each year (< 1000 m³ per capita per year).
4. ALTERNATIVES: INVESTING FOR IMPACT

A. Sustainable Forestry

The destruction of forests and land use account for about 24 per cent of the world's greenhouse gas emissions, but the IPCC's Special Report on Global Warming of 1.5 degrees found that the forestry sector offers significant potential to reduce emissions. While forests and land can provide more than 30 per cent of the world's emissions reductions to 2030, only about three per cent of climate finance goes to forestry and land use.

This is one of the reasons EL invests in an Australian and New Zealand forestry fund run by New Forest. It owns sustainable Australian hardwood (eucalyptus), softwood (pine) and New Zealand softwood (primarily pine).

The fund is unique because of the carbon stored in its forests, helping Australia and New Zealand meet their greenhouse gas emission reduction targets, and the forestry conservation work it is doing to save threatened flora and fauna in Australia. It's also a sustainable timber producer, whose products have the potential to replace the more energy intensive products like plastics.

In 2018, New Forest stored over 120 million tonnes of CO₂ across all of its plantation forests; the fund EL invests in currently stores 63 million tonnes of CO₂.

**121.6 MILLION**

\[ t\text{CO}_2\text{e stored in production forestry assets } \]

**18,000+ HECTARES**

\[ \text{trees planted in 2018} \]

**160,000 HECTARES**

\[ \text{carbon projects on third-party land} \]

**730,000 HECTARES**

\[ \text{forestry assets} \]

Net carbon storage in production forest over 2018

\[ +9.5 \text{ million tonnes CO}_2\text{e} \]

Carbon offsets generated

\[ 4.5 \text{ million tonnes CO}_2\text{e} \]

**34,944 HECTARES**

\[ \text{Natural forests in Aus & NZ owned by NZFF} \]

**90,000+ HECTARES**

\[ \text{Forests in conservation zone/permanently protected in Aus and NZ} \]

Source: New Forest sustainability report 2018
B. Clean Tech venture capital

Renewable energy and improved energy efficiency are crucial if the world is to meet its commitments under the Paris Agreement. The EL funds have invested in a venture capital portfolio of clean tech companies in the United States called Angeleno Group that provides funding for the next generation of clean energy and smart energy technology.

To date, the companies that Angeleno have invested in have avoided approximately 450 million metric tons of greenhouse gas from entering the atmosphere and helped create over 13,000 jobs in the emerging low carbon economy.

In 2018, some of their investments also identified broader applications of their tools, products and services for the common good – from sustainable aquaculture to geomapping to enable support services for refugees and populations in need.

Angeleno invests in the following sub-sectors:

- Intelligent transportation
- Energy efficiency
- Environmental solutions
- Industrial resource efficiency
- Power infrastructure
- Renewable energy
- Solar and wind
- Waste management

Examples of the companies EL is supporting via Angeleno is contained below.

Renewable energy: actively invest in companies that are working to dramatically increase the adoption of solar, wind and other forms of renewable energy.

- **Kinematics**: the world’s largest manufacturer of slew drives, a gearbox that can facilitate rotating parts in wind turbines. These drives are a critical component in the production of renewable energy and are 40 per cent more efficient than their standard equivalents.

- **TPI Composites**: the only global manufacturer of composite wind blades in the world. It has manufactured over 45,000 wind blades since 2001 and is opening a new manufacturing hub in China in the first half of 2019.

- **Edeniq**: has developed one of the lowest-cost solutions for producing ethanol from corn kernel fiber using existing biofuel plants and equipment. It also helps its customers navigate the US EPA’s registration process for renewable fuels.

Energy efficiency: actively invests in technology that reduces rates of household, commercial and industrial energy loss and consumption.

- **Stem**: developed a tool that tracks and manages large business’s energy use, enabling the shift of power away from peak periods and dispatching virtual power plants to strengthen the grid. It basically creates a network to act like a grid, managing demand and only drawing power when necessary.

- **Renew Financial**: offers finance to households looking to upgrade their homes with energy efficiency technology and renewable energy. Its financing provides homeowners with 100 per cent of the upfront capital, which is repaid over time through an additional line item on their property taxes. The company has lent money to 90,000 homes in the US, reducing 1.2 million metric tons of emissions and saved about two billion gallons of water. The loans are now also being used to make homes more resistant to hurricanes, storms and wildfires.
Seasonal Herbaceous Wetlands are freshwater wetlands that rely on rainfall and runoff between winter and early summer for their survival. They are not connected to other river systems. Most of these in the Green Triangle have been destroyed since the 1930s because their soil tends to be clay – particularly appealing for agriculture, primarily crops and pasture. More recently, the drained land has become forestry plantations. For those that remain in some form, lower rainfall due to climate change is compounding the stress.

New Forest worked with a South Australian government department to identify wetland habitats in one of the forests that New Forest owns - the Penola plantation. They found 40 wetlands that still exist in some form, with 22 of these to be restored. Four of these 22 were identified as home to many threatened indigenous flora species.

