



Commencing long road to recovery. Still concerns about Governance and Culture.

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| Company/ASX Code | AMP Limited (AMP) |
| AGM date | Thursday 2 May 2019 |
| Time and location | 11am Concert Hall at the Concourse 409 Victoria Ave, Chatswood, NSW |
| Registry | Computershare |
| Webcast | Yes |
| Poll or show of hands | Poll on all items |
| Monitor | Ian Graves, David Jackson |
| Pre-AGM Meeting | Yes, with Chairman David Murray |

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| Item 1 | Consideration of accounts and reports |
| ASA Vote | No vote required |

Summary of ASA Position

The 2018 results were severely impacted by the revelations from the Financial Services Royal Commission and the public's reaction to these.

This resulted in the losses as shown in the financial Results as well as substantial Board renewal and departure of key senior executives. It also necessitated remediation through refunds of fees & charges to policy holders and Fund Investors. In addition, there are 5 Class actions before the courts, awaiting decisions by the NSW Court on jurisdiction precedence, which will need to be defended.

Another impact was the market announcement of the completion of a business portfolio review first announced in February 2018 of the strategic review and the divestment of the Australian and New Zealand wealth protection and mature business (AMP Life) to Resolution Life for \$3.3 billion. This has caused some hedge funds to criticise both the amount and the process in not seeking prior shareholder approval for the transaction.

ASA had also asked for an explanation of the transaction, as a result of AMP's explanation, now accept that the decision was made in the best interests of shareholders.

Financial performance

The biggest challenge is within AMP's largest division, Australian Wealth Management (AWM). It reported after-tax earnings of \$363m for 2018 but that figure is likely to be closer to \$200m this Financial year. Around \$65m of the difference relates to a loss of distribution fees linked to the sale of the life insurance business. The rest is from lower product margins and higher costs.

Key Board or senior management changes

Significant changes to the Board and management occurred after last year's AGM and first strike. A new Chairman has been in place since June 2018. There have been 2 more resignations and 5 new appointments to the board announced since the last AGM, with only 3 remaining Directors from 2018 after the sale to

Resolution is completed. A new CEO has been in place since January, as well as, a new General Legal Counsel and a new Chief Executive of Australian wealth management.

While there is still some way to come with gender diversity at Board level there is a clear goal to raise the level to their 40% target by 2020. The March announcement of Geoff Roberts retirement at the AGM and the April announcement of, Debra Hazelton (Effective 15 June) and the retirement of Mr Mathews from the AMP Ltd board on completion of the sale to Resolution Life is a further improvement. Given that some historic knowledge and a measured response is needed this looks like a carefully planned and considered approach to board renewal.

The three remaining directors, however, still hold some “collective governance accountability” for the decisions made prior to this year.

There is also room for improvement in general diversity across the board.

The new CEO, Mr De Ferrari, appears to be an appropriate choice given that the Royal Commission has made a local appointment extremely difficult. The results of the Royal Commission have shown there is a genuine need for renewal within the company and Mr De Ferrari is seen as a change agent with a proven track record, although ASA has concerns about the amount of the package which is covered in more detail in the Remuneration section of this report.

ASA focus issue Summary

| (As at FYE) | 2018 | 2017 | 2016 | 2015 |
|--------------------------------------|--------|-------|--------|-------|
| NPAT (\$m) | 28 | 848 | (344) | 972 |
| UPAT (\$m) | 680 | 1,040 | 486 | 1,120 |
| Share price (\$) | 2.45 | 519 | 5.04 | 5.83 |
| Dividend (cents) | 14 | 29 | 28 | 28 |
| TSR (%) | (33.5) | 8.5 | (8.7) | 28.0 |
| EPS (cents) | 0.01 | 29.3 | (11.7) | 33.3 |
| CEO total remuneration, actual (\$m) | 1 | 4.047 | 1.900 | 4.305 |

1 The 2018, calculation of the CEO’s total actual remuneration was not practical because there were 3 CEOs during FY 2018 (previous CEO, acting CEO and newly appointed CEO).

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| Item 2.1 | Election of David Murray AO as a Director |
| ASA Vote | For |

Summary of ASA Position

David Murray was appointed to the AMP Limited Board as Chairman in June 2018. He was appointed Chairman of the AMP Bank Limited Board and a member of its risk committee in February 2019. Having over 40 years’ experience in financial services, with expertise in banking and wealth management and the regulatory environment. He was CEO of the Commonwealth Bank from 1992 to 2005, Inaugural Chairman of the Australian Future Fund 2006-2012, and Chaired the Financial System Inquiry in 2014.

