

**Company: AMP**

**Peter Mason:**

Well ladies and gentlemen, a very good Melbourne morning to you all. What a beautiful morning it is out there. Crisp as can be, sunny. Just as we expect in Melbourne. Some of my colleagues went for a walk early this morning and were saying it was a touch chilly. Just right for this time of the year. Now, there are a few people still coming in, but I think it's timely, it's ten o'clock so we should make a start. So can I very formally welcome you here to this AMP annual general meeting, and just let you know that my name is Peter Mason and of course, I'm the Chairman of the meeting today. A quorum is clearly present, so I'll now formally open the 2014 annual general meeting of AMP Limited, and certainly extend a very warm welcome to all of you here in the room and to those of you who are on the webcast around Australia. Thank you for joining us all in Melbourne, where of course we have a special affinity, not only because so many of our customers are resident here and so many of our staff, but we have undertaken that very successful merger with AXA, which is of course Melbourne based, and so Melbourne, as a business hub for us, is increased in importance.

With me on the stage this morning is the full board of directors of AMP Limited, and I'm going to introduce them to you, starting from the end. On my left we have Brian Clark, who is a member of the Nomination Committee and the People and Remuneration Committee, and has background in, amongst other things, telecommunications. He was at Vodafone in Australia, Japan and the UK over a long time, extensive experience in what is now the hub of social media. Next to Brian is John Palmer, Chairman of the People and Remuneration Committee. John, of course, is from New Zealand and spends more of his time in Australia it seems John these days than you do in New Zealand. A wonderful contributor.

Next to John is our newest board member. We're delighted to welcome Trevor Matthews today. Trevor's an Australian who's, and we'll hear a little bit more about him later, lived in Canada, Japan, the UK, has extensive experience in the life insurance industry. And next to Trevor, Patty Akopiantz, who is up for re-election today. Patty is a member of the People and Remuneration Committee. And next to me is David Cullen, our stalwart Company Secretary. On the other end, Professor Peter Shergold, who is a member of the Audit Committee and the pot of general wisdom. Next to him, Paul Fegan, the Chairman of the Audit Committee, who keeps a lot of us on our toes. Catherine Brenner, Chairman of the Nomination Committee and Chairman of the life insurance subsidiary, which is a significant role.

And then, very importantly, Rick Allert. Rick is of course actually from Adelaide, but again is one of those who spends a significant amount of his time in Melbourne and has held various very important roles in Melbourne based companies, including having been Chairman of Coles for a very long time. Rick, as you know, is retiring from the board at the end of today's meeting. He's a good bloke. He's made an invaluable contribution to the company over the three years he's been on the board, steering, mentoring the integration of the AMP and AXA businesses and cultures. He'd been for 16 years a Director of AXA and for 11 of those years he'd been the Chairman, so he knows the business pretty well. His understanding of the business was really integral to the success of the integration and his contribution to the board was way above that in terms of his deep-seated knowledge of the financial services industry and his extensive business experience. So on behalf of the board, and I'm sure of all of you as shareholders, we'd like to thank you Rick for an enormous contribution to this company, to commercial life in Australia generally, and very specifically, to the integration of AXA and AMP, and we

thank you for your collegiality, your wit and your wisdom, and we wish you all the very best for other things you might be doing.

Now, sitting next to Rick is Simon McKeon. As you will be aware, I'm retiring myself at the conclusion of this meeting, and Simon will become the Chairman of AMP. I know he will do an outstanding job leading the board and leading the management team. We'll hear from him shortly. I'd just like to record that I have found it a great honour to serve on this board – an honour and a privilege. It is indeed one of Australia's great companies. I joined AMP at a challenging time in the company's history, when we determined to separate the Australian businesses from the UK businesses, which was an enormously demanding thing to do in capital terms and in operating terms. And since then of course, we've managed our way through the Global Financial Crisis, which was again a bit challenging to say the least. We've adapted to a swathe of new regulation and we have completed the successful integration with AXA. It has been, to say the least, an interesting journey.

Throughout all of this, AMP and its leadership and the people who make it all happen, right down and through the planner network out to dealing with the customers, have reinforced the noble purpose that we have of looking after people's tomorrows of securing their financial future. Over this last year, and it's taken me some time to get to this, but the point of what I've just said is that over this last year we've transitioned very smoothly from one Chief Executive, whose name is Craig to another Chief Executive whose name is Craig, from Craig Dunn to Craig Meller. This transition is now complete, which means it's the right time for me to hand over to Simon and I am delighted that we can welcome Craig as the new Chief Executive Officer, Craig Meller.

Craig took up the role in January. Craig Dunn is not here with us today. He sits on the Financial Services Inquiry and is more than somewhat occupied in that role let me tell

you, but on behalf of the board and I'm sure of you all as shareholders, I'd like to take this opportunity to formally thank Craig Dunn for the exceptional stewardship he provided AMP during his six years as the Chief Executive. Craig is a man of fundamental values, of honour and integrity. He led AMP with distinction during a challenging period. He was a safe pair of hands, an imaginative mind. He was the right leader at the right time for AMP. Under Craig's leadership, AMP became a stronger company with the determination always, as far as he was concerned, to make it a stronger company to undertake the job of ensuring that we honour the noble purpose of developing people's tomorrow financial strength and their ability to live the lives they should.

Craig Meller is another very capable leader who will drive AMP forward and capitalise on the strengths that the company's built. He joined AMP in 2001 and most recently held the position of Managing Director of AMP Financial Services, which is our largest business unit. The board has great confidence in Craig's ability to guide AMP well. We've worked with him now for, well in my case, the full time on the board, and we really appreciate the strengths he has as a leader, and as an industry leader as well as a corporate leader. We'll invite Craig, of course, to address the meeting a little later on.

Now, on the screen is an overview of our agenda for this meeting. Firstly, we'll hear from Simon, as the incoming Chairman and then we'll hear from Craig on the business performance and on his plans for the future. We'll then come to the items of business, and that will be your opportunity to express your views and to ask questions and make comments, and I would of course ask you in the interests of ensuring that everybody gets an opportunity to speak and that we can traverse the full range of the resolutions we have to get through today, you keep it brief and to the point. So let's start by hearing from our incoming Chairman, Simon McKeon.

**Simon McKeon:**

Thanks Peter and good morning ladies and gentlemen. As a Victorian, can I just say how delighted I am that today's AGM, which is actually a significant one for both Peter and myself, is being held in this great city and as we started off with, thanks for coming here on such a brisk morning.

I'm very conscious of the responsibility and the honour of chairing the board of AMP, and I am looking forward to both the challenges and of course the opportunities ahead. Peter has set a very high benchmark as AMP Chairman over the last eight years, guiding the organisation through a period of profound change with a calm strength, and as his fellow directors and the management team have continually observed over that period, he's done it with the highest level of integrity, outstanding statesmanship and a deep insight that actually very few have.

His achievements at AMP are significant and they include ensuring the capital strength, security and viability of this company during the worst global financial downturn since the Great Depression, at a time when our largest competitors, the banks, enjoyed the benefit of government support and guarantees, which we didn't; developing successful internal candidates for the important role of CEO and managing to very smooth successions from Andrew Mohl to Craig Dunn in 2008 and recently through to Craig Meller; negotiating a complex merger with AXA that is seen by many observers of corporate activity as one of the most successful integrations in recent history; guiding the organisation through huge changes in the regulations governing how we work and serve our customers; supporting a successful expansion into Asia where we now manage over \$7 billion of assets for our clients; and ensuring of course, timely renewal of the board itself.

Of course, it's impossible to do justice to Peter's record in the short time I have this morning, so I'll simply say on behalf of the board, management and, indeed, all of you here this morning, thank you Peter. We are very grateful for your service. Peter, you are not the most, from a physical perspective, imposing person that's ever walked this earth, and I'd suggest that if you ever have the opportunity to have a physical scrap with James Packer, you walk the other way. But you do leave very large shoes for me to fill. Thank you Peter.

I was particularly humbled when I was approached, out of the blue, to join the board of AMP last year. I am fortunate to be approached, like many of you, to join all sorts of organisations and frankly, I often have to say no. All of you will appreciate that it's a privilege to be asked to become involved in something special, and equally, if we choose to accept, it is important to be properly committed. I have only one public company directorship, that's of this company. The reason I said yes, and the reason I was humbled to be asked, is that this is a very special organisation. It has a long and proud history. At 165 years old, it's one of the oldest Australian-owned companies. It is iconic. People of my generation have grown up with 'the AMP' as it has invested in and grown with Australia. Today, it's one of the best-known brands throughout the country. Most importantly of all, it serves as a steward of the financial futures of millions of Australians and New Zealanders, and increasingly others offshore as well. That, for me, is a very, very important responsibility.

Australia, like much of the world, has a date with demographic destiny. The ageing population will have a profound impact on our communities, our economy and our individual lives. That impact holds both challenges and opportunities. A little over a century ago, in our parents or grandparents' lifetimes, our life expectancy was in the mid-50s. Today, it's 84 and still climbing. According to one medical source I'm aware of, a

baby girl born this morning in one of Melbourne's better hospitals, has an average life expectancy of 103 years and eight months. This is one of the most rapid evolutions of any species on the planet ever, and of course, one of humanity's great achievements. It will continue with the help of health and medical research.

