

# Climate change

Climate change is one of the most significant long-term global challenges to our environment, economies and societies. Global momentum around the issue accelerated in 2021 with the first release of the IPCC's Sixth Assessment Report and COP26 in Glasgow. These events mean there are heightened expectations on financial institutions to appropriately manage climate-related risks and opportunities and support global efforts on the transition to Net Zero emissions.



Climate change poses a range of physical, financial and legal risks to our business, the investments we manage on behalf of our customers, and the wider community.

AMP recognises that it must contribute to the global move to net zero by 2050. As a diversified financial services company, our ability to drive action to address climate change impacts differs across our business activities. AMP has identified five key areas of focus:

- 1 Investment opportunities:** Provide clients low carbon and green investment opportunities.
- 2 Manage and disclose risks:** Manage and appropriately disclose the physical and transition risks of climate change in our investments.
- 3 Engage and influence:** Leverage our influence as a global investor to engage with companies, assets and investor groups and advocate for an orderly transition.
- 4 Operations:** Reduce our own operational impacts as a business.
- 5 Clients and communities:** Offer support to clients and communities impacted by climate change.

## 2021 at a glance

AMP continued to drive action on climate change in 2021 by:



### PUBLISHING OUR CLIMATE POSITION AND ACTION PLAN

outlining our commitment to managing our business and investments in alignment with

**ACHIEVING NET ZERO EMISSIONS 2050**

**ALIGNED SDG**



### MAINTAINING A- LEADERSHIP RATING

on the annual Carbon Disclosure Project (CDP) benchmark, which is aligned to the TCFD framework



### LEADING COMPANY ENGAGEMENTS WITH INVESTOR GROUPS

such as the

**CLIMATE ACTION 100+**

to drive successful climate-related outcomes



### ACHIEVING CARBON NEUTRALITY ACROSS OUR GLOBAL OPERATIONS

for our

**9TH YEAR**

and a 22% reduction on scope 1 and 2 emissions from 2020



## Environmental and climate-related governance

Overall responsibility for AMP's climate change related strategies sits with the CEO of AMP, who reports to the AMP Limited Board. The board oversees climate-related risks and opportunities of the group and is updated annually.

AMP's Trustee and Responsible Entity boards also oversee climate-related risks and opportunities for the funds for which they are responsible. These are outlined in the [Sustainability governance section](#) of this report.

In addition, AMP has management committees which address climate-related issues, including:

- **The Group Risk and Compliance Committee (GRCC)**, which guides the implementation of the risk management framework and manages non-financial risks facing AMP, including climate-related risks.
- **The Environment and Climate Change Working Group (CCWG)**, which meets regularly throughout the year to collaborate and drive climate-related initiatives and compliance activities across AMP. It consists of members from each business division and asset class and reports to the GRCC.
- **The AMP Capital Investment Committee** has oversight accountabilities for investment risks on behalf of AMP Capital clients, including risks and opportunities associated with climate change. The Investment Committee includes leaders of each asset class (public markets, infrastructure and real estate). Responsibility for climate-related risks on specific investments rests with individual investment teams, asset and portfolio managers.

In 2021, as part of the proposed demerger of Collimate Capital, the multi-asset investment capability has transferred to Australian Wealth Management and a new Investment Committee was established to oversee investment-related risks for Australian Superannuation and Platform investments.

## Strategy and risk management

In the context of the Taskforce on Climate-Related Financial Disclosures (TCFD), AMP is an asset owner, asset manager and bank lender to our clients. The greenhouse gas (GHG) emissions associated with our own operations are relatively small. AMP Bank provides transactional banking services, residential mortgages and some adviser practice financing. It is not directly exposed to potentially high-risk industries such as energy generation, mining or agriculture as it does not provide business financing.

While we still manage the climate change risks in these activities, climate change is most likely to materially impact our investment management activities. Through the investments we offer in Australian Wealth Management and New Zealand (as an asset owner) and AMP Capital (as an asset manager), we are taking steps to give clients choice and manage risk.

To date, our investment management activities have been managed primarily through AMP Capital's ESG frameworks, as AMP Capital has been the appointed asset manager for the majority of the group's assets under management. In 2021, AMP announced that the direct Global Equities and Fixed Interest businesses would be sold, the intention to demerge Collimate Capital during 2022 and that the multi-asset investment capability would be transferred to the Australian Wealth Management business. As a result, a new Responsible Investment and ESG statement and supporting framework, reflecting the largely outsourced investment model of the multi-asset business has been developed to govern processes and decision making.

