

AMP Capital Submission**July 2018**

ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Proposed 4th edition of the Corporate Governance Principles and Recommendations & proposed amendments to the ASX Listing Rules

AMP Capital Investors Limited welcomes the opportunity to make this submission on the proposed changes to the ASX Corporate Governance Principles and Recommendations.

AMP Capital is a leading diversified investment manager, managing investments across major asset classes including equities, fixed income, infrastructure, property, diversified funds, multi-manager and multi-asset funds. Our home strength in Australia and New Zealand has enabled us to grow internationally, and today we have operations established in the Dubai, China, Hong Kong, India, Ireland, Japan, Luxembourg, the United Kingdom and the United States. Our asset class specialists, investment strategists and economists work together with the aim of delivering strong investment outcomes for clients. That is why our clients trust us to invest over A\$187.7 billion (as at 31 December 2017) on their behalf, across a range of single sector and diversified funds.

As one of Australia's largest managers of Australian equities, AMP Capital has a proud history of being proactive in the area of improving corporate governance of listed Australian companies. AMP Capital was instrumental in the establishment of the original "FSC Blue Book" which outlined investor's corporate governance expectations of listed companies. Through our dedicated corporate governance resource, we have a long history of engaging with companies on the changing corporate governance issues facing Australian companies.

As a 'whole of universe' investor, we recognise we have a stake in the effective operation and sustainability of the economy, the integrity and transparency of markets and ethical business conduct. We see clear links between an organisation's environmental and social impacts and the quality of its corporate governance, and its long-term financial performance and overall business success. Governance impacts not only the relationships between investors, directors and company management but also the way in which companies manage the 'social license to operate'.

AMP Capital is of the view that corporate governance and the exercise of voting rights are an important aspect of any investment decision process. AMP Capital has an obligation to add value to the portfolios that clients have entrusted to AMP Capital to manage or advise upon. AMP Capital recognises that it can influence company policy on matters of corporate governance by virtue of shareholdings under our management. Our corporate governance activity not only seeks to monitor the integrity of companies in which we invest and reduce the risk of corporate mismanagement and failure, but also seeks to protect the rights of all shareholders. As such, it is in the interest of both the companies in which we invest and our clients that we submit our comments about the proposed changes to the ASX Corporate Governance Principles and Recommendations.

AMP recognises that the Principles and Recommendations have played an important role in improving corporate governance in Australian listed companies. AMP supports the ongoing refinement of these to ensure that they remain relevant and practical. Receiving an appropriate level of information about the entity's governance structures enables us, as investment managers, to have meaningful dialogue with the board and management on governance matters. We also consider that any proposal which will have the effect of increasing the regulatory or administrative burden on listed entities should only be implemented where material benefits are expected to be delivered to listed entities, securityholders and market participants.

AMP Capital welcomes the recommended changes and looks forward to greater disclosure by ASX listed entities which we believe will be mutually beneficial to companies, their investors and the

communities that they operate in. AMP Capital thanks the ASX for this chance to comment on the revised Corporate Governance Principles and Recommendations.

Please find our comments about specific recommendations below. We would be happy to discuss these with you in more detail.

Kind Regards

Adam Tindall

Chief Executive Officer

AMP Capital

AMP Capital's Response to Proposed Changes

AMP Capital believes that the changes proposed, in aggregate, have strengthened the Principles and Recommendations and successfully addressed a range of investor concerns from the previous edition.

Recommendation 1.5

AMP Capital is supportive of the addition of recommendation 1.5: to achieve better gender diversity outcomes, including a new provision recommending that an entity in the S&P/ASX 300 have as a measurable objective at least 30% of directors of each gender on its board within a specified period.

AMP Capital has long argued that it is in shareholders' best interests for company boards to have cognitive diversity, including through greater representation of women directors. While improved board diversity does not guarantee better governance or better performance, AMP Capital's observations certainly support the view that companies which promote gender diversity at board level benefit from the different perspectives women bring to the table. It appears the degree to which a board embraces diversity also reflects their ability to effectively question and challenge ideas, and hence the likelihood decisions will be more robust and potentially more rewarding. AMP Capital is an active member of the 30% Club Investors' Working Group which is campaigning for ASX 200 boards to be 30 per cent women by the end of 2018.

The ASX's governance principles 2014 successfully acknowledged that diversity is an economic driver of competitiveness for companies and required companies to publish gender data and to set gender objectives. AMP Capital has seen significant progress with regard to increased gender diversity of the companies we invest in, however, there remains substantial room for improvement. As a result, AMP Capital is supportive of the addition of recommendation 1.5.

Recommendation 3.1, 3.3 & 3.4

AMP Capital is supportive of the re-wording of Principle 3 to a "listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and in a socially responsible manner".

AMP Capital has long endorsed and demonstrated that environmental, social and governance (ESG) issues impact investment performance. Our preference therefore is to invest in companies that understand and manage their ESG risks and opportunities appropriately.

Furthermore, in February 2017, the AMP Capital Board approved a new ESG and Responsible Investment Philosophy setting out the ethical framework and decision-making process used to exclude investments from a portfolio based on purely ethical grounds. The investment industry plays an important role in the provision of financial capital to companies. AMP Capital believes it cannot invest in a company without first considering the impact of its goods and services. On reviewing all of the sectors in which we invest, AMP Capital concluded that manufacturers of tobacco, cluster munitions, landmines, biological and chemical weapons do not meet the required ethical standards and will be excluded from our investable universe.

The addition of word 'lawfully' is also supported by AMP Capital. Recent corporate events have highlighted governance issues arising from poor conduct or culture and a perceived lack of accountability. The revision of Principle 3 recognises the importance of a listed company's social license to operate and the need for it to act lawfully, ethically and in a socially responsible manner in order to reserve that licence.

The proposed changes to Principle 3 also acknowledge that a listed entity, and by extension their directors, must have regard to the views and interests of a broader range of stakeholders than just its security holders. Under section 181 of the Australian Corporations Act directors' duties clearly focus on the 'interests of the company'. While AMP Capital is supportive of directors taking into consideration a broader range of stakeholders, it is important that this is aligned with a directors' statutory and general law duties.

Recommendation 7.4

AMP Capital endorses the amendment to the commentary in recommendation 7.4. Listed entities with material exposure to climate change risk should implement the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

AMP Capital has focussed a substantial amount of time engaging with companies on the need to disclose climate change risk consistent with the guidelines outlined by the Taskforce for Climate-related Financial Disclosure (TCFD). AMP Capital is a member of the Climate Action 100+ initiative, which is a global climate change engagement initiative designed to implement the investor commitment first set out in the Global Investor Statement on Climate Change in the months leading up to the adoption of the historic Paris Agreement in 2015. AMP Capital is a signatory of this Statement and is the lead engager with a number of large ASX listed entities. AMP Capital also provided input on the TCFD recommendations for companies and investors including approaches to scenario analysis.

Furthermore, AMP Capital and AMP Ltd (parent company) are reviewing the TCFD recommendations, within the context of our existing approach to climate risk and disclosure, with a view to aligning these over time. Our current disclosures align to some elements of the TCFD framework, particularly within AMP Capital where climate risks are a material consideration in investment decisions. AMP's full 2017 CDP submission also includes references as to how these disclosures align to the TCFD recommendations.