But like all evolutions, it has important consequences and one of those is how we adequately manage our increasing longevity as a society in both health and wealth. That's clearly been the subject of community debate recently in the lead up to the Federal Budget, particularly with the aged pension. I expect this wider discussion to continue as we work through what is largely unmapped territory. AMP is right in the middle of this evolutionary transformation, looking after the financial futures of many, many Australians. I believe this company has a responsibility and a capacity to play a leading role in helping our community manage this transformation well, and reap the benefits accordingly, and I am passionate about that.

Of course, we also understand that this is a huge challenge. We know we won't be able to respond well to this challenge unless we make significant changes to our business. Success in the future will demand very different ways of operating compared to the past, and so we have a new strategy for growth at AMP, announced last year, and which Craig Meller has driven and he is presently vigorously implementing. This strategy builds on the strengths we have created in the company over the past decade and addresses our key weaknesses.

It's a strategy that's driving a much more intense focus on our customers and what they need from us, so that we can become more agile and responsive as a company and more resilient to market changes and turbulence. It's also a strategy that addresses parts of our business that require renovation, sooner rather than later, like our life insurance business. Craig will take you through that in more detail in a moment.

But simply put, the current business model for life insurance in Australia needs to change. We need to play a major role in this to help customers better understand the real benefit life insurance offers and to make it more affordable, easier to access, easier to understand. It remains a critically important form of protection for many of us at certain stages of our lives. This is not a quick fix, but it is something we are intensely focused on achieving. Getting this right will help our customers and the community more generally, and I believe it will lift an unacceptable drag on our share price. The board unequivocally believes this is the correct long-term strategy for AMP. It will drive stronger profitability in our business, improve our return on equity and ensure we deliver on our promises to our customers and to you our shareholders.

I have spent the last 12 months getting to know from the inside a company I have long admired from the outside. What I have seen are very, very good people doing well in a competitive environment, very intent on doing the right thing by their customers and their shareholders.

But no organisation is perfect.

There are things we need to change, things we need to do better, things we need to stop doing, and things we need to start doing. Some of this stuff won't be easy, but they will be well worthwhile. Thank you. And I'll now hand over to Craig Meller.

**Craig Meller:**

Thank you Simon and thank you Peter, and good morning ladies and gentlemen. It's an absolute pleasure to be here at my first AGM as Chief Executive of AMP. And I think the fact that I'm only the 21<sup>st</sup> Chief Executive of AMP in its 165-year history, is a clear testament to me of the privilege and the responsibility that comes with leading this very great company. I'd like to thank both my predecessor, Craig Dunn, and our Chairman, Peter Mason, for their leadership and commitment, particularly over the past six years or so. Over this period, AMP has had to cope with significant and unusual market disruptions, beginning with the Global Financial Crisis in 2007 and extending to the structural upheaval in the life insurance market more recently. Now, we know we can't control external shocks like these, but we can control how we respond, manage and even capitalise on them where there are opportunities to do so, and the leadership provided by Craig and by Peter, has enabled AMP to do this effectively.

As a result, we now have a very solid platform on which to base the next stage of our growth and development. Today's AMP is the leading independent wealth management company in a \$2.2 trillion market – also a market that is on course to double in size over the next eight years. We are a very strong, secure company with a robust balance sheet, with over \$2 billion more shareholder capital than required by our regulatory authorities. And that's very important to us, because it is the key underpin of our brand and our customer promise.

Maintaining the strength and security, so the people who depend on us can be secure, has been a big focus of ours through the turmoil of the Global Financial Crisis and its aftermath.

Thanks to our merger with AXA, we have significant scale, market-leading products and number one positions in our key market segments. We are solidly placed, but we know we can't afford to be complacent.

To maintain and build on our position, we need to continually change and to transform ourselves, because the world around us is changing rapidly, and our customers are demanding more and different things from us.

You can see both the strength of our competitive position and the impact of this changing world in our 2013 financial results.

For AMP it was a year of many successes, but also some significant challenges. 2013 was our best year for net cashflows since before the financial crisis, with \$2.2 billion in our Australian wealth management business.

We also had record results from AMP Bank. Indeed, those trends have continued into the first quarter of this year, with growth in both wealth management net cashflows and our mortgage book announced to the market this morning.

We also grew our financial adviser franchise in 2013, cementing our position as the largest advice network in Australia and New Zealand, with around 4,400 financial advisers.

We completed our integration with AXA and we successfully delivered on all the changes required in our business by new regulation; and finally, we continued to expand our investment management capability in Japan and in China. But these many achievements were offset by real challenges in the life insurance business, where higher than expected claims and policy lapses significantly reduced profits in that part of the business.

These are problems that everyone in the industry is grappling with.

It's happening because people are changing the way they think about and use personal insurance, like life insurance and income protection.

People are shopping around much more than they ever have done, and they're changing their policies more frequently.

As households come under financial pressure, more people are reducing their insurance cover or cancelling their policies altogether, and people are making more frequent claims across all types of policies and the cost of these claims is increasing, partly because in tougher economic times, it takes longer to get people back to work.

Insurance has always been a cyclical business, but some of these changes in customer behaviour and expectations are not part of a normal business cycle. They are new and they are very likely permanent, and that's why we believe the existing business model for personal insurance in Australia needs to change.

As the leading personal insurance company in the market, we are putting huge efforts into resolving these issues and developing new products that work naturally with how people think and behave. So far, in the first quarter of this year, our experience of both insurance claims and policy lapses has been broadly in line with what we expected.

We know that improved claims management can make a material difference to our profits, and that's a very big area of focus for us. We recognise that restoring the profitability of this business will be a significant challenge and it won't be achieved quickly or easily, but we are confident that we have the size, the expertise and the capability to deliver a much better performance in this part of our business over the medium term for the benefit of our shareholders and our customers. Indeed the techniques and the approaches we are using to re-engineer our insurance business are part of the new strategic focus of AMP that Simon outlined.

We are orienting ourselves around the changing customer behaviours that we see, to understand better what customers now want and need, and to deliver it in a way that they value. We believe a stronger customer focus will ensure we stay close to customers in a rapidly changing market, compelling us to become more agile and responsive and improving our operating resilience no matter what the market conditions.

We have begun a comprehensive program to transform our core Australian business, to broaden our channels so that customers can access us more easily in more ways, to redesign our advice business so that we can provide more people with the financial advice they need and want, to invest in beta-analytics so we target high value customer segments more efficiently and more effectively, and to develop new design capabilities built on how people actually behave.

We know that doing this well will deliver real value to you, our shareholders. For example, better targeting delivers lower customer acquisition costs, and better designed products and solutions mean we deliver better value propositions to a broader range of customers who are more loyal and buy from us.

All this means more satisfied customers and stronger revenue growth.

At the same time as driving top line growth we are also improving the efficiency of our business in order to ensure that we capture the full benefit of the growth that we will be achieving.

So we are investing \$320 million over the next couple of years to take \$200 million out of the recurring cost out of our business by 2016. This will allow us to meet our customers' expectations about value for money, while also reinvesting in new customer solutions and delivering better returns to shareholders.

We will also continue our targeted offshore growth through our investment management business, AMP Capital.

Our strategy here is to build partnerships with national champions in key Asian markets, and target pension funds both here and overseas. We now have very powerful partners in the two largest saving markets in the world, China and Japan.

In Japan, our partner is a leading trust bank called MUTB, which is part of the Mitsubishi Financial Group. Through this partnership we have access to 80 per cent of Japan's institutional investors and 14 per cent of the country's retail, high net worth and banking networks.

In China, our partner is China Life, the largest listed insurance company in the world. With this partner we moved quickly last year to take advantage of changing regulations in that market around funds management and were the first to bring a new mutual fund to market under these regulations.

In January this year, that fund raised over \$2 billion in its opening offer. Frankly, we are delighted with how our relationships with China Life and MUTB have grown and developed and the early successes that we've seen.

So, to sum up, our growth strategy is focused on the Australian wealth management market where we are already well-positioned, because it is a large market and it is a fast-growing market. We need to transform our core Australian business to capitalise on this growth by focusing more intently on our customers and making our business more efficient. At the same time, we are taking a longer term view on growth by investing selectively in Asia and internationally, taking a low capital, low risk approach.

In essence, our strategy is about people and how we can help them. I've been working at AMP for more than a decade now and while many things have changed in that time, the one factor that remains unchanged is our sense of purpose: that we are here to help people live better lives.

That's what we call our promise, helping people own their tomorrow, to feel secure and look forward to the future with confidence because we help them solve their big financial issues: owning their own home sooner, ensuring they save enough money for a comfortable retirement and helping protect themselves and their families in case of tragedy or tough times.

That's what we've been doing for 165 years, and that's what we are doing for many people today. Our new strategy is all about making sure that we do this more consistently for many, many more people. I know that when we do this successfully, consistently for more people, we will drive stronger growth and profitability for our business and better returns for our shareholders. Thank you [applause].

**Peter Mason:**

Thank you Simon and Craig, you can see why we are pleased that we've appointed them to their respective roles, can't you?

Now to the formal business of the meeting, and let me remind you that the minutes from last year's meeting are available in the foyer. The items of today's meeting are set out in the notice of meeting. Item 1 relates to the 2013 statutory reports contained within the 2013 Annual Report and does not propose a resolution. Items 2 to 4 set out proposed resolutions to be considered and voted on during the meeting. To assist with the efficient conduct of the meeting I declare that each of those proposed resolutions is now properly before the meeting. At the appropriate time we will proceed with the discussion of each of the resolutions. Each item will then be put to a poll. We will be using electronic handsets to run the polls and I'll outline more details of this process before the discussion on item 2.