AMP also offers investments managed by external managers and governed by Responsible Entities outside the AMP Group, on our investment platforms, such as North.

## Providing clients low-carbon and green investment opportunities

AMP offers clients specific investment options through superannuation and personal investment services that adhere to strict ESG requirements and governance.

Financial advisers are equipped to help clients understand where money is invested and how to access responsible investment options aligned to their goals and values. We are increasing the resources available to advisers to support clients in these decisions.

AMP offers investment options through AMP Capital, the retained multi-asset investment capability and on Platforms which exclude some emissions intensive industries and/or favour better performing ESG companies and assets. They include investments in clean energy technologies, sustainable enterprises and direct investment in energy efficient buildings. This also provides clients the opportunity to reduce exposure to climate-related risks as part of their superannuation or investments when compared to more conventional funds.

## CLIMATE CHANGE

### AMP Capital Infrastructure

AMP Capital is pursuing climate-positive investments internationally for clients where regulatory and other incentives are providing new opportunities consistent with our client's investment objectives. To date, several infrastructure transactions have been completed in clean energy and transport sectors, including direct investments in wind, hydro and offshore transmission assets.

### AMP Capital Real Estate

AMP Capital has committed all its managed Real Estate funds to be zero net carbon by 2030 for scope 1 and 2 emissions (which includes natural gas, diesel and electricity consumption) and for buildings to run on 100% renewable electricity.

Climate change considerations have been integrated into asset due diligence processes, including climate risk, energy efficiency, operating costs and suitability for solar energy. The carbon footprints of our real estate funds are measured and benchmarked as part of annual GRESB assessments and regulatory disclosure through the National Greenhouse and Energy Reporting Act (NGER).



### Humanising Energy

In October 2021, AMP Capital's infrastructure investee company Evergen was featured in a new online series of films produced by the World Energy Council in partnership with BBC StoryWorks. The series, titled 'Humanising Energy', focused on showcasing global energy start-ups which are driving energy transformation at a grassroots level.

Evergen are determined to make a coal fired power station redundant in each of 10 countries by powering the transition to a resilient, renewable, decentralised energy system of the future. This will be achieved by optimising and orchestrating large fleets of batteries in industrial, commercial and residential sites.

Using this technology, Evergen will provide the energy management platform for the net-zero energy emission homes pilot at Carseldine Village, north of Brisbane. This project will establish a 100% solar and battery neighbourhood consisting of 194 sustainable homes. Evergen was also recognised as a finalist in the 2021 Start Up Energy Transition Awards organised by the German Energy Agency and the World Energy Council.

### Managed Real Estate portfolios <sup>1</sup>

	2021	2020	2019	2018
Scope 1 emissions (tCO <sub>2</sub> -e)	7,180	6,783	6,748	8,117
Scope 2 emissions (tCO <sub>2</sub> -e)	66,707	78,683	93,094	102,491
Total scope 1 and 2 emissions (tCO <sub>2</sub> -e)	73,887	85,466	99,842	110,608

<sup>1</sup> Managed Real Estate portfolios include commercial office and shopping centre assets managed by AMP Capital Real Estate. Footprint metrics are NGER reported emissions in Australia for year ending 30 June 2021.

## Managing and disclosing climate-related risks

### Transition risks

In AMP Capital, we have previously undertaken preliminary scenario analyses on our managed equity portfolios using a projected carbon price. Carbon pricing mechanisms currently operate in several countries globally to incentivise emissions reductions and can be applied to equity and fixed interest portfolios. Different carbon prices have been used to assess potential impacts, including \$25/tonne CO<sub>2</sub>-e, \$50/tonne CO<sub>2</sub>-e and \$100/tonne CO<sub>2</sub>-e. Preliminary assessments have also been undertaken of value at risk from a gradual phasing out of fossil fuels for major equity benchmarks. Further information is available on the [AMP Capital website](#).

