AMP Capital Sustainable Share Fund

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8 May 2020

Product Disclosure Statement changes

We are writing to advise you of important changes to the AMP Capital Sustainable Share Fund ('Fund') that will be reflected in the Product Disclosure Statement ('PDS') for Platform (Class A) investors, available at www.ampcapital.com.au/pds/wsas/a from **11 May 2020**.

The key changes include, but are not limited to:

- Reduced management fee
- Refining the ethical screens to reflect current and evolving views on climate change as part of our investment criteria
- Updated indirect costs

Full details of these changes can be found in the PDS. Before making any investment decisions, we recommend you read this document to understand the main benefits and risks of investing, along with other features of the Fund. A summary of key changes to the Fund's features is also set out below for your reference.

Reduced management fees

We are pleased to advise that the Fund's management fee will be reduced from 0.70% per annum to 0.55% per annum[1], a drop of 0.15% per year.

For full details of the Fund's fees and costs, please refer to the PDS.

Refining the investment criteria: lower carbon footprint target and thermal coal revenue cap

Investing in a diversified portfolio of companies primarily listed on the Australian Securities Exchange, the Fund is designed for investors with strong ethical and environmental, social & governance (ESG) values.

The Fund aims to provide investment returns that outperform the performance benchmark (the S&P/ASX 200 Accumulation Index) over the long term (typically 5 to 7 years). We seek to achieve this by implementing a robust investment process, based primarily on our proprietary ESG research, which leads us to invest in companies which we believe exhibit strong sustainability and ESG credentials, while excluding those which do not align with certain ethical standards and/or have poor ESG credentials.

In speaking with investors and financial advisers, we know that investing in sustainable industries and companies making a difference on issues such as climate change are increasingly appealing. Upon reviewing the Fund, we considered what changes we could make to further enhance these aspects. As a result, as well as reducing the Fund's management fee we are:

1. Lowering the Fund's carbon footprint target

As part of our continued effort to lower the Fund's carbon impact and take meaningful action on climate change, we will be lowering the Fund's carbon footprint target from 30% less than the benchmark's carbon footprint **to 50% below the benchmark's footprint**. This change more closely reflects the Fund's current carbon footprint, which has been near to this new target even prior to the thermal coal change outlined below. We also believe a low carbon footprint will improve the Fund's resilience to long-term climate-related risks.

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[1] Unless otherwise stated, the fees shown are inclusive of Goods and Services Tax (GST) and any applicable stamp duty, less Reduced Input Tax Credits (RITCs) or other input tax credits claimable.

2. Focus on fossil fuels: a tighter thermal coal screen

The ethical screen for thermal coal mining is being tightened to now **exclude any company that derives 1% or more of its revenue (previously 10% or more) from the production of thermal coal**.

Thermal coal is the most emissions-intensive fossil fuel, and there are increasingly cost-competitive lower-emission alternatives available. This change reflects not only investor preferences and feedback, but also the broader community's concerns relating to thermal coal and its relationship with global warming and climate. A survey in 2019 revealed "…six in ten Australians (61%) saying 'global warming is a serious and pressing problem', about which 'we should being taking steps now."[2]

A 1% threshold screens out companies actively producing thermal coal used for energy. The threshold however allows for companies that may produce thermal coal as an unavoidable by-product of metallurgical coal extraction, which is currently still considered to be essential for sustainable development.

Why are these changes being made and what are the benefits for investors?

AMP Capital has been managing sustainable and ethical investments for almost two decades. Today, we are one of Australia's largest ethical investment managers[3], looking after more than $2.6 billion of ethical funds[4].

The changes to the Fund's investment criteria recognise the evolution of our sustainable investment solution for Australian shares, which is increasingly focused on ethical investment considerations such as climate change, as well as other ESG issues. With demand for ethical investments on the rise[5], more people care about where their money is invested and the impact their money is having on the world. We invest ethically within the Fund, offering investors the opportunity to align investments with social and environmental values.

The reduced management fee and changes in the investment selection criteria have been designed to enhance our ability to deliver cost-effective returns, in line with the Fund's objectives, which importantly applies our in-house sustainable investment approach.

The Fund will continue to follow the same disciplined and robust research and investment process and will be managed by the same team of investment professionals.

What does this mean for the Fund's investments?

There is **no change to the Fund's investment strategy or approach**. That is, the investment objective, investment philosophy, strategy and process remain the same.

Moreover, as well as maintaining our focus on an investment's ESG factors, and their impact on long-term company value, we continue to enhance the ethical screens we use as part of our analysis. These enhancements reflect a shift to more areas for potential divestments on ethical grounds, which we expect may result in the Fund being more ethically active, such as in the area of **fossil fuels,** where we have conducted extensive research into how we can best support the United Nations Paris Climate Agreement with our investments.

How will the changes occur?

To effect the changes to the new ethical screens, the Fund will need to buy and sell some holdings. As a result, the Fund will incur some transaction costs. That said, these costs are expected to be minor, with annual Fund turnover remaining relatively low.

It is important to note that the Fund will continue to follow the same disciplined and robust investment process, offering investors the opportunity to gain exposure to companies with positive ESG characteristics that we believe will lead to better, more sustainable performance over the long-term.

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[2] Lowy Institute Survey 2019
[3] RIAA 2019 Benchmark Report.
[4] Assets under management at 31 December 2019, includes ethical and sustainable investment portfolios and funds (Source: AMP Capital)
[5] 2019 Financial Adviser Guide to Responsible Investment by the Responsible Investment Association of Australia.

Updated indirect costs

Our calculations of costs of the Fund are regularly reviewed to ensure they accurately reflect the costs of managing the Fund. We then include any updated cost details in our Product Disclosure Statement. Following our latest review, indirect costs of the Fund will be updated to reflect our most recent analysis.

Is any action required by investors?

No action is required by investors.

However, as a result of the changes the Fund may crystallise some capital gains, which in turn may have tax consequences for investors.

Any net capital gains resulting from the realisation of some of the Fund's investments, and any undistributed income that is currently accumulated in the Fund will be distributed to you and may form part of the taxable income attributed to you at the end of the financial year. These details will be contained in your annual tax statement, now known as an AMIT Member Annual Statement (AMMA Statement).

We recommend you consult with your professional tax adviser should you require further information around how attributed taxable income will impact your personal tax position.

We're here to help

If you have any questions about this update, please contact your Client Account Manager or our Client Services Team on 1800 658 404, between 8.30am and 5.30pm (Sydney time) Monday to Friday or via email at clientservices@ampcapital.com.

Yours sincerely,

Corrine Henville
Head of Global Client Services and Enablement
AMP Capital Investors Limited