If you'd like to ask a question during the meeting, please make your way to one of the microphones that are in the room. There are two here in the centre and another one up the back there. Please note that only people with a voting handset or a grey card are able to speak at today's meeting. Please take these cards with you when you approach the microphone so that our attendants can record the details. If you have any questions about your products or services, please speak to the staff at the customer and shareholder centre in the foyer outside this room.

Turning now to the first item of formal business for today's meeting, which gets to the Annual Report, the Directors' Report and the Auditors' Report, the purpose of this item is to discuss the 2013 statutory reports contained in the Annual Report, which is the big one and looks like this. The shareholders who have requested it have received a hard copy of

that report, but most shareholders will have received a copy of the shareholder review, which is frankly much more user-friendly.

Before I open the floor to discussion, I would like to introduce Tony Johnson over here on the right, from Ernst & Young, who is here today in his role as AMP's auditor, so you'll be able to ask Tony any questions about the audit for the 2013 accounts.

So I now open the floor for questions and comments on the various reports and on the management of AMP. Please note we will focus specifically on the remuneration report in a special item later in the meeting. So anybody who would like to ask a question, or make a comment, please move to one of the microphones. Are we turned on? Good. I can hear that.

**Speaker:**

Mr Chairman, I'd like to introduce Mr Gavin Moreton from the ASA.

**Peter Mason:**

Good morning Mr Moreton. Are you able to see?

**Gavin Moreton:**

Yes.

**Peter Mason:**

I can see you very well. I think we've turned the – can you now see us?

**Gavin Moreton:**

Vaguely.

**Peter Mason:**

[Laughs] We are here I can assure you. Maybe you can look up on the, well look, you can see yourself on the screen.

**Gavin Moreton:**

[Laughs] I'd rather not.

**Peter Mason:**

Mr Moreton I should let you know that I am myself a member of the Australian Shareholders' Association, so I congratulate you on the work you do.

**Gavin Moreton:**

Well, we have another meeting here with the, basically a type of pro bono organisation.

**Peter Mason:**

Yes, you are and a lot of work is done. I've met with a couple of your colleagues in Sydney after we published the reports, so we know just how much work you do, do.

**Gavin Moreton:**

The first question is to do with, I'll ask two questions then I'll sit down and let other people...

**Peter Mason:**

Thank you sir.

**Gavin Moreton:**

I'll try and make them as brief as possible. There has been a decline in the wealth protection part of the business and I guess this didn't just happen overnight, was there some kind of problem in seeing this thing developing? It seems to have happened more recently, was there some flaw in the reporting?

**Peter Mason:**

Thank you. Now would you like me to, I'll take them a question at a time, even though, I'm very happy if you are with that. The answer to your question, well firstly let me thank you for the question, because it is **apposite**[?] and it's right at the heart of the downturn in earnings we had this year. Our earnings were disappointing and it was for two reasons: one was beyond our management and the way we handled the risk around our invested funds, interest rates were down and so our investment earnings were down very

significantly, about \$100 million and that is a simple market forces and it's a reflection of the choice that we have as to how we distribute our assets, but it's perfectly understandable.

In relation to the wealth protection business, and I'm going to ask Craig, who has, indeed both Craig and Simon talked about what we are doing about this for the future, and I'll ask Craig to respond after me, but your very forthright question about whether this was a flaw in the systems. I think it's fair to say that to some extent yes. It wasn't a technical flaw in that the reports came through the way they should in a technical sense, but the timeliness of the reporting and the speed of adjustment to some of the trends that had started was inadequate, as far as the board is concerned and indeed as far as the senior management people are concerned. It has been, as you all I think would be aware, an industry-wide trend, no doubt about that, but as the industry leader we feel that we could have and should have been more perceptive and able to tackle it more rapidly than we did.

On the other hand, we have attacked it now with gusto and while by no means can we be confident that we know specifically what the trends will be, we are putting an enormous effort into it and have devoted significantly excess resources to it. So let me just now pass to Craig and ask if Craig might like to expand upon that?

**Craig Mellor:**

Thank you Chairman, and good morning Mr Moreton and thank you for your question. One of the challenges in an insurance business, and it sounds a little trite, **but the reality is we don't die to order**, and the rate of claims in an insurance business will naturally go up and down and there will be some variance over a short period of time. So one of the challenges for any life insurance company is always to be looking at the claims experience to work through what is a trend and what's just a natural variance.

I think we've done a lot of soul-searching as a business in saying, "how could we have identified these trends much more quickly and how could we have reacted to them more quickly?", and one approach that we've been taking now, which with the great benefit of hindsight we may have implemented earlier, was looking much more broadly around markets around the world and looking to see if other countries have had similar experience, and if you like, what could we learn from them?

I'm pleased to say that over the last year, we've focused very intently on three markets in particular, Canada, the US and South Africa, where they have been through a very similar experience, and if you like, have been adopting their best practice management, their claims management practices, to ensure that we get the life insurance back to the sort of profitability that we expect.

**Gavin Moreton:**

This leads to the question, that is when do you expect the earnings of the wealth protection part of the business to recover? It doesn't look as if it's going to recover in 2014.

**Craig Mellor:**

Absolutely. If we look at the high-water mark of the wealth protection profits, which is in 2011, we would expect it to be some time before our business can get back to those sorts of levels of profitability. Unfortunately, the challenges in the book can't be worked out overnight if you like, it's a long, hard graft and something that we would expect to restore certainly over the medium term.

**Gavin Moreton:**

Thank you for that. Look I'll just raise a comment not a question, and that is that the ASA receives emails from members of the general public and they ask for the monitors, like myself, to raise these at meetings like this, and there was some comment from, I

think it was Craig, on customer relationship and all this, you know? Build them up, understand them better, be more flexible and so on. This is from, I don't know if he's one of our members, but he said he'd contacted, he's a major shareholder by the way, he contacted the customer service of AMP and asked him how he could "own tomorrow"? The reply was, "what is your policy number?" [Laughs]

This is ground floor level remember, and that's what the business is, it's what the customer experiences you know? Your officer was polite and he couldn't tell him anything about the grand plan to better understand customer needs. He says, "It took the outgoing CEO ten years to understand the importance of the existing policy-holders." I don't think that's a fair comment. He said, "If I was at the meeting I would ask, in the light of the ongoing poor performance, why haven't the director fees and senior management salaries been reduced by 50 per cent?". The only reason I mention this is that when we come to the election of the directors, there is a certain amount of angst among the shareholders as to how the company is performing. Of course, it's emerging, you know, in emails like this. I'll stop at that point and someone else might like to [applause]...

**Peter Mason:**

Thank you Mr Moreton, and we'll certainly, we record those comments. It's always a disappointment to me when people like the individual you just mentioned don't get in touch with us when they have an experience at an operating level to let us know so we can be more direct. Hearing it third hand effectively is not, there's little we can do except wonder whether there was some wry wit going on between the two people who were having the conversation there. Do we have another shareholder?

**Speaker:**

Mr Chairman, I'd like to introduce Lucy McIntyre.

**Peter Mason:**

Good morning, Lucy McIntyre, do I call you Mrs, or Miss?

**Lucy McIntyre:**

It doesn't matter.

**Peter Mason:**

Well you call me Peter and I'll call you Lucy.

**Lucy McIntyre:**

Thank you. Mr Chairman, I would just like to ask why since the dividends have been disappointing AMP Services gave to the Liberals 11,000 and then 22,000, and then to Labor 8,000 and then 20,000. I'm a little bit mollified because Labor got less, but I think it's our money and I don't like political donations [applause].

**Peter Mason:**

Oh, well can I say to you those figures are news to me and I'd be interested if anybody else can – where did you rec-..? It was in the newspaper was it?

**Lucy McIntyre:**

No, it was on the electoral office website.

**Peter Mason:**

Oh, they would have been lunches of some sort that were attending by AMP representatives or executives, so I understand where you are coming from. We have a very strict no donations policy. On the other hand then, and that, sorry full-stop, but let me explain that of course there are times when it's important that we participate in the political system, particularly in relation to policy development and there are members of parliament who have particular portfolio responsibilities, or interests in some things that are very important to AMP, either as a corporation, or to AMP policy-holders, or shareholders. Of course we attend functions where it's sensible for us to do so, we

absolutely have an ethos of being balanced in that, and while you can't do it as a corporation of our size, on an annual basis if you like, because it does to some extent depend which parties are in power and the movement of what's happening in relation to legislation and so on. Yes, we will unapologetically, you would expect us to have people who are engaging in the process in that way. Let me emphasise that we have a policy of no donations. Thank you. Do we have any other questions? Otherwise, Mr Moreton you might like to, oh, there's a gentleman standing at the back there. Sir, there's a microphone over there in the corner, which might be difficult to get to.

**Speaker:**

Mr Chairman, I'd like to introduce Mr Paul Brandt.

**Peter Mason:**

Morning Mr Brandt.

**Paul Brandt:**

Good morning Mr Chairman. I'm just interested in Craig's comment about people not dying to order. I must confess I haven't read the Annual Report, but I just wonder is our mortality rates increasing or decreasing? In which case, if they're decreasing, well you should make more money on the life insurance policies and less on the annuities, and vice versa, so...

**Peter Mason:**

Sir, I'll ask Craig to answer that question.