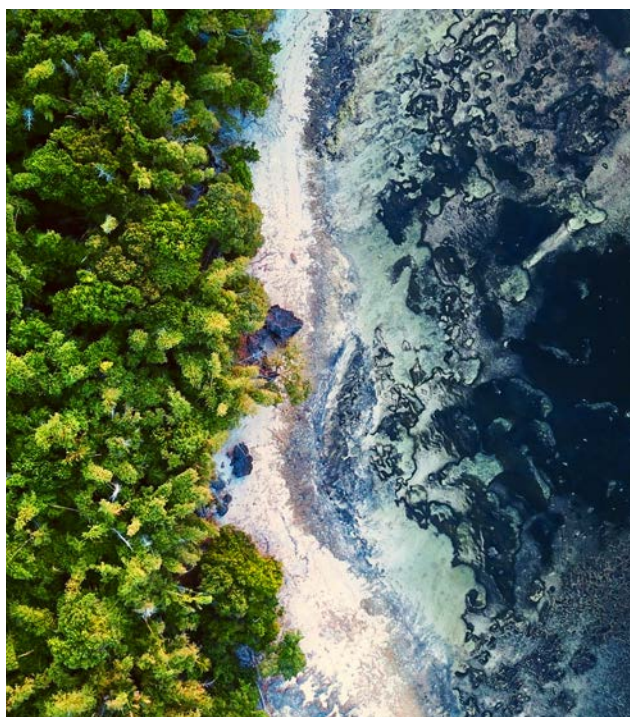
In New Zealand, the business delivered an initial reduction of approximately 60% in exposure to carbon emissions across its entire investment portfolio and is finalising its framework to implement its Carbon Net Zero commitment as an investment manager.

### Physical risks

AMP Capital has taken steps to understand the risks that a changing climate poses to our real estate assets, quantify those risks, and mitigate them where possible.

Previously, we conducted work on scenario analysis, which included considering the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCPs), the anticipated change in acute and chronic climate parameters, and asset level climate change risk assessments. In 2021, AMP Capital Real Estate built on this work, setting out a plan to review the current processes for determining asset resilience, and develop a framework to quantify the physical risk and cost implications using the climate value at risk (CVaR) methodology. We have started with two pilot sites, including 33 Alfred Street – AMP's Circular Quay headquarters.

AMP Bank monitors and assesses bushfire risks of mortgage assets in the portfolio to understand proximity of possible bushfires to buildings and support communication with customers who might be affected. AMP Bank engages with industry working groups to enhance approaches to identify and manage physical risks to the portfolio and expects to expand these capabilities in 2022.



### AMP Capital Carbon footprint of managed equity and fixed income funds

Understanding the carbon footprint of a company is an essential first step in assessing the investment risks that can arise from climate change. We have been assessing the climate risks of our investments for over a decade and in 2016 created a methodology for calculating the greenhouse gas exposure of our equity investments. This was then expanded to include fixed income.

In 2021, AMP Capital continued to [publish its latest carbon footprints](#) of all managed equity and fixed income funds relative to their benchmarks to enhance our clients' understanding of climate-related investment risks.



## CLIMATE CHANGE

### AMP Capital co-leads engagement with BHP through Climate Action 100+

AMP Capital has co-lead on CA100+'s BHP engagement, which is an investor-led initiative formed to ensure the world's largest corporate emitters of greenhouse gases take the necessary action on climate change. AMP Capital has seen significant progress and received positive feedback on the constructive nature of our engagement. The engagement activities of CA100+ have led to key outcomes, including:

- BHP being recognised as one of the strongest performing companies in the net-zero benchmark for 2021. The result highlights the actions taken from engagements including pursuing emissions reduction targets, capital expenditure alignment, use of carbon offsets and political engagement through industry associations. There is more work to do, and CA100+ participants will continue

to engage with BHP on climate-related issues, particularly on managing Scope 3 emissions.

- BHP was one of the first Australian companies to give their shareholders a 'Say on Climate'. After BHP released their 'Climate Transition Action Plan 2021', CA100+ encouraged BHP to put the plan to shareholders for approval at the 2021 AGM. The resolution was supported by around 85% of shareholders at BHP's Australian AGM and 83% at the London AGM.

In addition, BHP recommended shareholders vote in support of the shareholder-proposed resolution on climate-related lobbying, a move which resulted in nearly 99% of shareholders supporting the request for BHP to strengthen their review of industry associations to ensure alignment with the Paris Agreement.

### Engagement and proxy voting

Through AMP Capital, we also directly engage with investment managers, assets, companies and policymakers on climate change and through a range of investor collaborations and initiatives. This includes as co-founder of the Investor Group on Climate Change (IGCC), being an early investor signatory to the CDP, and through actively participating in the global Climate Action 100+ investor engagement initiative. More details on AMP Capital's engagement activities are available on the AMP Capital website.

