Australian Shareholders' Association

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AMP sells off the crown jewels

Company/ASX Code	AMP
AGM date	Friday 20 May 2022
Time and location	10am AEDT Wesley Conference Centre 220 Pitt Street Sydney
Registry	AMP share registry Computershare
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Julieanne Mills and Ian Graves
Pre AGM Meeting?	Yes, with Chair Debra Hazelton and Michael Sammells Chair of Remuneration Committee, CPO Rebecca Nash, Jason Bounassif Investor relations, Richard Nelson Institutional Investor Relations

An individual involved in the preparation of this voting intention has a shareholding in this company.

Summary of issues for meeting

Continued overspend on remuneration in sign on payments, termination payments, and retention awards and no dividend for shareholders.

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

Summary of ASA Position

AMP has had a challenging year, and this is reflected in the AMP share price. The exit of CEO Franco De Ferrari and appointment in August 2021 of Alexis George as the new CEO saw the sale of many of the assets of the company as she implemented De Ferrari's strategy of simplifying and modernising the company for growth and efficiencies. Progress was made on becoming two businesses towards a demerger outcome. However, the sale of the parts seems to have been a more achievable outcome bringing forward an expected capital return to shareholders.

"A company that was the biggest property investor in Australia is exiting the business"

The AMP business will now be focused on its retail domestic wealth management business.

Significant change in this turnaround year and finally some green shoots emerging but a long way to go.

Hopefully this year's AGM will articulate what the vision is for this "New" AMP.

<u>Governance and culture</u>

There has been a big shift in culture and leadership at the AMP since Debra Hazelton became chairman. Along with a focus on culture and transformation came a new CEO and many changes to KMP. There have been meaningful improvements in culture and workplace behaviour. An external

Workplace Culture Review has seen 69 recommendations implemented (95% of recommendations). AMP is also involved in promoting the findings to other financial organisations to improve conditions across the industry.

Progress has been made on the Royal Commission recommendations this year. Remediation costs have now reached $828m with 90% complete.

The AMP shift in strategic direction has seen a renewed focus on customers and people to address the culture issues of the past and create a sustainable future.

ESG materiality is focused on culture and human capital management, people talent and capability, cyber and digital disruption, customer experience, and partners and supply chain. AMP has been Carbon Neutral for the past 9 years and has reduced Scope 1 and 2 emissions by 36% from 2019. A Customer Advocate has been introduced within the organisation.

Fees for customers have been significantly reduced across AMP super and platforms and access to more financial education has been provided to make products more competitive.

The company aims for a 40:40:20 gender diversity ratio and has achieved that at a board, middle management and general workforce level, KMP is at 37%. There appears to be a reasonable range of skills and experience across the board. A skills matrix is listed in its corporate governance statement.

$3.2m in grants and support were handed out to the community through the AMP Foundation. Support was also given to their clients through the pandemic and the difficult market and economic changes and with $0.4b m in Super withdrawals.

Financial performance

Underlying NPAT was $356m but after write downs and impairments of $312m AMP produced a statutory loss of ($252m) due largely to remediation payments.

AMP Bank NPAT of $153m increased 38%, 2x system growth in 2022 with $1.7bn in deposits and a higher NIM 1.62%. The reduction in interest only loans has reduced exposure to higher risk loans.

AMP Capital NPAT was $154m an increase of 18% on 2020. Performance fees increased by 45% largely due to one off fees on asset sales.

AMP Wealth Management NPAT decreased to $48m impacted by impairment to advice assets and lower revenue from lower prices. It is not expected to breakeven until 2024. This suggests that outlook for Wealth Management is very poor in the short term and yet it will be the only business left with AMP other than its bank and AMPNZ.

AMPNZ NPAT $36m increased 11% from FY20 with a large reduction in carbon footprint and lower fees from a shift to BlackRock index investing, costs came down 5% on FY20

$248 bn in Assets under management at the 31 December 2021 with the sale of AMP Capital parts that will be significantly reduced.

Assets under management (AUM) has continued to decline with 1Q22 down $5.8b to $136.5b. The withdrawal of the Woolworths $4b contract for employee super services will put further pressure on AMP in the 2023 financial year.

No dividend was declared.