Many of Australia’s seasonal wetlands have been under threat for decades, particularly in South Eastern Australia’s Green Triangle, a large area bordering South Australia and Victoria. Some are now critically endangered.

To restore these wetlands, New Forest is taking action to mitigate potential threats, including:

- Ensuring there are land buffers for the wetlands, with barriers widening to at least 10 metres.
- Addressing potential areas of disruption, including access tracks that intersect or run alongside the wetlands and controlling weeds to promote endangered flora.
- Backfilling drained wetlands to increase the length of natural inundation.

In 2018, there were some promising signs of success. A particular species of crane, the Brolga, was seen in the wetlands that have recently been restored.
EL invests in the AMP Capital Community Infrastructure Fund, a social infrastructure fund that owns 14 Australian assets that span education, health, water, justice, defence, community housing and transport.

The assets include:

- 36 new schools in the outskirts of Sydney, Melbourne, Adelaide and Brisbane, educating more than 30,000 Australians, typically in new suburbs and growth areas and often in lower socio-economic regions that need new schools.
- Brisbane’s TAFE, providing tertiary training to over 20,000 students.
- Hospital facilities in Sydney and Melbourne – the Victorian Comprehensive Cancer Centre and Royal North Shore’s trauma centre with a focus on severe burns, neonatal intensive care, spinal cord injury.
- Victoria’s desalination plant, designed to operate during periods of drought ensuring Melbourne has water when it needs it.
- A Western Australian prison in Kalgoorlie.
- Water treatment plants in regional Victoria and on the Murray river in South Australia.

EL is proud to support an infrastructure fund that often builds assets to be used by the community, with most of them due to be handed back to the government after a 15 to 30-year period. This type of public private partnership means that Australian communities have brand new schools that are at least partially funded by an ethical fund like EL rather than the government itself, freeing up the government to spend money on services rather than infrastructure.

5. SOCIAL INFRASTRUCTURE

Funding hospitals and schools

In 2018, the Community Infrastructure Fund bought a stake in Melbourne’s state-of-the-art cancer centre. The Victorian Comprehensive Cancer Centre (VCCC) provides a home for about 1200 cancer researchers, as well as the most technologically advanced cancer treatments in the Peter MacCallum Cancer Centre.

The hospital and research centre was designed to operate as a powerful alliance of 10 leading research, academic and clinical institutions, facilitating groundbreaking cancer research and care for those suffering from cancer.

The cancer centre has been designed with patients and their families in mind. For example, the hospital has 16 self-contained apartments for rural patients and their families, ensuring that families who are enduring treatment that can be traumatic don’t need to travel to and from the hospital every day and they have the support of their families.

Other examples of patient focused design include:

- A wellbeing centre run by the hospital. It’s designed to be a home away from home and includes cooking facilities and a library.
- Rooftop gardens that can be seen from every space in the treatment centre, because greenery can provide a sense of calm. The plans are low pollen because immune systems are compromised by cancer treatments.
- Radiation bunkers are on level one of the centre. This spares patients from feeling that they are receiving treatment in a dungeon for days on end – the typical feeling given that radiation machines are typically kept in basements, beneath multi-level car parks, because of their weight. Each machine can weigh up to eight tonnes. Housing the radiation bunkers on level one of the centre was the result of a considerable degree of structural design and planning.
- Youth centre with spaces for homework and relaxing, including playstations and music.
- Researchers sit at the top of the building, above the executives and where there is the most amount of light.

Investing in hospitals

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6. **DIRECT PROPERTY**
Shopping centres supporting local communities

The AMP Capital Ethical Leaders Funds invest in four direct property funds that prioritise the environment and social issues alongside delivering financial returns.

Shopping centres, in particular, are in a unique position to support the communities that they operate in. They have spaces that can be used by charities and not-for-profits for free, with the potential to have a significant impact on locals in need.

One of the best examples of this is a shopping centre in Mackay, owned by Lend Lease. Caneland Central offers space to the world’s first mobile laundry and shower service, Orange Sky, for the homeless twice a week. For those sleeping rough, just as important as being able to wash clothes and have a shower is the access to friendly volunteers for a chat.

LEND LEASE – HELPING LOCAL COMMUNITIES

The Lend Lease retail property fund EL invests in organises educational and fundraising activities for their local communities. Examples include:

- **Fundraising in Mackay** – Caneland Central has worked with local charity RACQ CQ Rescue to provide them with space to wrap Christmas gifts for the last 15 years. All money raised by the giftwrappers goes to the local charity: $35,000 in December 2018. There were also:
  - Donation points for OzHarvest
  - A collection point for charity Share the Dignity in Mackay.
  - Locals are encouraged to fill old handbags or backpacks with essentials for women and new mums to be donated to locals in Mackay.