### Managing our own operations

AMP has been carbon neutral since 2013 across our global office operations, offsetting emissions arising from office buildings and scope 3 emissions from business activities, including air travel.

In 2021, AMP maintained its carbon neutral position and continued to reduce emissions in line with the scope 1 and 2 reduction target of 42% by 2030 from our 2019 base year, which includes 100% renewable electricity. This target has been developed with reference to Science Based Target Initiative (SBTi) methodology.

In 2021, AMP saw a 36% reduction in operational scope 1 and 2 emissions (mainly office electricity usage) from our 2019 base year. The reductions were mainly driven by reduced occupancy and office utilisation globally from COVID-19 restrictions, in addition to our efforts to consolidate our office portfolio typically in more efficient office buildings.

### Carbon footprint <sup>1</sup>

	2021	2020	2019 (base year)
Scope 1 + 2 emissions (tCO <sub>2</sub> e)	4,988	6,401	7,760
Scope 3 emissions (tCO <sub>2</sub> -e) <sup>2</sup>	9,728	9,034	14,227
Gross scope 1 + 2 + 3 emissions (tCO <sub>2</sub> e)	14,716	15,435	21,987

1 Reported in line with AMP's Greenhouse Gas reporting criteria. AMP Wealth Management New Zealand seeks local carbon neutral certification through the Toitu Envirocare program. More information on emissions can be found in the performance data summary.

2 In 2021, AMP expanded its scope 3 inventory to include estimated emissions arising from its purchased goods and services.

## Carbon offsets

AMP offsets its residual emissions with high quality Australian and international carbon offsets, supporting projects where we have operations and partnerships globally. In 2021, for AMP to achieve carbon neutrality across our global operations, we retired Australian Carbon Credit Units and Verified Carbon Standard offsets from the following projects:

- Paroo River North Environmental Project: Regenerates 38,000 hectares of native Australian forest and aims to generate positive benefits for local indigenous communities.
- Hebei Haixing 49.5 MW Wind Farm: Generates renewable electricity using wind power resources and sells the generated output to the Hebei Southern Power Grid in China.
- Ghani Solar Renewable Power Project: The project activity involves installation of a 500 MW solar power project in India.
- Capacity Upgrade of Gunung Salak Geothermal Power plant: The additional installed capacity of 15 MW in Indonesia generates and supplies renewable energy.

AMP Wealth Management New Zealand offset carbon emissions through the support of New Zealand based projects, including the restoration of native forests at Puhī Peaks Station in Wellington and Wanganui.

AMP Capital also achieved zero net carbon for scope 1 and scope 2 emissions for the Australian Wholesale Office Fund (AWOF) assets managed by AMP Capital. This was achieved through a combination of renewable electricity purchases and purchasing carbon offsets. The offsets purchased for the fund are from the Longdowns project, which is re-establishing native forest in the North-West region of New South Wales.

## Nature and biodiversity

An emerging issue that gained focus in 2021 was nature and biodiversity risks as the industry prepares for the launch of new guidance from the [Task Force on Nature-related Financial Disclosures](#) (TNFD) and updates to GRI's Biodiversity reporting standards. AMP recognises the growing importance of nature and biodiversity-related information in assessing the environmental impacts of our business and will review our disclosures and reporting processes as new guidance on this topic emerges. We raised the issue of biodiversity and nature-related risks with our [Youth Advisory Committee](#) in 2021 to hear perspectives from a young demographic. Their insights included the importance of education and awareness on the issue and its relationship with climate change. We continue to consider the insights and recommendations from the committee and identify ways AMP can reduce our own impact in this space.



## Future outlook

AMP continues to build on its progress in measuring, managing and addressing climate change, through:

- Providing access to low-carbon investment opportunities for clients.
- Managing and enhancing the disclosure of physical and transition risks in our investments.
- Leveraging our influence as a global investor to engage with companies, assets and investor groups and advocate for an orderly transition.
- Reduce our scope 1 and 2 emissions (mainly electricity usage in our office buildings) by 42% by 2030 and be powered by 100% renewable electricity.
- Remain carbon neutral in our operations and select material scope 3 emissions from our supply chain (such as travel and purchased emissions).
- Consider emerging risks associated with climate change such as biodiversity and nature-related risks.