

# 2015 notice of meeting

Your guide to AMP Limited's 2015 annual general meeting



## It is my pleasure to invite you to the 2015 annual general meeting (AGM) of AMP Limited (AMP).

The meeting will be held at the Centennial Hall in Sydney Town Hall, 483 George Street, Sydney, Australia on Thursday 7 May 2015, commencing at 11.30am.

This event is an opportunity for you to share your views directly with the board and senior management team and hear from them about your company's progress and plans for the future. We encourage all shareholders to join us for the meeting either in person or via the live webcast at [amp.com.au/agm](http://amp.com.au/agm). This year, if you are unable to join us in person, we are pleased to offer you the opportunity to ask questions via the live webcast.

The following pages contain details of the items of business for the meeting and the voting procedures.

At the meeting, you will have the opportunity to vote on:

- the re-election of Paul Fegan and John Palmer as directors of AMP
- the adoption of the remuneration report as set out on pages 14 to 32 of the AMP 2014 annual report
- the approval of the chief executive officer's long-term incentive for 2015, and
- an increase to the non-executive directors' fee pool.

If you are not able to attend the meeting to vote in person, I encourage you to appoint a proxy before the meeting either by post or online. You will find details of how to do this in this notice of meeting.

As a special offer for our shareholders, we are pleased to invite you to a free information session. This is an opportunity for you to hear from a panel of specialists chaired by renowned financial expert Paul Clitheroe on making the most of your circumstances to help secure your future. The information session will be held in the Centennial Hall in Sydney Town Hall before the AGM at 10.00am on Thursday 7 May 2015. All shareholders are invited to attend the event in person or join the webcast and ask questions at [amp.com.au/secureyourfuture](http://amp.com.au/secureyourfuture). After the session there will be a short morning tea break before the AGM commences at 11.30am.

At the conclusion of the meeting, I invite you to join me, along with the other directors and the senior management team, for a light lunch.

I look forward to welcoming you to our 2015 AGM.



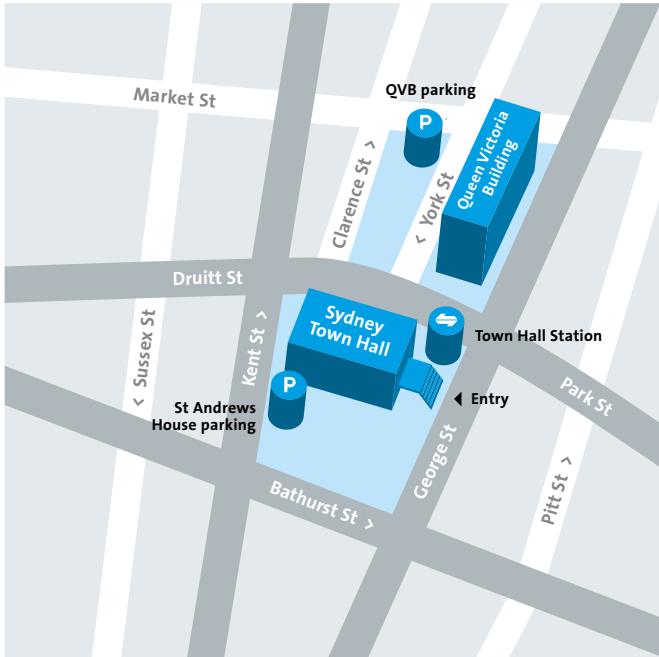
Simon McKeon AO  
Chairman

# Details of the meeting

AMP's 2015 annual general meeting will be held on Thursday 7 May 2015, commencing at 11.30am (Sydney time) at Centennial Hall in Sydney Town Hall, 483 George Street, Sydney, Australia. Registration will open at 9.00am (Sydney time).

## How to watch the meeting and ask questions live online

You can watch a live webcast of the meeting and ask questions at [amp.com.au/agm](http://amp.com.au/agm).



## How to get to the meeting

Entry to Centennial Hall is through the Sydney Town Hall main entrance on George Street.

**Bus:** there are bus stops on George Street and Druitt Street and beside the Queen Victoria Building on York Street.

**Train:** the closest train station is Town Hall Station.

**Car:** the closest car parks are at the Queen Victoria Building (entry via York Street) and St Andrews House (entry via Kent Street).