**Craig Mellor:**

Thank you Mr Brandt that's also a very clever question, a very smart question. So there's a couple of trends happening, one is, as we know there's an ageing baby-boomer population and therefore the population as a whole is getting older, so whilst we are living longer, the bubble of boomers is reaching the age where we're seeing mortality

rates as a whole lift a little because of that, so that's the first impact. The second impact for the life insurance industry has also been quite a significant increase in the claims rates for what we would call income protection policies, so these are disability policies, if you like, rather than absolute mortality policies and there's also been a significant increase in that area that's given rise to much of the problems in the life insurance business.

**Paul Brandt:**

Thank you Craig.

**Speaker:**

Mr Chairman, I'd like to introduce Mr Carne.

**Peter Mason:**

Morning Mr Carne.

**Alfred Carne:**

Good morning Peter, Alfred Carne here. I'd like to ask does AMP have any plan to limit income of banks? Because the banks are certainly moving into the financial and the insurance businesses.

**Peter Mason:**

Mr Carne, how right you are. We are blessed with having AMP, and I say blessed with having AMP Bank because it has been performing so wonderfully well. A big increase, 35 per cent increase in profits last year. AMP Bank is a very small bank compared to the big four. It is a bank that has been owned by AMP over, in various iterations of partnership over some 15 years and maybe longer than that, certainly well back into the 1990s. Unfortunately, for a significant portion of its life it didn't fit well into the AMP organisation, and the nature of the lending it could do put it, if you like, to competing at the more risky end of the market given the structure of the industry, and so it didn't flourish and in a risk control sense it was purposefully kept very small and out of sight.

Over the last few years it is working wonderfully well with the AMP Group in terms of providing facilities relating to mortgages and those sorts of things, some small business and in particular relating to the superannuation business, taking deposits from superannuation funds and providing facilities for the sort of things that some people do around property and superannuation funds, and as I say some designated small businesses, and it's thriving.

We have from time to time, but not in recent times, contemplated as to whether we should expand ourselves looking at the way that the banks are evolving and looking at particularly, we have an oligopolistic structure now with de facto government support for those banks which gives them a very competitive position, not only in the Australian marketplace but internationally, but for the time being we feel that one of the real distinctions that we have as a wealth protection business is that we are not a bank. There are a lot of people who would prefer to have somebody who's concentrating on the long term and concentrating on building people's net wealth for the future, and AMP gives full attention to that, that's our noble purpose.

So yes, a thriving bank but no we don't intend to change the overall structure. Anything, Craig, you'd like to add on that? You might tell me that you've decided you'll double the size of the bank tomorrow.

**Craig Meller:**

No, we're very confident about the future growth prospects for AMP Bank. As Peter said, it's been performing very strongly over the last three or four years. I guess the one area where we think there's significant opportunity, is that traditionally our financial advisers haven't been in the market of providing advice around that management, cash flow management and mortgages. In fact, only 20 per cent of the mortgages that AMP

Bank writes come through our own financial advisers, so growing that capability within our advisers is a significant growth opportunity for AMP and for AMP Bank.

**Peter Mason:**

Thank you.

**Speaker:**

Mr Chairman, I'd like to introduce Paul Cohen.

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**Conference 729166**

**Company: AMP**

**Paul Cohen**

In the business, but I've only got the review, I haven't got the full one. In the business performance report you say that you've exercised tight cross controls with controllable costs down 2.6% on 2012. But if you look at page three, the summary, the performance measures as you call them, it says here that the cost to income ratio is up 2.1 percentage points, 47.3 to 49.4. Now to my analysis if the controllable costs were down and the cost per income in total was up, you must have quite a major increase in controllable costs.

Now if that's the case...

**Peter Mason:**

I'm right with you and the lamentable fact is that when you get to the numerator and denominator in this equation, the costs were down, but the income was down even more and so the reason the ratio is not as good as we would hope it would be, is because our income was too low. So the costs fell, income fell by more and therefore the cost income

ratio decreased. I better check that that's right, I wouldn't like QBT to tell me I've misunderstood. No I think that's pretty clear. Thank you sir.

**Paul Cohen**

I've got another one, AMP and a lot of other companies also do the same thing. You say their dividend reinvestment plan shares will be brought on market, so that's <audio glitch>, the value of existing shares and I commend that, but to my way of thinking, why bother having a dividend reinvestment plan at all? Because I know technology and mainly pressing a couple of keys and that's it, but there would be still some administrative expense and also as you just explained and I mentioned, you're quite proud of the fact that the controllable costs are down. To my way of thinking that's one aspect you've completely wiped out, because it's not doing anything to your capital, it's only giving something if you like another cost. And if someone, including myself if I wanted to go and buy some shares, well go and buy them. So I just can't see any use of having a dividend reinvestment plan when it's not in any way affecting your capital base.

**Peter Mason:**

Mr. Cohen thank you for that and let me assure you it's a matter much debated around management and the board as to whether we should persist with the DRP. The fact of it is that in the way the system does work, it does effectively increase the capital base and we have been as you know since the GFC and during a period of very significant change in regulation and legislation relating to the capital base of financial institutions, very conservative in the way we've managed our capital. Our mantra for quite some time was that we would rather have more capital than less, which and what we meant by that was we'd rather suffer the consequences of having excess capital and therefore a lower return than finding ourselves in a position where we didn't have sufficient capital and had to raise it in a hurry. But I can assure you that each six months when we undertake the DRP

we do consider it. The administrative cost is really not the issue, but it's one of the things that we take into account, the real question is what is the implication for our capital base? It is a matter I repeat that we address every six months and very interested to have your feedback, because one of the things we do take into account is that we have 850,000 shareholders, and a lot of them are very small shareholders who quite like having the DRP as a facility, an easy facility for them. They don't have to do anything to gradually increase their shareholding in the company, because that happens as the dividend is automatically invested. So there is definitely that facility element as far as the shareholders are concerned and we do surveys to see how important it is to them. But I hear what you say.

**Paul Cohen:**

I'm not opposed to having a DRP, in fact I myself use it in a couple of other companies, but and I hear completely what you say about the capital base, I'm not in any way complaining about that.

**Peter Mason:**

I understood that, but...

**Paul Cohen:**

But as you would know, in certain companies they suspend it and if they need the capital further on, they introduce it. And I completely agree with that too, so I'm not arguing about the capital base, just saying there appears to me to be a lack of effort if you want and you did nothing else.

**Peter Mason:**

Ok well look I'm sure the board will take that into account when it comes to the discussion when the next dividend is being considered sir and so thank you for that.

**Paul Cohen:**

I've got one more. Within the underlying return on equity it says it's decreased two percentage points from 12.7 to 10.7, as a result of the <audio glitch>, profit lowering disparate income, lower short term interest rates and increased the capital held. I had no trouble at all understanding about the interest rates being low and I've got a couple of old relations, and they're all complaining that they are below interest rates , in fact not complaining, they're squealing.

**Peter Mason:**

They're in good company yep.

**Paul Cohen:**

But the other side of it is when I get reports from other companies, probably the majority, anyway quite a lot, amongst the major shareholders is AMP. Now if AMP have major shareholdings and I'm talking about major, they're not just a few thousand here and there, they're huge, you'll be getting quite higher dividends, because dividends in numerous companies are going ok. So wouldn't one at least compensate, if not completely out <audio glitch>.

**Peter Mason:**

We've got the dichotomy here in that the shareholdings that you see the portfolio holdings that you see and you're right and we are one of the biggest investors in Australia are generally speaking to back superannuation funds and policies and they are not shareholders funds. So the shareholders funds are invested in entirely differently if you like and I mentioned earlier we've had a view in relation to risk management that we have been more inclined to interest type investments than to equities, which have to have a very long term view point attached to them, even though from time to time you look at them in a bull market and think why didn't we have more. And I can certainly endorse that view as the markets have been as they've been over the last little while. But it's just a

fact, the way the shareholders' funds are invested, we have suffered a downturn in our invested funds. But let me just ask Craig if there's anything he'd like to add.

**Craig Meller:**

So just a couple of points there, if you look at the performance of the rest of AMP excluding the life insurance business, our profits for those parts of our business are actually up 16 per cent last year. And that's much accounted for by the improvement in the wealth management business, the increasing balances on our customers' money and therefore an increasing level of fees that we take from that. And one of the reasons why we as a board choose to invest the shareholders' capital into cash rather than into stock market investments, is because so much of the core business of AMP, the wealth management business and the investment management business, already has that market exposure. So it takes a balance between the two, but rest assured the sensitivity of AMP's performance to market rises overall is very strong.

**Speaker:**

Mr. Chairman I'd like to reintroduce Mr. Gavin Morton.

**Peter Mason:**

Thank you Mr. Morton and thank you for giving time to others.

**Gavin Morton:**

Just a very brief one, there has been margin contraction since the introduction of My Super of about 3.5 per cent for the last three years. Probably this will continue certainly this year, next year and possibly the next. It doesn't appear as if the company has passed on any of this contraction effect to the external managers. So the question is how much scope is there to get the 27 basis points down, that is pass on some of the fee compression to external managers? Fairly simple question.

**Peter Mason:**

They would hate to, but on the other hand that's just...

**Gavin Morton:**

I hear them complaining here.

**Peter Mason:**

That's just life and it's going to happen, but it's better for me to ask Craig to pass on, because it is happening.