Mr Murray’s appointment as Chairman is significant, his considerable regulatory banking experience provides a level of gravitas and acknowledges the magnitude of the task ahead. His appointment has no doubt helped attract the necessary experienced NEDs to replace previous board members. The changes to Board structure and remuneration also reflect his involvement and commitment to change for the organisation.

Under the current AMP constitution directors are expected to own 2,000 shares 60 days from appointment. Although ASA applauds the proposed changes to a new minimum shareholding policy for Directors whereby shares equivalent to their annual base fee must be acquired within 4 years, ASA would have preferred 3 years instead of 4.

ASA supports his election and will vote all undirected proxies in favour of this resolution

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| Item 2.2 | Election of John Fraser as a Director |
| ASA Vote | For |

Summary of ASA Position

John Fraser was appointed to the AMP Ltd board in September 2018, and the AMP Bank Ltd Board and AMP Capital Holdings Board in February 2019. John is also a member of the Audit, Risk and Remuneration committees for the three boards.

He has had 40 years' experience in leadership roles in Economics, Public Policy, Capital Markets and Asset Management in Australia and overseas.

He was Secretary to the Treasury 2015-2018, and appointed to the Reserve Bank Board, Chair of G20 Global Infrastructure hub and a member of the financial council regulators. Prior to this he spent 10 years at UBS Asset Management including CEO and Chair UBS London. He has also served on the ASX board and as Chairman of the Victorian Funds Management Corporation.

He is currently a Director of Advance Board, and Future Fund.

ASA supports his election and will vote all undirected proxies in favour of this resolution

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| Item 2.3 | Election of John O'Sullivan as a Director |
| ASA Vote | For |

Summary of ASA Position

John O'Sullivan was appointed to the AMP Limited Board in June 2018, and the Audit Remuneration and Risk committee in January 2019 and the AMP Bank board and its audit remuneration and risk committees in February 2019.

John has over 40 years' experience in legal and financial services as a corporate and M&A lawyer

General Counsel to CBA 2003-2008, Executive Chair of Credit Suisse Australian investment banking and Capital Markets until 2018.

Mr O'Sullivan holds 4,900 shares at 31 Dec 2018 with the new minimum shareholding policy he will be expected to increase his shareholding within 4 years to the equivalent of his base salary.

The ASA recommends that Directors have the equivalent of 1 years' fees in shares within 3 years

ASA supports his election and will vote all undirected proxies in favour of this resolution

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| Item 2.4 | Election of Andrea Slattery as a Director |
| ASA Vote | Undecided |

Summary of ASA Position

Andrea Slattery was appointed to the AMP Ltd board and the AMP Bank board February 2019 and is a member of their Audit, Remuneration and Risk committees. Chair of AMP Ltd and AMP Bank audit committees from Mr Roberts retirement.

Andrea has 26 years' experience as a NED and senior executive in financial services, retirement, superannuation, government relations infrastructure, professional services.

Andrea was CEO and co-founder of SMSF Association 2003-2017, a financial adviser, consultant and advisory service and academic.

She sits on ARGO Global infrastructure LTD Board (April 2015), Clean Energy Finance Corporation Feb 2018, SA Cricket Association, and is Vice Chair of the Woomera Protected Area Advisory Board.

Her previous government advisory committee appointments include Superannuation Advisory group, the future of financial advice, and shadow ministry Infrastructure and Innovation point to a diverse and comprehensive understanding of the wider issues attached to the company.

ASA is pleased to see the addition of a female Director but is concerned that given the workload attached to this board seat, Andrea may currently have too many other board commitments and we would like her to speak at the AGM to this issue.

If she can reassure ASA on the matter of her workload, ASA will support her election and will vote all undirected proxies in favour of this resolution

Although she is presently the only female director, another Female director has been appointed since the printing of the NoM and AMP has assured ASA of their commitment to meet their previously announced target of 40% by 2020.