For public transport information please call 131 500 or visit [transportnsw.info](http://transportnsw.info).

## AMP 2014 annual report

A copy of the AMP 2014 annual report (including the financial report, directors' report and auditor's report for the year ended 31 December 2014) is available online at [amp.com.au/2014annualreport](http://amp.com.au/2014annualreport).

Certain terms used in this notice have the meaning given to them on page 19. Unless otherwise specified, all amounts are in Australian dollars.

# Items of business

## **Item 1: Financial report, directors' report and auditor's report**

To receive and consider the financial report, the directors' report and the auditor's report for the year ended 31 December 2014.

Shareholders will be asked to consider and, if thought fit, to pass the resolutions below, which will be proposed as ordinary resolutions.

## **Item 2: Re-election of directors**

- (a) To re-elect Paul Fegan as a director
- (b) To re-elect John Palmer as a director

## **Item 3: Adoption of remuneration report**

To adopt the remuneration report for the year ended 31 December 2014.

## **Item 4: Approval of the chief executive officer's long-term incentive for 2015**

To approve the acquisition by the Chief Executive Officer of AMP Limited, Craig Meller, of:

- (a) performance rights as the chief executive officer's long-term incentive for 2015, and
- (b) shares in AMP Limited on the vesting of some or all of those performance rights, as and on the basis described in the explanatory notes to the notice convening the meeting.

## **Item 5: Increase in non-executive directors' fee pool**

To approve a \$770,000 per annum increase in the fee pool from which AMP Limited non-executive directors are paid, to a maximum of \$4.62 million per annum.

### Note: Voting exclusions for items 3, 4 and 5

**Item 3:** AMP will disregard any votes cast on item 3:

- by or on behalf of a member of the key management personnel (KMP) whose remuneration details are included in the remuneration report for the year ended 31 December 2014 or a closely related party of a member of the KMP, in any capacity, or
- as a proxy by a person who has become a member of the KMP by the time of the AGM, or by any closely related party of a member of the KMP,

unless the vote is cast as proxy for a person who is entitled to vote on item 3 and:

- the vote is cast in accordance with directions on the proxy form specifying how the proxy is to vote, or
- the vote is cast by the chairman of the meeting and the proxy form authorises him to vote as he decides on item 3.

**Item 4:** AMP will disregard any votes cast on item 4:

- by or on behalf of Craig Meller or his closely related parties, in any capacity, or
- as a proxy by a member of the KMP or a closely related party of a member of the KMP,

unless the vote is cast as proxy for a person who is entitled to vote on item 4 and:

- the vote is cast in accordance with directions on the proxy form specifying how the proxy is to vote, or
- the vote is cast by the chairman of the meeting and the proxy form authorises him to vote as he decides on item 4.

**Item 5:** AMP will disregard any votes cast on item 5:

- by or on behalf of a director of AMP or an associate of a director, in any capacity, or
- as a proxy by a member of the KMP or a closely related party of a member of the KMP,

unless the vote is cast as proxy for a person who is entitled to vote on item 5 and:

- the vote is cast in accordance with directions on the proxy form specifying how the proxy is to vote, or
- the vote is cast by the chairman of the meeting and the proxy form authorises him to vote as he decides on item 5.

Please read the information under the heading Chairman as proxy, on page 7, which deals with the chairman's voting of proxies on items 3, 4 and 5.

The proposed items of business should be read in conjunction with the explanatory notes on pages 8 to 17.

# How to vote

As a shareholder, you can vote on the items of business by:

- attending the meeting, or
- appointing a proxy, representative or attorney to attend the meeting and vote on your behalf.

## Voting at the meeting

The AMP Limited Board has determined that you will be entitled to attend and vote at the meeting if you are a registered shareholder of AMP at 7.00pm (Sydney time) on Tuesday 5 May 2015. You will be entitled to vote in respect of the number of AMP shares registered in your name at that time.

Voting on all items of business at the meeting will be conducted by poll.

## Appointing a proxy

A shareholder who is entitled to attend and vote at the meeting may appoint a proxy to attend and vote at the meeting on their behalf. A proxy does not need to be a shareholder of AMP.

If a shareholder is entitled to cast two or more votes at the meeting, the shareholder may appoint two proxies and may specify the percentage or number of votes each proxy can exercise. If the proxy form does not specify the percentage or number of the shareholder's votes that each proxy may exercise, each proxy may exercise half of the shareholder's votes on a poll. Fractions will be disregarded.