AMP has achieved $260m in cost reductions with a further $155m expected in the 2022-25 period.

Key events

A board strategy review in FY21 under the then CEO De Ferrari revealed a plan to demerger AMP Capital Private markets business (now named Collimate Capital) from AMP. As part of this demerger The Global Equities and Fixed Income (GEFI) business has been sold to Macquarie Group for $63m with a potential pay out of up to $75m in 2 years. The Multi Asset Group (MAG) is being transferred to Australian Wealth Management, and AMP has divested its Infrastructure debt

The sale of AMP Capital's domestic real estate and property assets to Dexus was announced on the 27 April for nearly $1b. This was followed by the sale of the international infrastructure equity business to DigitalBridge for up to $699m. Along with the sale of the debt platform, the sale of the parts has the potential of raising $2.04b, excluding a potential $480m in earn outs that are subject to AUM retention over 9 months. This figure is seen as unlikely due to an expected loss of $3bn of AUM. The $2.04b is largely planned to be returned to shareholders and used to reduce debt.

In FY 21, 205,148 small shareholders had their shares bought back at $1.09/share, with no brokerage, this has removed small holdings of under $500 and significantly reduced the number of shareholders by 29%.

Key board or senior management changes

The 2021 year has seen significant management changes and a significant loss of staff during the year with voluntary turnover of staff at 24% from May-October 2021. This turnover is still at elevated levels but has subsided. There are substantial costs associated with retaining staff which can be seen in the remuneration payments for retention etc.

Non-Executive Director (NED) John O'Sullivan who was appointed in June 2018 retired on the 8 April 2022. His 88,194 shares at retirement is somewhat less than the expected MSR of one year's fees.

The board has seen significant change over the last 4 years and with the retirement of John O'Sullivan will have been completely refreshed from 2018. It now has 50% female representation and is made up of independent directors and the CEO.

Alexis George was appointed CEO of AMP in August 2021, with her previous role being Deputy CEO of ANZ bank, with experience in the wealth management area.

Scott Harley was appointed CEO Australian Wealth Management in January 2021

Shawn Johnson became CEO AMP Capital in June 2021.

Rebecca Nash replaced Helen Livesey as Chief People officer in Nov 21.

Sean O'Malley became CEO of AMP Bank in September 21.

Felicia Trewin was appointed Chief Technology Officer in March 2022.

ASA focus issue (not discussed under remuneration report or re-election of directors

There is a Minimum Shareholding Requirement that Directors have 1 year's fees after 4 years and they are expected to purchase 25% of their base fee each year. In general directors are very light on in share purchases. This may be partly due to the decrease in share price and blackout periods due to price sensitive information. Very little purchase action is occurring, and this should be addressed. John O'Sullivan while leaving was due to have at least $204,000 of shares given his nearly 4 year tenure and was well below half that.

NED fees were reduced by 15% in August 21. Overall, the director fee pool has had a 23% cost reduction year-on year which with the scale down of the company, post the sale of businesses, will be reviewed again.

Summary

(As at FYE)	**2021**	**2020**	**2019**	**2018**	**2017**
NPAT ($m)	(252)	177	(2467)	28	848
UPAT ($m)	356	233	439	680	1040
Share price ($)	1.10	1.56	1.91	2.45	5.19
Dividend (cents)	0	10	0	14	29
Simple TSR (%)	(29)	(13)	(24)	(33.5)	8.5
EPS (cents)	(7.6)	5.2	(79.)	1.0	29.3
CEO total remuneration, actual ($m)	De Ferrarri 7.65 George* 2.94	6.75 stat 2.2	5.23^	NA	4.07

*Includes sign on payments and only partial year payments for George and De Ferrari, ^De Ferrari commenced January 2019, NA due to 2 CEO's & 1 acting during 2018

Item 2a	**Re-election of Andrea Slattery as a Director**
ASA Vote	**For**

Summary of ASA Position

Andrea Slattery was appointed to the board in Feb 2019. Andrea has an impressive resume with experience across financial services, retirement and superannuation, government and clean energy and infrastructure. She co-founded and ran the SMSF Association from 2003 to 2017. Andrea is Chair of the AMP and AMP Bank Audit committees and is a member of the nominations, risk and remuneration committees. She has ESG training from Competent Boards.