**Craig Meller:**

Good question Mr. Morton. So the 27 basis points investment management cost in the Australian wealth management business has two components to it. First the fees that business pays to an internal fund manager AMP Capital investors and then secondly payments that we make externally to external managers. Some of which goes via AMP Capital. Of the \$200 million cost out program that I talked about earlier, \$40 million of that will come out of what we call the variable cost line and the variable cost line is principally external management fees.

**Gavin Morton:**

So what you're saying is there will be a reduction.

**Craig Meller:**

There may well be a reduction, there's a couple of caveats to that though. One is when you look at the overall portfolio in Australian wealth management, the balance of where the assets are invested can change over time. So for instance during the financial crisis period many clients chose to switch more of their money into cash options, where the investment management fees are zero or much lower. Over the past year or two we've seen people choosing to switch their money back into more growth oriented investments, which do have investment management fees attached to them. So there's a little bit of tension there that if people choose to invest more in equity related products or property or

whatever, then those fees do go back up again a bit. So \$40 million should lead to a reduction, about half of that will be improvement to AMP Capital's balance is about half to the Australian wealth management business. But there is a reverse trend if your clients choose to invest more into growth and equity related investments.

**Gavin Morton:**

Quite difficult for me to understand, thanks for your answers.

**Len Taylor:**

Thank you Mr. Chairman, as a self funded retiree who's well aware of the enormous benefits of having a pension which at age 70 I don't collect at all, I wonder if the directors would like to make a comment on whether or not the reduction in renewals of life insurance and general interest in life insurance is likely to be influenced by improving social services, in particular the aged pension? When AMP started and only very poor people collected it and it was probably a pittance, but now it's being escalated at a much higher rate than CPI for instance, while the long term effects of these improvements, we're not sure if they're improvements or not, we're going to find out in the budget next week I suppose, but is that having an influence on the life insurance business in general? Are people thinking more about those kinds of things in their old age rather than a life insurance policy that they probably would have thought about more seriously in the past?

**Peter Mason:**

Mr. Taylor again I'll invite Craig to comment more deeply on this, but the answer of course is yes. I mean there are elements of complexity in the way the system is changing and there's no question that a good deal of it as both Simon and Craig have mentioned in their addresses, relates to the fact that people are living healthy lives and longer lives and therefore the nature of the protection they're seeking in all sorts of ways, including

income protection and including their savings for post retirement, they're changing and we need to change with them. But I'll just let Craig expand upon that.

**Craig Meller:**

I don't think there's a connection between the social safety net, particularly the aged pension and increasing levels of lapses in our life insurance business, principally because the sort of life insurance policies we're talking about are just straight life cover, there's no investment component attached to them. And ordinarily people will be cancelling their life policies by the time they get to age 65, ie: when they get to retirement age. So we planned for that already, it's actually people cancelling their policies at much earlier ages that has been some of the cause of the lapses in our business. In that part of our business which we call our mature business, which does have the old style whole of life policy, where there is an investment product linked to a life insurance product, we've actually seen customers holding on to those policies longer over recent years and I think that's because of the guarantee that AMP has provided as to the value of those policies.

**Peter Mason:**

Thank you, are there any other questions? Doesn't seem that there are, so there being no other questions and I thank you all for that and I now turn to the items of business, which will be put to a vote. I appoint Mr. Hamish Gidley-Baird of Computershare Investor Services as the returning officer for the conduct of the polls. Mr. Gidley-Baird who has done this for us over many years will conduct the polls in accordance with the directions I have given him. Sounds a bit pretentious actually, will conduct the polls in accordance with the suggestions he's made to us for the way it should be done. But from a formal view point I've instructed him. Now let me explain the voting procedures. Only shareholders or their representatives can vote on the proposed resolutions of today's meeting. All shareholders eligible to vote should have received a voting handset with a

white smartcard inserted in the top of this gizmo. If you did not receive your handset or card, please raise your hand and somebody will come to assist you. If there are two hands raised, three hands raised down here and there's one over there and one out the back. How did you miss out guys?

I'll continue just with the explanation while we're giving out some extra handsets. If you're here today as a proxy, any instructions given to you by shareholders will automatically be cast as directed before the poll is closed. So you need only cast any open proxies you have available using this handset. Each joint shareholding is entitled to only one vote for its shares. If joint holders are attending today's meeting, only the vote of the shareholder whose name is recorded first in the register is accepted. That similarly causes some chagrin between my wife and me, but that's the fact of it. That shareholder will have received a voting handset, one of these things. Any shareholders here today who have appointed a proxy to vote for them and have chosen not to revoke that appointment will have been issued with a grey card and can ask questions, but can't vote. So in summary people holding voting handsets can both speak and vote and people holding grey cards can speak but not vote. It's set out in the notice of meeting three and four, voting restrictions apply to AMP's key management personnel and their closely related party. We've implemented rigorous procedures to ensure these voting restrictions are followed.

We'll show the proxy position on screen after the discussion on each item, but before we put the item to the vote. This will be the proxy position as at 10 o'clock on Tuesday morning, which was the closing time for the appointment of proxies. You'll then be invited to vote by using this electronic handset. To use the handset make sure the white smartcard is inserted, I'm sure you've all done that, with the barcode facing you. And I can't see the barcode on this, which means it must be inside properly. When the card is

inserted correctly, your name will appear on the screen and mine does, so I hope you all have the same. Once voting begins, your voting options will appear on the handset screen. To vote for the resolution, press the item button one on the left hand side here. If you want to vote against press two or if you'd like to abstain you can press three. And if you wish to change your mind before the voting closes, simply select the new option by pressing the one or the two or the three, which you determine to change to and your new choice will over ride your original selection.

Any proxy holders should vote their open proxies using the same method. Once the voting is closed, the results will be displayed on the screen, including all proxy votes. Again if you have any issues with your voting handset please raise your hand, are there any hands to be raised? Good thank you. If you find during the day, during the morning while you're using it, you have any problems, just let us know.

**[Item 2]**

So let's move on now to item two, which concerns the re election and election of directors. Patricia Akopiantz, Catherine Brenner, Brian Clark and Peter Shergold are all standing for re-election and Trevor Matthews is standing for election. We'll begin with item 2a of the notice of meeting, concerning the proposed re-election of Patricia Akopiantz as a director. Patty joined the AMP Limited Board in March 2011, when AXA and AMP merged. Patty having been a director of AXA along with <audio glitch>,. Patty is a member of the People and Remuneration Committee, a Director of AMP Bank, an important role, and a member of the bank's Audit Committee. She has over 20 years senior management and consultancy experience, primarily in retail and consumer industries both in Australia and overseas. In 2003, she was awarded a Centenary Medal for services to Australian society in business leadership and has previously a Director of Coles Group and Wattyl. Patty is a Director of the New

South Wales State Library Foundation who are doing wonderful work Patty I noticed actually. Anybody who gets a chance, if you're visiting Sydney or if you come from Sydney it's worth a walk through. And she's also a member of the Chief Executive Women Group.

The board has conducted a review of Patty's contribution and performance as a Director and she has our unqualified support for her re election. Before taking any questions, I thought you'd like to hear directly from Patty so I've asked her to say a few words and Patty I think you can do that, your microphone should work as you sit there.

**Patricia Akopiantz:**

Thank you Peter. As Simon and Craig so compellingly outlined, AMP is a special organisation. What we do for all Australians is important today and tomorrow and this noble cause permeates the organisation. This is what motivates me to stand for re election here today. Craig spoke about our strategy to realise the revision, in particular the customer journey we are embarking on with transform AMP. My passion throughout my career at organisations Like McKenzie and David Jones have been the customer. What I have learned is very simple; you must truly understand your customer and what they want and allow that to lead your decision making. This is what drives sustainable success and shareholder returns. Now Mr. Morton from the ASA raised the question about whether this was happening at the front line. Now this is the point, we need to do this and this is the journey we are on. While it will not happen overnight, for me it's exciting to see this happen at AMP with great energy and momentum. From introducing alternative channels like our highly successful banking app, to investing in leading edge design methods to develop compelling financial solutions, the organisation is being re oriented around the customer.

While this journey is an exciting one, it is also challenging. The right leadership and capabilities will make the difference. Essentially it is about people, another passion of mine and I am confident we have the right leadership in people like Wendy Thorpe who's leading that customer orientation at the front line and the right initiative to continue to develop the skills and culture we need to help our customers <audio glitch>,. It has been a great privilege and a great responsibility to serve you for the last three years. I look forward to continuing that service, thank you.

**Peter Mason:**

Thank you Patty. Well I'll join in that applause. We've also got to vote for you though. Can I just ask are there any questions in relation to the re election of Patty? Would anybody like to ask any questions or make any comments? I see no movement, so I think that, sorry there is.

**Speaker:**

I'd like to introduce Mr. Cohen, thank you.

**Peter Mason:**

Thank you Mr. Cohen.

**Paul Cohen:**

Thanks again Mr. Chairman. My main concern with this candidate and I'll put them altogether because it's the same concern in each case is that to my way of looking at the brief summary here, she's worked in a number of industries, but she doesn't really have a background in insurance. She has consumer industry, <audio glitch>, and consumer industries, state library which is a very commendable organisation, I've been there myself as a matter of fact and chief executive for women. I think you also mentioned that she's involved in Coles and Wattyl. Coles everybody knows is a retail business and Wattyl sells paint and stuff yes. So there's no real direct relevance or connection

with insurance. And the same thing applies I think the next one coming up is Catherine Brenner, she hasn't direct involvement in insurance.