Completed proxy forms (and any necessary supporting documents) must be received by AMP no later than 11.30am (Sydney time) on Tuesday 5 May 2015.

## Submitting your proxy form

You can submit your proxy form in the following ways:

**Online** by visiting [investorvote.com.au](http://investorvote.com.au) on your computer or smartphone.

You will need the control number and holder number shown on your proxy form to submit your form online. To use the smartphone voting service, scan the QR code which appears at the top of your proxy form and follow the instructions provided or go to [investorvote.com.au](http://investorvote.com.au) from your smartphone. To scan the code you need to have already downloaded a free QR code reader app to your smartphone. When scanned, the QR code will take you directly to the mobile voting site. Participating intermediaries can lodge their form online through [intermediaryonline.com](http://intermediaryonline.com).

**By post** using the envelope provided or by posting it to:

Australia	Reply paid 2980, Melbourne VIC 8060
New Zealand	PO Box 91543, Victoria Street West, Auckland 1142
Other countries	GPO Box 2980, Melbourne VIC 3001, Australia

**By fax:**

Australia	1300 301 721
New Zealand	09 488 8787
Other countries	+613 9473 2555

**By post or hand delivery to:**

AMP's registered office, 33 Alfred Street, Sydney NSW 2000, or the AMP share registry:

Australia	Level 4, 60 Carrington Street, Sydney NSW 2000, Australia
New Zealand	Level 2, 159 Hurstmere Road, Takapuna, Auckland 0622, New Zealand

### Power of attorney

If the proxy form is signed under a power of attorney on behalf of a shareholder, then the attorney must make sure that either the original power of attorney or a certified copy is sent with the proxy form, unless the power of attorney has already been provided to the AMP share registry. A proxy cannot be appointed under a power of attorney or similar authority online.

### Attending the meeting

If you will be attending the meeting, please bring your personalised proxy form with you to assist registration.

If a representative of a corporate shareholder or a corporate proxy will be attending the meeting, the representative will need to bring to the meeting adequate evidence of their appointment unless this has previously been provided to the AMP share registry. An appointment of corporate representative form may be obtained from the AMP share registry or online at [computershare.com.au](http://computershare.com.au) (go to the Investor Centre and click on the Forms icon under the Help menu).

### Chairman as proxy

AMP encourages you to consider directing your proxy how to vote by marking the appropriate box on each of the proposed resolutions on the proxy form.

If you appoint the chairman of the meeting as your proxy (or the chairman becomes your proxy by default) and you do not direct your proxy how to vote on the proposed resolutions set out in this notice, then you will be authorising the chairman of the meeting to vote as he decides on the proposed resolutions (even though items 3, 4 and 5 are connected with the remuneration of members of the KMP).

The chairman of the meeting intends to vote, as your proxy, in favour of each of the proposed resolutions (where permissible).

If you do not want the chairman of the meeting to vote as your proxy in favour of any proposed resolution, you need to direct your proxy to vote against, or to abstain from voting on, the relevant resolution by marking the appropriate box on the proxy form.

If you appoint someone as your proxy (other than the chairman) and direct them how to vote, the chairman must cast those proxy votes on your behalf on a poll if your proxy does not do so.

### Other key management personnel as proxy

If you appoint a director (other than the chairman of the meeting) or another member of the KMP (or a closely related party of a member of the KMP) as your proxy, you should direct them how to vote on items 3, 4 and 5 by marking the appropriate boxes. If you do not do so, AMP will disregard those proxy votes on items 3, 4 and 5.

By order of the board.



**David Cullen**

Company Secretary, 2 March 2015

# Explanatory notes

The information below is an explanation of the business to be considered at the 2015 AGM.

## Item 1: Financial report, directors' report and auditor's report

The AMP 2014 annual report (which includes the financial report, the directors' report and the auditor's report) will be presented to the meeting. Shareholders can access a copy of the annual report at [amp.com.au/2014annualreport](http://amp.com.au/2014annualreport). A printed copy of the AMP 2014 annual report has been sent only to those shareholders who have elected to receive a printed copy. To receive a printed copy of the annual report, free of charge, please contact the AMP share registry.

