

# Flexible Lifetime<sup>®</sup> – Investments

## Product disclosure statement (PDS) update



You should read this PDS update in conjunction with the Flexible Lifetime – Investments product disclosure statement (Original PDS) dated 20 December 2019 and the Supplementary PDS (SPDS) dated 1 September 2020 and SPDS dated 22 October 2020. The Original PDS and SPDS are available by calling us on 133 267.

### Update to Responsible Investment Leaders - multi-manager responsible investing

**The following wording replaces the information in the 'Responsible Investment Leaders - multi-manager responsible investing' section on pages 14 and 15 of the Investment Choices Catalogue (Part 2 of the Original PDS) dated 20 December 2019.**

AMP Capital's Responsible Investment Leaders multi-manager range blends investment managers who specifically recognise how broader social, ethical, governance, labour and environmental factors like labour standards, occupational health and safety, corporate and political corruption, carbon generation, and environmental sustainability can impact long-term business success. These investment options avoid exposure to areas of high negative social impact such as tobacco/e-cigarettes, controversial weapons, fossil fuels, alcohol, live animal export, pornography and gambling. Please refer to Step 3, below for further details.

### Investment manager selection approach

The AMP Capital responsible investing approach follows five key steps that combine a stringent investment assessment with a responsible and ethical overlay, both of which are critical in meeting the objectives of producing competitive returns within a sustainable and responsible framework.

#### Step 1 – Setting the investment objectives and considerations

Responsible Investment Leaders (RIL) operates under distinct investment objectives. These relate to the targeted financial return relative to a specific benchmark and respective asset allocations. Social and environmental considerations, as outlined in Step 3, are consistent across RIL.

#### Step 2 – Identifying the manager universe

AMP Capital searches the responsible investing manager universe in Australia and overseas for the leading managers that can best meet the RIL investment options range's requirements, both from investment and ethical perspectives. This search includes seeking out managers across all asset classes.

#### Step 3 – Selecting the managers

In addition to assessing a manager's investment capability, consideration is also given to a manager's ability to meet the responsible investment criteria outlined in the AMP Capital Ethical Investment Charter (Charter). We prefer managers who are able to wholly or substantially meet the negative screening criteria listed in the Charter. Managers will also be well-regarded if they can pro-actively apply sustainable and responsible investment criteria to their security selection approach, above and beyond these exclusions.

RIL are governed by the Charter which prohibits investments in companies operating within sectors recognised to have a high negative social impact. This means that RIL will seek to avoid exposure (either directly or indirectly through underlying managers and funds) to companies with a material exposure to the production or manufacture of:

- Tobacco/e-cigarettes
- nuclear power (including uranium)
- armaments
- gambling
- alcohol
- live animal export
- fossil fuels, and
- pornography.

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Generally, a company deriving more than 10% of its total revenue from these industries constitutes material exposure. Consistent with AMP Capital's firmwide ethical screens, a 0% revenue threshold applies for tobacco/e-cigarettes production and involvement with controversial weapons. There are also exclusions pertaining to the distribution of tobacco/e-cigarettes.

In addition, with the combustion of fossil-fuels being the main source of global greenhouse gas emissions, the Responsible Investment Leaders range currently seeks to limit exposure to companies which have a material exposure to the most carbon intensive fossil fuels by excluding any company that has more than a 10% exposure (as measured by percentage of market capitalisation, or other appropriate financial metric) to one, or a combination of, the following:

- mining thermal coal
- exploration and development of oil sands
- brown-coal (or lignite) coal-fired power generation
- transportation of oil from oil sands, and
- conversion of coal to liquid fuels/feedstock.

From 1 January 2021, these fossil fuel-based screens will be tightened and simplified to further reduce the RIL exposure to fossil fuels. From 1 January 2021 the above fossil fuel screen will be replaced with a screen to limit exposure to companies who derive:

- any revenue from the production or exploration of coal, oil or gas
- any revenue from fossil fuel power generation, or
- more than 10% of revenue from fossil fuel distribution and services.

Securities that meet either or all of these new fossil fuel-based criteria will be removed from the investible universe with the exception being any companies that have significant exposure to renewable energy power generation and a clear pathway of emissions reductions consistent with the Paris Agreement of limiting global warming to less than 1.5C. Those companies will be retained within the investible universe.

We may update these exclusions, from time to time, following review and approval by the Ethics Committee. Investors will be notified of any changes to the Charter, including changes to the exclusions. The Charter is available online at [www.ampcapital.com](http://www.ampcapital.com), or a copy can be obtained, free of charge, by contacting us.

## Responsible investing policies vary between underlying managers

Managers are assessed with respect to their ability to achieve the guidelines detailed above. At a minimum, each manager we select must substantially avoid investment in companies with material exposure to the sectors identified above as having high negative social impact. Managers may also apply other considerations due to commercial, geographical or other influences. For instance, some managers may impose wider restrictions on the industries that can be considered or must be avoided. Additionally, we may require managers to exclude specific securities from their investible universe. Adherence to the Charter may not be fully possible where RIL invest in other pooled or exchange traded funds where we cannot mandate the exact negative screening outlined in the Charter. However, in considering investing via one of these vehicles, we aim for the closest fit to the ethical criteria of the Charter, balanced against other investment considerations.

### Step 4 – Determining the optimal manager mix

When determining the optimal manager mix, consideration is given to the investment style and risk diversification of the managers, with the aim of generating a style neutral blend that most effectively provides stable returns across fluctuating market cycles.