**Peter Mason:**

Can I say to you sir you're right and of course we're going to the election of Trevor Matthews whose life has been entirely in insurance, so I'll respond in relation to, in an in-globo response, because I get exactly where you're coming from. Our objective with the, with AMP is to ensure that we have the right balance of experience at both as to if you like worldliness as to direct involvement in the financial services business, including directly in insurance. And we're able to do that very fortunately in the way our organisation structure works at a couple of levels. For example we have as we talked about, a bank which is a subsidiary. We have several life companies, but let's just talk about them as one, a life business. And we have the investment management business called AMP Capital. Each one of those businesses functions under different regulators and in accordance therefore with different compliance requirements. And each one of them has a board and each board has independent directors on it. One of the things therefore we're able to do is to give a spread of experience between AMP Limited as effectively the holding company and the subsidiary boards. And our objective is to ensure that we have across the full range of directors, people with appropriate experience for each of the businesses to which they are applied and some generalists as well at the AMP Limited board. People who have worldly experience as well as direct industry experience. So we ensure that at the subsidiary level we have people who are experts in the business, and in our life business we had people who have been actuaries for example, who are independent directors and don't serve on the Limited Board. In the AMP capital business, we have people who have investment management experience, but they don't sit on the Limited Board.

In the case of the Limited Board, we have people who've had an array of different forms of experiences I said including international, including being ex-chief executives, some who've had quite extensive financial services experience but not necessarily in the life business, and I'd fit Simon into that. Both Rick and Patty served on the AXA Board and in fact got very good experience in the execution of the life business if you like, through that, through their significant involvement at, in AXA. I'm very comfortable and we as a board are very comfortable with the spread of genuine experience in the array of things we need to do as a board, but sits on this board, but it's something that we give great attention to, and as recently as yesterday afternoon spent quite some time looking at the future to ensure that we can do that.

So I hear you absolutely, it's a long answer but you hear where we are coming from, and we don't think we explain it well enough by the way.

**Speaker:**

Just the point I'm trying to make is that, I think the only division of the business that lost money at what you say, is the insurance business, and I think that you need to sort of, give it a nudge and make sure that it's...

**Peter Mason:**

Pauline Blight-Johnston, who now runs that business, and who is relatively new into the role and who is sitting down there in the front – Pauline would you mind standing for a second, seeing that I'm mentioning you. Pauline's the new Chief Executive of the life business, new meaning she's been there how many months? About a year. She's getting a nudge from people sitting at this table and from her own board, and let me tell you, she doesn't need a nudge because she knows exactly what you are saying. There have been significant changes in the way the business is being managed, and the results are

showing. Thanks Pauline, I just thought it was important that we see the Chief Executive.

And that she has the message about the nudge. Thank you for giving us the nudge.

Well there being no other comments or questions, can I ask that the proxy position be shown on the screen. And I will open the poll on the proposed re-election of Patricia Akopiantz as a Director of AMP Limited. So this is where you get to enter 1, 2 or 3 on your handset, and if you could do that.

[pause] And I think that the majority of people have now cast their vote, but I will leave the voting open for a moment longer.

[pause] And I think I can now declare the poll closed. The results will appear on the screen behind me. And as you can see the result is 99.41% in favour, so Patty I think that means you're re-elected. And I think I formally had to say, I declare the resolution passed.

We move on to now the re-election of Catherine Brenner. Catherine joined the AMP Limited Board in June 2010. She is Chairman of the Nomination Committee and Chairman of AMP Life and National Mutual Life Association of Australia. And she was on the AMP Life Board before she joined the AMP Limited Board. Catherine is a former Managing Director of Investment Banking at ABN AMRO where she held various senior roles. She is experienced in both corporate advisory and equity capital markets business, and before being an investment banker she was a corporate lawyer. She's also currently a director of Boral, and a Director of Coca-Cola Amatil. She is a Trustee of the Sydney Opera House Trust, and a council member of Chief Executive Women. The Board has conducted a review of Catherine's contribution and performance as a Director, and she has our unqualified support for her re-election.

Now Catherine would you like to say a few words?

**Catherine Brenner:**

Thank you Mr Chairman, and good morning Ladies and Gentlemen. I am delighted to have the opportunity to re-introduce myself to you. As the Chairman has outlined, I've been a public company director for more than a decade, with experience on the boards of a number of leading Australian listed companies, and also not-for-profit organisations. And before this my executive career was predominantly in investment banking. And this has given me a broad appreciation and understanding of corporate strategy, corporate finance, capital markets, governance, and very importantly how the Board can support, challenge, and constructively work with management to deliver the best outcomes for the company over a variety of time horizons. In my first term on the AMP Board, a lot has happened, including the completion of the AXA merger and the integration of the businesses, the smooth transition to our new CEO, significant regulatory change, a dynamically and rapidly shifting external environment, and challenges in the life insurance business.

The ongoing challenge for your company, and for us as its directors and management, is to build on the very solid base of AMP and AXA, and our 165-year heritage, to find and deliver contemporary ways of creating shared value. One of the things that everyone who works at AMP is passionate about, is remaining as always, a sure friend in uncertain times, or to express it in I guess more modern parlance, we are deeply committed to helping people own their tomorrows.

As we've heard from a number of people this morning, we are very deeply committed to working really hard to putting the customer at the centre of everything that we do, providing solutions that make sense and improve their lives. And like Patty, I'm really optimistic and excited that we are taking really solid genuine steps along the journey, to ensure that the person like Mr Morton referred to who called AMP, to seek some advice on their financial future, that they will be having increasingly conversations that are

relevant, simple to understand, and enable them to make smart decisions about their savings in their investment future. This is quite a significant transformation and it requires a large investment in new models, whilst at the same time reducing costs by spending money smartly where it matters most to our customers.

I am really looking forward to working with my colleagues on the best way to deliver this, and to deliver genuine shared value for our customers, our employees, our partners, and most importantly to you our shareholders. Thank you.

**Peter Mason:**

Thank you, Catherine. Catherine is a great contributor, I do ask if there are any questions or comments. And there aren't, and given Mr Cullen that we had that general discussion, can I close, well close the discussion – more importantly, ask that the proxy position be shown on the screen. And open the poll for the proposed re-election of Catherine as a director. So can you please enter your 1 or 2 or 3 into your handset.

[pause] And it seems to me that most people have cast your vote, but I will leave the voting open a little longer.

[pause] And I can now declare the voting closed. So that the poll has closed and the results should appear on the screen behind me. And they do, and again at 99.46% Catherine, I can very happily declare you firmly elected.

We now move to the re-election of Brian Clark. Brian was appointed to the AMP Limited Board in January 2008, he's a member of the Nominations Committee and the People and Remuneration Committee. And he is also importantly Chairman of the AMP Capital Holdings Board. He has been a member of that board and its Audit Committee since February 2008. I mentioned earlier, Brian had spent considerable time, ten years in a variety of senior executive roles at Vodafone internationally, most recently in the United Kingdom as Group Human Resources Director, but he also run Vodafone in

Australia, and then have moved to Tokyo to run Vodafone through the Asia Pacific region. So as you can see with AMP with very significant investment in Asia and a very strong relationship with MUTB in AMP Capital, of which Brian is Chairman, his experience in Asia and his experience having lived in Japan is enormously valuable to us. Importantly before he joined Vodafone, Brian spent three years as CEO of Telkom South Africa, the state-owned equivalent to Telecom, Telstra in Australia. He has been a Director of Boral since May 2007. And we of course as a board conducted a review of his contribution and performance as a director, and he again has our unqualified support for his re-election. But I would like Brian to speak personally to you.

**Brian Clark:**

Thank you, Mr Chairman. And good morning Ladies and Gentlemen. AMP is a company with deeply entrenched values, and I have enjoyed my seven years on the Board immensely. Recently the company has dealt with a number of challenges, and these have been referred to by a number of speakers this morning, including the GFC, completing the merger with AXA, significant regulatory changes, challenging customer preferences, and most recently the challenges in our life insurance part of the business. One of the <audio glitch> that has impressed me enormously over this period of time, is the way that people and the talent in the organisation have responded to these challenges. They do the right thing, they respond analytically and carefully, and with huge commitment. And it's a tribute to them how well they deal with these challenges to the business.

I am personally very excited about our current drive to shift the company to being even more customer focussed. My previous experience in Vodafone globally, convinces me that this drive holds much promise.

AMP Capital, of which I am Chairman, is making significant progress, in cementing our relationship in Japan and China. Craig Meller referred to the fact that we now have

alliance partners in both of those countries that have incredible reputations, and huge power in those marketplaces. The opportunity that I had to live and work in Japan, and working in China, again convinces me that we have great partners, and the alliances that we have worked very patiently to build over a number of years, hold very significant rewards for our company in the future.

I thank you very much for your support.

**Peter Mason:**

Thank you, Brian. You will have noticed Ladies and Gentlemen, that we have the accent inflections amongst the directors here. One of the great attributes of the diversity that we have on this board, and we could do with more diversity, but one of the great attributes of it is that more than half the directors were actually born outside of Australia, and bring perspective which is just generated from a different viewpoint.

I open the floor for any discussion on Brian's re-election. I can't see any movement, so why don't we just go straight to the proxy position being shown please on the screen.

And I open the poll on the proposed re-election of Brian Clark as a Director. Please enter your vote by pressing the appropriate button.