During this item, shareholders will be given an opportunity to ask questions about, and make comments on, the 2014 annual report and AMP's management, business, operations, financial performance and business strategies.

Shareholders will also be given an opportunity to ask a representative of AMP's auditor, EY, questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by AMP in relation to the preparation of the financial statements, and the independence of the auditor in relation to the conduct of the audit.

If you would prefer to submit a written question to the auditor, please do so in accordance with the instructions on page 18 under the heading Questions from shareholders. All written questions to the auditor must be received by no later than Thursday 30 April 2015.

## Item 2: Re-election of directors

### Who is standing for re-election?

Paul Fegan and John Palmer are non-executive directors retiring in accordance with AMP's constitution. Paul and John were last re-elected by shareholders at the AGM in 2012.

Paul and John are both eligible to be re-elected as directors of AMP and intend to offer themselves for re-election. A profile of each candidate is included below and on the next page. They are considered by the board to be independent and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

### Paul Fegan

MBA, Age 53

Paul was appointed to the AMP Limited Board in August 2009. He was appointed to the Audit Committee in November 2009 and became Chairman of that committee in December 2010. Paul was also appointed as a member of the Risk Committee in November 2014. Paul was appointed Chairman of AMP Bank Limited in March 2014.

### Experience

Paul has over 30 years experience in the financial services industry, holding positions including Chief Financial Officer of Genworth Australia and Group Managing Director, Strategy and Corporate Services with Telstra. Paul was the Chief Executive Officer and





**Paul Fegan**



**John Palmer ONZM**

Managing Director of St.George Bank until its merger with Westpac Banking Corporation. He was also a Director of St.George's funds administration subsidiary, Asgard Wealth Solutions. Prior to joining St.George, Paul was based in the UK as Chief Operating Officer of Yorkshire Bank. He held director positions in both Yorkshire Bank and Clydesdale Bank and a series of senior appointments with National Australia Bank in Australia, the US, Hong Kong, the UK and Ireland. Paul is a Senior Advisor with Gresham Partners.

#### **Board recommendation**

The board has conducted an assessment of Paul Fegan's performance. The directors (with Paul Fegan abstaining) unanimously recommend the re-election of Paul Fegan.

#### **John Palmer ONZM**

BAgrSc, Hon. DCom, Age 67

John was appointed to the AMP Limited Board in July 2007. He retired from the AMP Life Limited Board in June 2014 after 10 years service. He joined the AMP Capital Holdings Limited Board and its Audit and Risk Committee in May 2014.

#### **Experience**

John has extensive experience as a director and chairman of companies in the agricultural and finance sectors. He has a track record of successfully leading change and reconstruction of diverse corporates in marketing, agribusiness and aviation. John has served numerous companies as Chairman or a Director including Air New Zealand and Solid Energy New Zealand and is Chairman of Rabobank New Zealand.

In 1998, John received the Bledisloe Cup for outstanding contribution to the New Zealand fruit industry. In 1999, he was awarded with an Officer of the New Zealand Order of Merit (ONZM) for service to the New Zealand kiwifruit industry.

#### **Listed directorships**

Director of Air New Zealand Limited (November 2001–March 2014)

#### **Board recommendation**

The board has conducted an assessment of John Palmer's performance. The directors (with John Palmer abstaining) unanimously recommend the re-election of John Palmer.

### Item 3: Adoption of remuneration report

AMP is committed to ensuring remuneration practices are aligned with the creation of value for shareholders.

- An improvement in AMP's financial performance in 2014 saw an increase in net profit and an increased dividend for shareholders. Employees were rewarded for the improved performance with an increased short-term incentive (STI) pool.
- Salary costs have continued to be closely managed across the organisation. In 2014, executive salaries were reviewed but only adjusted if an executive was promoted or an individual's remuneration had fallen below market competitive levels.
- Remuneration packages for new nominated executives have been set at market competitive levels taking tenure in roles into account.
- The 2014 STI pool has been increased to \$118 million or 11.3% of underlying profit compared with \$83 million or 9.8% of underlying profit for 2013, reflecting improved performance against key performance measures and consequently the increase in net profit for the year.
- Performance rights are paid to executives when AMP delivers significant value to shareholders. Performance rights awarded in 2011 lapsed in 2014 as the performance hurdle was not met.