Andrea is a director of Argo Global infrastructure, Centrepoint Alliance Ltd, Clean Energy Finance Corporation and deputy chair Woomera Prohibited Area Advisory Board. This is a heavy workload ASA would like her to speak to the meeting about this.

Andrea has 139,975 shares and has purchased 54,500 of those in 2021, she is on track to meet MSR.

Item 2a	Election of Michael Hirst as a Director
ASA Vote	For

Summary of ASA Position

Mike was appointed to the board in July 2021 He is a member of the audit nominations and risk and remuneration committee, AMP Bank Ltd board and Audit committee. He has a retail banking, funds management and financial markets background. He was MD of Bendigo Adelaide Bank for 9 years. The ASA would like him to speak to the meeting as to what he specifically brings to the board.

Current Directorships include: AMCIL Ltd, Butn Ltd.

At the present time Mr Hirst has no AMP shareholding. ASA would like to see more skin in the game from all directors. We consider not having started to accumulate any shares after 10 months on board a concern in terms of lack of alignment with shareholders.

Item 3	Adoption of Remuneration Report
ASA Vote	Against

Summary of ASA Position

The new CEO was allocated sign on payments of $4.09m at face value spread over 4 years with a cash payment of $732k to compensate for short term incentives (STI) lost in her previous role at ANZ. The ASA does not like sign on payments without performance hurdles although we acknowledge there is deferred equity over 4 instalments (see paragraph below) in the STI component. De Ferrari was paid 6 months in lieu of notice of $300,000,000 and a $375,000 relocation fee. No STI was paid, eligibility for long term incentives (LTI) are still on foot.

Retention payments of $450,000 were made to James Georgeson, and David Cullen and $420,000 to Phill Pakes. The ASA does not like retention payments but due to the difficult situation that AMP finds itself in especially relation to retention of staff in the current competitive jobs market but also in relation to the asset sales, it is understandable to see these occurring. Perhaps necessary to maintain stability and for optionality around the sale of the many parts and earn out payments. We would not like to see this continue however.

The short-term incentive (STI) for the CEO has a 40% cash component paid immediately and 60% equity deferred over 2 and 3 and 4 years. The target is 100% of fixed remuneration (FR) and maximum is 200% of FR. (This seems high especially for a STI measured over a 1 year period) The STI appears to have no financial gateway and the scorecard financial measures make up only 30%. The ASA's view is that no STI should be paid unless a financial gateway has been met and there should be more emphasis placed on LTI's.

LTI equity rights are allocated at face value to the value of 100% of FR. It is measured over a 3-year period with a further 1-year restriction on trading. There is only one performance measure which is based on TSR of the ASX 100 financial services not including REITS. ASA requires that a company should have two financial hurdles for an LTI scheme.

The financial achievements of the company have been poor over the last 5 years and long term shareholder returns abysmal, with significant capital losses. The ASA appreciates the substantial transformation of the company that was needed after the Royal Commission and the difficulties that have been overcome and in some parts turned around by the current board especially in regard to cultural change and remediation.

The board feels that what has been achieved should be rewarded and will in the long-term benefit the company financially. ASA's view is that the maximum STI potential should not exceed the CEO's Fixed Remuneration and that a CEO's remuneration should genuinely be at risk through the LTI.

Item 4	**Approval of CEO Alexi George's Long-term incentive for 2022**
ASA Vote	**Against**

Summary of ASA Position

To approve the grant of 1,818,278 performance rights to the CEO for LTI for 2022 face value of $1.715M purchased on market. The Face value is measured using VWAP 10 days prior to Jan 1 and will vest subject to continuous employment and inline with the LTI measures against relative TSR of ASX 100 financial services, not including REITS.

The ASA would like to see further alignment with shareholders with an additional financial measure (see item 3 above) and will therefore be voting against Item 4.

Appendix 1
Remuneration framework detail

CEO rem. Framework for FY 2021	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	1.715	33.3	1.715	25
STI - Cash	.686	13.3	1.372	20
STI - Equity	1.029	20.0	2.058	30
LTI	1.715	33.3	1.715	25
Total	5.145	100	6.86	100

*George partial year The amounts in the table above are the amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.