[pause] And again I can see that the majority of people have cast their vote, so I will just leave it open for a moment longer.

[pause] And I now declare the voting closed. And the poll is closed and the results will appear on the screen. And again at over 99%, Brian I have pleasure in declaring you elected also.

Now we move on to the re-election of Peter Shergold. Now Peter joined the AMP Limited Board straight from managing the Prime Minister – Peter ran the Prime Minister's Department for quite some time, he's a very distinguished public servant. Peter joined AMP in May 2008, which is soon after he resigned from his role in the

Public Service. He's a member of the Audit Committee and a Director of AMP Limited, and the National Mutual Life Association. Peter is Chancellor and Chair of the Board of Trustees of the University of Western Sydney. He serves on a wide range of private sector, government and not-for-profit boards. He was Secretary of the Department of Prime Minister and Cabinet for five years; he was CEO of the Aboriginal and Torres Strait Islander Commission, Public Service Commissioner, Secretary of the Department of Employment, Workplace Relations and Small Business, Secretary of the Department of Education, Science and Training. Some CV, huh? He was appointed a Member of the Order of Australia in 1996, awarded a Centenary Medal in 2003 and was made a Companion of the Order of Australia, the highest accolade that the people of Australia could pay, in 2007, that award being for public service.

The board has conducted a review of Peter's contribution and performance as a Director, and I can assure you he has our unqualified support for his re-election.

Peter, would you like to say a few words?

**Peter Shergold:**

Well thank you, and thank you so much for this opportunity to say a few words. I am seeking re-election for a third term. I am purely not campaigning, but if I was, my slogan would be 'Give it a Nudge'. The good news is that what you will hear from me as an independent director – the bad news is, I still write it on little scraps of paper.

I feel very honoured to be part of the heritage of two great Australian companies. Two companies, now joined together, that share in the words of our Chair, a noble purpose, and in the words of our CEO, a promise.

You see, to me AMP exhibits what business economists now call shared value. That means of course we have to be concerned, about the interests of our policy holders. We have to think about the returns to you, our shareholders. We've always got to focus on

that long term bottom line. That's half our value though. Because in that process, at the heart of our business, we are creating beneficial, social and community impact. We are increasing levels of independence and self-reliance, based on the institution of the family. Allowing individual citizens to meet their life's crises and to fund their ambitions, and to prepare for old age, through their own efforts. And of course we are always providing access to capital funds for developing our nation's much needed infrastructure.

So it's that shared value, that for me is the spark that ignites my enthusiasm for being on the board of AMP. I am delighted I should tell you to be part of such a collegiate and well-rounded team, but I do want to address the question, the good question about, well what does someone like me add to an AMP? Because I don't have that background in financial management, I'm an economist, I did for a time run a government workers' compensation scheme, I learned two things there, 1) the actuaries are a really weird mob, and the second is that claims management is extraordinarily difficult, understanding people's behaviour. But to go to the point, I highlight my particular skills in understanding how governments work, how public policy is made, understanding the complex and intrusive regulatory environment in which we work. I can add value. AMP's future is bounded by institutions like APRA and ASIC and the ACCC, and a plethora of legislation. And we as a board really need to understand that. So I hope, I think that in that way I can add value, and I would be delighted to be part of this wonderful AMP team of directors. Thank you.

**Peter Mason:**

Is there anybody who would like to ask any questions or make any comments? Ah, Mr Morton, why don't you?

**Mr Morton:**

[pause] Before an annual general meeting we put boarding intentions on the website at the Australian Shareholders Association. And we indicated the reasons why that the retail shareholders that support us, should vote for all the directors. There was a proviso in respect to Peter. So the ASA policy for a director is that he should not hold more than five directorships in listed companies. So by the look of Peter he's actually got one. So <audio glitch>,. But when you have a look at all his other activities, outside that, it seems to us, the question we want perhaps Peter to answer, is will he have enough time to fully discharge his obligations as a director of this company.

**Peter Mason:**

Well I will ask Peter to respond, because he should and you've asked him to, but I will say emphatically from a Board viewpoint, Peter is, creates time way and above anything that we actually ask of him. He takes initiative, he has foresight in terms of his contribution to the company, he has a wide range of responsibilities apart from a Limited Board itself, he is always there, he is always deeply educated in the matters, not just for having read the Board papers, but having done further work. He has an infinite capacity I think Mr Morton, that I can assure you that in terms of Peter's contribution, there is never any question about availability and about quality of the work he has undertaken, prior to the matters of discussion. But Peter, you should respond.

**Peter Shergold:**

Thank you, Mr Morton. I think it's an entirely reasonable question, and I have to tell you, you have a supporter in my wife. It is true that I sit on two listed companies now, Vida Group as well. And it is a full range of activities. But it is important to understand that a range of the government boards that I am on and chair, although they are important and I think that I can add some strategic value, do not have the weight or the burden of responsibility, or the levels of commitment that exist with a listed company. And I think

it is important from AMP's point of view, that they list everything that each director does. But the difficulty with that is it can't give a sense of the weight of responsibility that goes with that position. I am very conscious of what you say – I can only assure you that I do make time, but I fully understand the concern.

**Mr Morton:**

Thank you.

**Peter Mason:**

Thanks, Mr Morton.

Now can I put the matter to the vote. The proxy position if it can be shown on the screen. Then if I ask you all, I open the poll on the proposed re-election of Peter and ask you to enter your votes by pressing the 1, 2 or 3.

[pause] And I can see that the majority of people have cast their vote, I will leave the voting open for a moment longer. But now I can declare the voting closed.

The poll has closed and the results will appear on the screen, and again very comprehensively in favour Peter, so I congratulate you as a Director of AMP. And I am delighted you stay with us.

**Peter Mason:**

We turn now to the election of Trevor Matthews as a director. Trevor was appointed to the AMP Board in March of this year. He has outstanding life insurance experience in Australia, Canada, Japan and the UK. Trevor most recently worked for Aviva in the UK holding the position of executive director and chairman of developed markets, and prior to that he was CEO of Aviva UK. He's held the position of CEO with Friends Provident and Standard Life in the UK, and Manulife Financial in Japan. He also held senior roles

with National Australia Bank and Legal & General in Australia. Trevor has served as commissioner for the UK Commission for Employment and Skills, and chairman of the Financial Services Skills Council in the UK. He's served on the Boards of the Life Insurance Association of Japan, the Life Office Management Association in the US and the Life Investment and Superannuation Association in Australia. The Board unanimously recommends Trevor Matthews for election. And I'd like to invite Trevor to make a few comments.

**Trevor Matthews:**

Well, thank you very much chairman and ladies and gentleman. I must say I'm really honoured to have this opportunity. I'm one of those weird actuaries that Peter referred to down the other end, and I'm very proud of that that gives me I think a background to understand this very fascinating business. I guess like the new chairman and the chairman elect growing up in Australia I've observed, admired both the AMP and the National Mutual for many, many years and certainly the AMP today is one of the true icons a wonderful organisation. I share that noble purpose that we've been talking about in my career and my experience over the years I've been lucky enough a couple times to physically deliver the cheque, and I've seen the dramatic impact that our products and services can have on people's lives and families and businesses, when the cheques delivered -- the appropriate cheque is delivered at the right time. So I think that's a wonderful thrill to be involved in this very noble business. I've been out of the country for about 15 years with that tour that Peter talked about. I've picked up a lot of information, experience during that time. There are a lot of different issues but there are a lot of similar issues, and I'm now very excited; personally our family's very excited personally to be back in this great country. We've got a couple of young boys and we were keen to get them back for high school. I think the AMP's in a very good position

now, there are certainly a lot of challenges in the environment and from competitors, the big banks in particular. But I think thanks to the very well executed merger, AMP is in a solid position. This renewed and exaggerated now an extensive focus on the customer will pay dividends, I'm absolutely sure about that. So I think I'm very lucky to have this opportunity. I've given up the CEO type role and I've picked up a number, a couple of other directorships, I've just gone onto the Board of BUPA Australia earlier this week which is not in the papers. But I'm looking forward to getting very much involved with AMP and making a solid contribution, and thanks I hope for your support. <applause>

**Peter Mason:**

Can I ask if there's any comments on the election of Trevor. So I don't think there is so can I ask that the proxy position be shown on the screen, which it is and open the poll on the proposed election of Trevor Matthews as a director of AMP Limited. Please enter your vote by pressing the relevant button 1, 2 or 3 in your handset. [Pause] And again I can see that the majority of people have cast their vote. I'll leave it open for a moment longer. I now declare the voting closed. And ask that the results appear on the screen behind me as they do and again Trevor a comprehensive vote in favour. So I congratulate you on your election, declare the resolution passed, and I'm delighted as a shareholder that you are joining this Board. <applause> We now move to item three on the notice of meeting being the adoption of the remuneration report. The 2013 remuneration report appears on pages 14 to 30 of the annual report, that's this document. It includes details of AMP's remuneration strategies and structures. AMP is committed to ensuring remuneration practices are aligned with the creation of value for shareholders. As such, the remuneration received by AMP executives in 2013 reflect AMP's reduced profits for the year. We've closely managed salary costs across the organisation. Executive salaries across the business remain frozen in 2013 having last been adjusted in 2011. For 2013 the

size of the short-term incentive pool was reduced in line with the fall and underlying profit, with the underlying profit being down by 11%, the short-term incentive pool was reduced by 14%. We're acutely aware that executive remuneration is an issue of concern to many in the community. As a Board our responsibility is to balance that concern with the need to maintain AMP's competitiveness in attracting and retaining strong talent. And this is what we strive to do through our remuneration approach. Each director recommends shareholders vote in favour of adopting the remuneration report, and I now open the floor for questions and comments on that report. [Long pause] Mr Morten, sir you don't need introduction.