### Step 5 – Monitoring and operational governance

Two specialist committees – the Investment Committee and the Ethics Committee – monitor the managers and the asset allocations for RIL, maintain RIL's responsible investing integrity, and oversee the overall operation of the RIL product range. Specific tasks include analysing the ongoing performance and style of the underlying managers (from a financial perspective), as well as the stock listings and governance and engagement initiatives (from a responsible investing perspective).

**Investment Committee** – The Investment Committee is responsible for overseeing and approving investment decision-making, including strategic asset allocation and manager selection. It also performs a monitoring function, incorporating performance measurement and risk management. The Investment Committee includes investment professionals from within AMP Capital and advisers appointed to provide advice on investment manager selection, as well as other investment research. Except in limited circumstances, advisers are paid for these services and they are not a cost to RIL. AMP Capital, or any of the appointed advisers, may terminate a current consulting arrangement, and aspects of an arrangement may change. If a material change occurs, we will lodge a PDS update notice online at [www.ampcapital.com](http://www.ampcapital.com).

**Ethics Committee** – The Ethics Committee is responsible for responsible investing integrity and corporate governance and engagement, and performs two key tasks:

- Overseeing the investments to ensure they reflect RILs' responsible investing objectives (see 'Retention and realisation policy' below), and
- Providing input on matters of priority for corporate engagement and governance, where environmental, social or ethical issues, or labour standards, are relevant. The Ethics Committee includes responsible investing research and investment professionals from within AMP Capital, and client representatives. In performing its key tasks, the Ethics Committee refers to the guidelines outlined in the AMP Capital Ethical Investment Charter. A copy of the Charter is available online at [www.ampcapital.com](http://www.ampcapital.com).

## Asset classes

The AMP Capital responsible investing approach, which addresses ESG factors, applies to the Australian and international share components of RIL, together with direct property investments, corporate and government bonds, and alternative investments.

## Retention and realisation policy

If a company falls below our responsible investing standards, it is our policy that the relevant manager sells its investment in the company within six months. The underlying managers monitor companies against our responsible investing standards and any specific exclusion list on an ongoing basis. If the manager breaches our policy, we may terminate the services of that manager.

Our policy also requires that the managers review individual companies on a regular basis and where there are major changes to the companies, such as takeovers or major environmental incidents. A company may also be sold at any time for financial reasons.

## Further information

RIL investments are generally not geared. However, they are not restricted in the amount they can borrow and they may borrow to meet short-term liquidity needs. For further information on the RIL investment options, including the list of current investment managers, speak to your financial adviser or visit [ampcapital.com](http://ampcapital.com) and follow the prompts to multi-manager investing.

All other information on this page remains unchanged.

## Update to Investment funds

The following wording replaces the information in the 'Investment funds' section for the following investment options of the Investment choices catalogue (Part 2 of the PDS) dated 20 December 2019 for the following investment options. All other information on these pages remains unchanged.

On page 29 of the Original PDS, in the 'Investment funds' section for the 'Responsible Investment Leaders Conservative' the 'investment option's asset allocation benchmarks and ranges' is deleted and replaced by the following. All other information on this page remains unchanged.

Responsible Investment Leaders Conservative		
Asset class	Benchmark (%)	Ranges (%)
Australian shares	11	0–20
Global shares <sup>1</sup>	15	0–23
Emerging markets	0	0-5
Growth alternatives <sup>2</sup>	0	0-4
Listed property and infrastructure	5	0–10
Unlisted property and infrastructure	2	0–7
Australian fixed interest	22	15–55
Defensive alternatives	2	0-4
Global fixed interest	24	0–50
Cash	19	13–50

1. This allocation is not limited to developed market equities and may include holdings in emerging markets equities in addition to those held in the emerging markets asset class.

2. Alternative assets may include private equity, private debt, forestry, infrastructure and hedge funds.

On page 32 of the Original PDS, in the 'Investment funds' section for the 'Responsible Investment Leaders Balanced' the 'investment option's asset allocation benchmarks and ranges' is deleted and replaced by the following. All other information on this page remains unchanged.

#### Responsible Investment Leaders Balanced

Asset class	Benchmark (%)	Ranges (%)
Australian shares	25	15–40
Global shares <sup>1</sup>	30	15–40
Emerging markets	3	0–8
Growth alternatives <sup>2</sup>	2	0–6
Listed property and infrastructure	4	0–10
Unlisted property and infrastructure	9	0–25
Australian fixed interest	13	0–20
Global fixed interest	12	0–25
Cash	2	0–20

1. This allocation is not limited to developed market equities and may include holdings in emerging markets equities in addition to those held in the emerging markets asset class.
2. Alternative assets may include private equity, private debt, forestry, infrastructure and hedge funds.

On page 33 of the Original PDS, in the 'Investment funds' section for the 'Responsible Investment Leaders Growth' the 'investment option's asset allocation benchmarks and ranges' is deleted and replaced by the following. All other information on this page remains unchanged.

#### Responsible Investment Leaders Growth

Asset class	Benchmark (%)	Ranges (%)
Australian shares	36	25–50
Global shares <sup>1</sup>	42	30–55
Emerging markets	0	0–10
Growth alternatives <sup>2</sup>	2	0–6
Listed property and infrastructure	6	0–12
Unlisted property and infrastructure	3	0–15
Australian fixed interest	4	0–13
Global fixed interest	5	0–18
Cash	2	0–13

1. This allocation is not limited to developed market equities and may include holdings in emerging markets equities in addition to those held in the emerging markets asset class.
2. Alternative assets may include private equity, private debt, forestry, infrastructure and hedge funds.

*The information contained in this product disclosure statement update is general only and does not take into account any investor's personal objectives, financial situation or needs. All investors should read the product disclosure statement update carefully (together with the Original PDS and SPDS) and should obtain financial advice that is tailored to their circumstances.*