- **Supporting the homeless in Mackay** – through a partnership with Orange Sky, the world’s first free mobile shower and laundry service for people experiencing homeless. Members of the public are encouraged to come down to the van twice a week to do some washing, have a shower and have a non-judgmental chat with the volunteers. The service is expected to grow in 2019.
  - Mental health seminars and classes held by locals “Value your talent, balance your mind”
  - Free health checks for adults by Mackay Hospital and Health Service
  - At Craigieburn Central there’s free homework help every Wednesday for school children

- **Caneland Central in Mackay** partnered with the Mackay Institute of Research and Innovation to reduce obesity and type two diabetes across the Mackay-Isaac-Whitsunday region. Caneland Central has pledged to raise awareness of obesity and diabetes and assist customers, retailers and staff to make healthier lifestyle choices. The centre held free health checks by registered nurses and kids were able to participate in a program designed by the local Rugby League, which teaches them about healthy bodies and healthy minds.
7. Actively Voting Your Shares
As owners, shareholders have the right to influence the way companies are run. We can select the directors who will govern the company on our behalf and influence how much directors and senior management are paid. We also have the right to vote on transactions, such as those conducted with related parties and/or those that could ultimately change the nature of the company.

AMP Capital takes this right seriously. As such, it is our policy to lodge considered votes on behalf of our clients, using the voting rights to support resolutions we deem to be in our clients’ best interests or reject those which we consider to be unfair, unreasonable, or in some way detrimental to the company’s ability to generate solid returns for shareholders.

Rather than relying solely on voting as the mechanism by which to send messages to companies, AMP Capital also engages directly with companies on issues of concern. In 2018, our ESG Investment Research team had around 150 direct interactions with the boards and/or management of Australian companies. While the topics discussed vary greatly from company to company, recurring themes were: gender diversity, environmental and social responsibility, executive pay, and the management of ESG risks, such as safety, cyber security, conduct and compliance.

How EL funds voted in 2018

EL funds – Australian equity investments

<table>
<thead>
<tr>
<th>1423</th>
<th>TOTAL VOTES ON RESOLUTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>57</td>
<td>RESOLUTIONS VOTED AGAINST</td>
</tr>
</tbody>
</table>

4% AGAINST MANAGEMENT

- For 94.7%
- Against 4.0%
- Abstain 1.0%
- Withheld Vote* 0.3%

EL funds – International equity investments

<table>
<thead>
<tr>
<th>4215</th>
<th>TOTAL VOTES ON RESOLUTIONS</th>
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</thead>
<tbody>
<tr>
<td>295</td>
<td>RESOLUTIONS VOTED AGAINST</td>
</tr>
</tbody>
</table>

7% AGAINST MANAGEMENT

- For 90.8%
- Against 7.0%
- Abstain 2.1%
- 1 Year* 0.1%

* Votes are normally withheld in two circumstances: where there is a conflict of interest (e.g., AMP Capital voting on the AMP AGM) or where a manager is unable to vote (e.g., a rights issue in which the manager took part).

* This is a vote on the frequency of advisory votes at future AGMs.

EL FUNDS’ EXTERNAL MANAGERS

The EL funds are designed to blend a range of specialist ESG investment managers in a single fund, hence our multi-manager approach. EL’s managers exercise votes on the shares they hold on our behalf. However, AMP Capital monitors the voting and we can choose to override votes cast by the external manager. We also review our external managers’ approaches to ESG issues. We seek opportunities to meet and discuss their approaches to voting and ESG integration more broadly.
If you would like to know more about how AMP Capital can help you, please visit

www.ampcapital.com

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This document is solely for the use of the party to whom it is provided and must not be provided to any other person or entity without the express written consent of AMP Capital.

References:
1. Oxfam Australia February 2019 Made in Poverty the True Price of Fashion
2. The report is written using data from the WEF’s annual global risks perception survey which asks the WEF’s network of business, government, civil society and thought leaders to gauge the risks facing our world. For 30 global risks, respondents were asked about their likelihood in the next 10 years and their potential impact. Lists are provided for both likelihood and potential impact.
4. Oxfam Australia, Made in Poverty the True Price of Fashion, February 2019 p14
5. Oxfam Australia, Made in Poverty the True Price of Fashion, February 2019 p. 24
6. United States Department of Labor, Bureau of International Labor Affairs: https://www.dol.gov/agencies/ia/child-labor-cocoa
9. Financial Stability Board is an international body set up by the G20 in 2009 to monitor and make recommendations about the global financial system.
10. The report is written using data from the WEF’s annual global risks perception survey which asks the WEF’s network of business, government, civil society and thought leaders to gauge the risks facing our world. For 30 global risks, respondents were asked about their likelihood in the next 10 years and their potential impact. Lists are provided for both likelihood and potential impact.
15. Calculated annually, each equity exposure’s carbon footprint is the tonnes of CO2 produced per year for every million dollars invested. These calculations are based on holdings at 30 June 2018.
25. Of the largest 200 companies in the Eurostoxx600 domiciled in France.
26. The CAC 40 is the French index of the largest 40 stocks on the Euronext Paris exchange.
29. https://www.rspo.org/file/Diagnostic_Study_on_Indonesian_Palm_Oil_Smallholders.pdf

More information can be found at the following link:
www.un.org/sustainabledevelopment