**Mr Morten:**

<inaudible>

**Peter Mason:**

No, please do by all means.

**Mr Morten:**

The general, apart from rewarding the executives, we trust that the incentives scheme should have is that it should be aimed from the Australian shareholder's point of view, we should be aiming at improving, lifting shareholder value. If they don't do that then the feeling within the USA is that there's something wrong with the scheme, okay. But there is criteria that we do apply and anyone interested can go on our website and you can have a look at it. Five years ago, it's a long time ago I guess, as of today, the share price which if I didn't see anything in financial <audio glitch>. The share price was \$5.17, okay. And the dividends was \$0.30 cents. Five years later as of yesterday, the share price was \$5.18 and the dividend is \$0.23 cents. On a sort of casual basis, it went up \$0.1 cent. It's not true of course but that's the difference between the two numbers. The question of whether this incentive scheme which AMP's got is delivering results in terms of

improving shareholder value, because that's what it should be about. It's about rewarding above normal performance, outstanding performance, that's what it should be rewarding. And the tendency of many companies for the bonus scheme to be some means of just increasing salaries. That's fairly more exceptive both by companies and by people looking at them. The REM report starts off where it should be and that is that the remuneration strategy is aimed at creating value for shareholders, no problem in that regard. But when you start looking at some of the detail, where the focus or in short-term performance, and if you look at the short-term performance for the CEO's salary, the opportunities 200%. Now I don't think that if I look at other companies in Australia there's got to be other companies with some of these but I haven't seen them. What it does is focus on this year but what about next year, or the year after, or the year after that? So the ASA are totally imposed to an emphasis on short-term performance, it's not good for the company. And if you have a look at the five years of AMP you will think the share price hasn't lined up, dividends going down, all right there's market things out there doing them but it doesn't appear to the shareholders, the <retail> shareholders in particular, but this company is going up the way, performance has plateaued over the last three years. I don't know what they're arguing for the year coming up. The other thing in here is that the something about incentives, we're talking about the TSR, just a question is there, in the TSR when you're doing a comparison under 50% in comparison with other companies, is the norm incentive paid, do you have a cut-off limit?

**Peter Mason:**

Yes, I'll answer that first Mr Morten. The long term incentive scheme which is based on TSR if AMP doesn't perform above the 50th percentile no LTI is paid.

**Mr Morten:**

The other part in here which doesn't significantly, the ASA policies which I'll say are for public and are available, is that the financial measures when at 65% <inaudible> the company permits to improve its profit its financials, you've got 35% of other things. The way you have to look at the committee that looks after this, what are they called? The REM committee.

**Peter Mason:**

People at remuneration committee, yep.

**Mr Morten:**

It seems that there's a big thing, they have a fair amount of ability to perhaps arrive at decisions. What the ASA are looking for in these REM reports, you don't find it that often is clarity, so that there's a definite relationship between the performance of a senior executive and those which will improve shareholder value. A company that comes to mind that does this is -- and I'm not suggesting that anyone here should go and buy shares in that company, but a company like AMCOR for example focus on the share price and on the profit. Over the last five years they've doubled the share price and doubled <audio glitch> When you have a look, and it's worthwhile looking at their annual report, it's very simple rem. We have no problem with something like that. Where it's clearly identified that the incentive is aimed at improving company performance. So just wrapping up the ASA on our website have said we're recommending that the members or whoever vote against this REM report, and so I can see from the figures here that the majority of them agree with the positions - with funding, the positions that we put out in. Thank you.

**Peter Mason:**

Mr Morten thank you. We have over all of my time as chairman of AMP had very specific discussions directly with representatives of the Shareholders Association on

these matters, and on many others. Not with you as yet but I'm sure that time might come. And so we're well aware of the Shareholders Association position on various of these issues, and one that you didn't mention but I'll raise here is that you would prefer a long term incentive scheme to cover four years rather than three. Many of the issues which you have raised we have already discussed. Let me emphasise however that when you get down to the position, the reference to clarity, we are obliged to provide a lot of information which frankly I find obscures the clarity of a lot of these things, and it applies in most major companies remuneration reports. But it is something we strive for and we'll have another look. You will see that in the annual report on page 14 in reference to the chief executive and the other nominated executives, a very significant part of the executive remuneration is tied to the performance of the company, and I've already mentioned earlier that the short-term incentive pool went down this year, because the profits were down by more than the profits were down, and not only that but the long term component of the scheme didn't vest going back to the performance to which you referred. We believe that within the financial services industry and within the competitor range, which note that our senior executive are involved where we have to ensure that we can retain excellent talent, attract and retain excellent talent, we are competitive and we are providing a remuneration policy which is industry competitive but by no means industry leading. I would just note for example that the salary of the new chief executive is below the salary of the previous chief executive, and indeed that was below the salary of the chief executive before him. There has been a downward trend in the fixed remuneration, there has been a -- there is an approach to the short-term incentive which is relates to performance and there is approach of a long term incentive which is entirely determined by on the one hand total shareholder return which is entirely objective, and now we've introduced the return on equity concept which gets to capital management,

and I needn't explain more than that. So I take much of what you have said as comment, I think I've responded as best I can in the wider range of this room. I repeat that we do have these discussions in great detail with your colleagues and we have heard what you had to say.

**Mr Morten:**

Can I probably just the salary of the chief executive, I think we'd be more comfortable probably with the fixed bit coming up and less emphasis on the short-term <inaudible> <laughter>

**Peter Mason:**

Yeah I don't thank you for this comment Mr Morten.

**Mr Morten:**

<laughs>

**Peter Mason:**

And just to the narrator and I don't mean to be frivolous but that a very important thing to observe here is that the short-term incentive paid to Craig this year was more than 40% less than last year and that applied also for the retired chief executive Craig Dunn.

**Mr Morten:**

As I said, we'd more comfortable with his salary coming up and less emphasis on short-term incentives.

**Peter Mason:**

Well, I expect there are at least two people in the room that agree with you. I'll ask John Palmer that this is a matter that might be looked at over this coming 12 months that these matters are addressed Mr Morten. Thank you indeed.

**Mr Morten:**

Thank you.

**Peter Mason:**

Craig's just pointing out to me you see that you've got a rapport you two, but of course in terms of the STI it is paid as to partly in cash and partly in shares; 60% of it is paid in cash, and 40% is deferred for a couple of years and is paid in AMP shares. So what happens to those AMP shares over the two years in which it is deferred is very important to the executives. I can assure you it's an incentive. Thanks Craig, I didn't neglect to point that out. Would anybody else like to make a comment or ask a question? [Pause] Thank you then I ask for the proxy position to be shown on the screen, and open the poll for the proposed adoption of the remuneration report for the year ended 31st of December, please enter your vote, 142 against 3 abstain. [Pause] Now I can see that... most people. I'll leave it open a little longer. [Pause] I declare the voting closed. The poll is now closed and I ask the results will be shown on the screen. And as you can see that's 94 -- 97.4% in favour, so on that basis I declare the resolution passed. We now go to the chief executive's long term incentive which is item four and that concerns the approval of Craig Meller's LTI for 2014. As we point out in the notice of meeting while there's no legal requirement to seek shareholder approval for this item it has become our practice to do so because the Board believes it's appropriate. Our intent remains to align long term performance pay for executives with long term value creation for shareholders. The details of the performance rights proposed to be granted for the chief executive are set out on pages 13 to 18 of the notice of meeting. They take up an extraordinary amount of space. In the non-executives director's view it is in the best interest of shareholders to approve the share base 2014 long term incentive grant to the chief executive officer, because vesting of the performance rights will be subject to performance hurdles that appropriately align the CEO's at risk remuneration with shareholder returns. That alignment has meant that because the performance hurdles has not been met, AMP's long

term performance rights have not vested for the past five years. The directors <audio glitch> of course as chief executive abstaining recommend shareholders approve the 2014 grant and they recommend the CEO's continued participation in the LTI plan. So I now open the floor for discussion on this matter. [Pause] And given that Craig participates exactly the way other executives do, I can understand that there's no comment or question, so I move to ask that the proxy position be shown. And I will open the poll, and ask that you vote in accordance with the procedure of either 1, 2 or 3. [Pause] I can see that most people have cast their vote, I'll leave it open for a moment longer. [Pause] And I now declare that it is close enough that the results be shown on the screen. And again Craig overwhelming vote in favour of this matter. So I declare the motion passed. Well that's the final item on the agenda today, so I will now move to declare the meeting closed. The results of the polls in which you participated will be released in an ASX announcement later today. Thank you for joining us. We very much appreciate your interest and involvement. And as I mentioned at the beginning of the meeting, if you have any questions about your products and services or your shareholding, the staff at the customer and shareholder centre in the foyer will be very happy to help you. And can I say on a personal basis it's been a privilege to be chairman of this wonderful institution and to be a director for ten years, and I wish all of you the very best, and certainly I wish AMP the very best for the future. <applause> And as you know refreshments are available in the foyer. Thank you all for being here.

END OF TRANSCRIPT