Further information is available in the remuneration report which appears on pages 14 to 32 of the AMP 2014 annual report and is available at [amp.com.au/2014annualreport](http://amp.com.au/2014annualreport). During this item, shareholders will be given an opportunity to ask questions about, and make comments on, the remuneration report.

Shareholders will be asked to vote on a resolution to adopt the remuneration report at the meeting. The vote on the resolution will be advisory only and will not bind the directors or AMP. However, under the *Corporations Act 2001* (Cth), if 25% or more of the votes cast on the resolution at the meeting are against adoption of the remuneration report, then:

- if comments are made on the remuneration report at the meeting, AMP's 2015 remuneration report will be required to include an explanation of the board's proposed action in response or, if no action is proposed, the board's reasons for this, and
- if, at next year's AGM, at least 25% of the votes cast on the resolution for adoption of the 2015 remuneration report are against it, AMP will be required to put to shareholders a resolution proposing that an extraordinary general meeting (EGM) be called to consider the election of directors (spill resolution). If the spill resolution is passed (ie more than 50% of the votes cast are in favour of it), all of the directors (other than the CEO) will cease to hold office at the subsequent EGM, unless re-elected at that meeting.

The board will take the outcome of the vote into consideration when reviewing the remuneration policy for directors and executives in the future.

If you intend to appoint a proxy to vote on your behalf on the resolution for adoption of the remuneration report, please read the information on page 7 under the heading Chairman as proxy.

## **Board recommendation**

The remuneration report forms part of the directors' report, which was approved in accordance with a unanimous resolution of the board. Each director recommends shareholders vote in favour of adopting the remuneration report.

### **Item 4: Approval of the chief executive officer's long-term incentive for 2015**

Under his employment agreement with AMP, the remuneration of AMP's CEO, Craig Meller, consists of:

- fixed remuneration
- short-term incentives (STI), and
- long-term incentives (LTI) payable in performance rights (which are rights to receive shares or a cash equivalent on vesting of the rights).

Approximately 81% of the CEO's maximum remuneration opportunity (that is both STI and LTI) for 2015 is 'at risk'. Vesting of the CEO's 2015 LTI award will generally be subject to AMP meeting performance hurdles determined by the board and designed to align company and CEO interests with those of shareholders. Details of the proposed performance hurdles are provided on pages 12 to 15.

As a senior executive, Craig Meller has participated in AMP's LTI program since 2002.

#### **Why is shareholder approval being sought?**

As any LTI shares for which Craig Meller may become eligible will be bought on market, AMP is not required by law to seek shareholder approval. However, in the interests of transparency and good governance, AMP believes it is appropriate to do so. For these reasons, AMP sought shareholder approval at last year's AGM for the grant of Craig Meller's 2014 LTI award. Shareholders gave their approval at that AGM.

The board is seeking shareholder approval at this year's AGM for the 2015 LTI grant to Craig Meller.

#### **What is the chief executive officer's proposed LTI for 2015?**

The board is proposing that AMP grant Craig Meller performance rights with a face value of 225% of his fixed remuneration as his LTI for 2015 (2015 grant). Given that Craig Meller's fixed remuneration for 2015 is \$1,750,000, this equates to a grant of performance rights with a face value of \$3,937,500. This value was determined having regard to market data from an independent external consultant and is in line with the board's desired positioning of Craig Meller's remuneration relative to remuneration paid to CEOs of comparable companies and industry peers.

Importantly, there has been no increase in Craig Meller's LTI opportunity since last year. The \$3,937,500 figure above is based on the face value of AMP's shares, rather than the more detailed accounting valuation that was previously used to value Craig Meller's LTI awards.

If the previous fair value accounting methodology is applied to this year's award, the value of this year's award would be approximately \$2,187,500 (or 125% of Craig Meller's fixed remuneration, consistent with the 2014 LTI award that was approved by shareholders last year).

The actual value (if any) that Craig Meller will receive from this award cannot be determined until after the end of the three-year performance period, as it will depend on whether the performance hurdles are achieved and the share price at the time of vesting.

**What are performance rights?**

Each performance right will give Craig Meller the right to acquire one fully paid ordinary share in AMP if the applicable performance hurdle described on pages 12 to 15 is met at the end of the performance period (or the right otherwise vests). However, the board may, in its discretion, decide to satisfy performance rights in the 2015 grant by AMP making a cash payment to Craig Meller of an amount equivalent in value to the number of shares to which he would otherwise be entitled on vesting of the rights.