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| Item 3 | Adoption of Remuneration Report |
| ASA Vote | Against |

Summary of ASA Position

Last year ASA voted against the Remuneration Report, which received a first strike of 62%. As a result of the strike and the Royal Commission findings, the Board, cancelled all of the KMP's potential awards for 2018, except for those of the CEO of AMP Capital, Adam Tindall, who was not involved. Consequently, the Board decided to cancel the EIP scheme and gave a commitment to revert to the traditional model with Short-Term and Long-Term Incentives.

Therefore, voting on the Remuneration report for 2018 and its outcomes leaves the ASA in somewhat of a dilemma. A review of 2018 is superfluous as a completely new Remuneration structure is being devised.

The annual report provides a broad structure of the new scheme which is in line with ASA's guidelines. The CEO's package is set out in more detail, but doesn't provide sufficient details about the KPIs, targets or vesting, for ASA to make a judgement.

It is disappointing that a new structure for 2019 has not been finalised as we are over three months into the year. The reason provided by AMP for this delay is that the new CEO was not appointed until December 2018, and he is preparing a new strategy, which is due to be presented to the Board in August. The remuneration plan will be released in conjunction with it, and the KPIs will flow from it.

In addition, there may also be some impact from APRA's BEAR requirements, which have to be in place by July 2019, for Authorised Deposit Taking Institutions. This will impact AMP Bank and may have some flow-on effects to other parts of the organisation.

Another matter of concern for ASA is the Executive sign on benefit for the CEO. ASA opposes them, but acknowledges they may be necessary, but should be subject to performance measures.

The package is in three parts.

- **Sign on benefit**, based solely on continuous employment, with no other hurdles
Cash of \$1.7m already paid
Restricted shares to the value of \$5m (1.45m approx.) vesting in three tranches over three years
Share rights to the value \$5m (1.45m approx).
A total of \$11.7m
- **Recovery Incentives**
8million AMP Options
Exercise price \$5.50 -Vesting February 2023 & expiring March 2024
- **Performance rights** to the value of \$5.7m (1.7m approx) based again on share price hurdles vesting in three tranches target prices and testing on 15 February 2021,22, & 23.
- **2019 Remuneration package**
Totalling \$8.34 at maximum opportunity but no target figures are given. The new package reverts to a more acceptable structure that includes a substantial long-term incentive measured over 4 years. The total package as set out in the AMP's chart is less than the predecessor although at this stage, it is incomplete.

ASA believes the amount of the sign on benefits are too high and with the sole vesting conditions of continuous employment. and this could normally justify an against vote. Another factor considered is that AMP is potentially subject to a second strike. A further unrelated matter concerns the divestment of the Wealth Protection and Mature Business Division, which is also likely to be used by an indeterminate number of shareholders to cause a second strike. ASA is of the opinion that the extra uncertainty and loss of business emanating from such an action is not in the long-term interests of shareholders, therefore we are reluctant to vote against it. On the other hand, because the sign on package is so excessive, there are strong grounds to vote against it. There is also the poor culture that existed within AMP and it is hoped that the new regime will change that however incentives so far revealed are weighted in favour of driving the share price up.

On balance, therefore, taking all the above into consideration, and as we do not have any details of the 2019 KPIs, the ASA is unable to support this motion and will be voting any undirected proxies against this motion.

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| Item 4 | Adoption of amendments to the constitution |
| ASA Vote | For |

Summary of ASA Position

The proposed amendments to AMP's Constitution are procedural only and relate to

- Permitting Direct voting at an AGM or ordinary meeting
- Minimum share qualification requirement for Directors minimum shareholding requirement (to hold shares equivalent to 1 year's fees after 4 years
- Eligibility requirements for directors
- Calling of Directors meetings

ASA supports these amendments and will be voting any undirected proxies in favour of this motion

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| Item 5 | Spill motion (contingent resolution) |
| ASA Vote | Against |

Summary of ASA Position

ASA's position is that even if the Remuneration report is voted against and sets the trigger for a Board spill, we will not support a spill because the remuneration plan we voted against last year has been replaced by another plan, which although the full details of the plan have not been released, from what we know is that it has reverted to the traditional model which we generally support.

As well the Board has undergone a complete Board renewal since last year's AGM with only 2 NEDS remaining from the previous Board of 9, with one of those Board members being critical to the restoration of AMP.

Therefore, it is not in the interests of shareholders to introduce further uncertainty in to the business which would severely impact its recovery.

ASA doesn't support this amendment and will be voting any undirected proxies against this motion.

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