Performance rights are granted at no cost to the recipient. They do not carry dividend or voting rights or the right to participate in new issues of shares (such as any rights or bonus issues).

If there is a capital reconstruction or other corporate action by AMP (such as a rights or bonus issue), the board may make any adjustments it considers appropriate to the terms of performance rights in order to minimise or eliminate any material advantage or disadvantage to the participant, and having regard to the ASX Listing Rules. These may include adjustments to the number of performance rights or the number of shares to which the participant is entitled on vesting of the performance rights.

**How did the board determine the LTI arrangements?**

In determining these LTI arrangements, the directors took into account the nature of the position, the context of the current market, the function and purpose of the LTI component of AMP's remuneration strategy and other components of Craig Meller's remuneration.

**What performance hurdles will apply to the performance rights?**

The performance rights will be subject to performance hurdles determined by the board. The board has determined that vesting of the performance rights comprising Craig Meller's LTI award for 2015 will be based on two performance hurdles.

In particular, 60% of the LTI award value (the total shareholder return or TSR tranche) will be comprised of performance rights subject to a performance hurdle based on the relative TSR performance of AMP over a three-year performance period (from 5 March 2015 to 4 March 2018). The remaining 40% of the LTI award value (the return on equity or RoE tranche) will be comprised of performance rights subject to a performance hurdle based on AMP's RoE performance for the financial year ending on 31 December 2017.

**TSR tranche**

Vesting of these performance rights will be based on the TSR performance of AMP over the applicable three-year performance period relative to that of the entities in the market comparator group (being the top 50 industrial companies in the S&P/ASX 100 Index – based on market capitalisation rank at the start of the performance period). In determining this comparator group, all entities other than those in the global industry classification standard (GICS) energy industry and GICS metals and mining industry are classified as industrial companies. Broadly, TSR measures the percentage return to a shareholder over the relevant

performance period in terms of changes in the market value of shares plus the value of any dividends paid and capital returns on the shares.

For the 2015 grant, the number of performance rights in the TSR tranche that vest and are converted into AMP shares after the end of the applicable performance period will be determined in accordance with the following vesting schedule:

TSR performance	Percentage of performance rights in the TSR tranche to vest
AMP's TSR ranking below the 50th percentile of the market comparator group	0%
AMP's TSR ranking at the 50th percentile of the market comparator group	50%
AMP's TSR ranking between the 50th and 75th percentile of the market comparator group	50% plus 2% for each additional percentile (rounded to the nearest whole percentile)
AMP's TSR ranking in at least the 75th percentile of the market comparator group	100%

The applicable three-year performance period for the TSR tranche is 5 March 2015 to 4 March 2018.

#### RoE tranche

Vesting of these performance rights will be based on AMP's RoE performance for the year ending 31 December 2017. Prior to the 2015 grant being awarded, the board will determine threshold and maximum RoE performance targets (expressed as percentage outcomes) to be achieved for the year ending 31 December 2017.

For the purposes of the RoE tranche, RoE will be calculated as follows (and then expressed as a percentage):

$$\text{RoE} = \frac{\text{Underlying profit less dividends paid on any preference shares}}{\text{Average AMP shareholder equity (book value)}}$$

where:

**Underlying profit** is the underlying profit for the year ending 31 December 2017, as reported in AMP's annual report for that year.

**Average AMP shareholder equity (book value)** will be calculated by adding AMP shareholder equity as at 31 December 2016 and AMP shareholder equity at the end of each month over 2017, but excluding any equity attributable to any preference shareholders, and dividing the resulting number by 13. For this purpose, AMP shareholder equity is the total equity of shareholders of AMP Limited, adjusted for accounting mismatch items and cash flow hedge reserves (as determined in accordance with Australian Accounting Standards).

## Explanatory notes continued

AMP shareholder equity as at the end of each financial year is disclosed in the capital management note to its financial statements for that year.

Dividends paid on, and equity relating to, any preference shares will be excluded from the measure, to focus on returns to ordinary shareholders. AMP does not currently have any preference shares on issue.

The number of performance rights in the RoE tranche that vest and are converted into AMP shares after the end of the financial year ending on 31 December 2017 will be determined in accordance with the following vesting schedule:

RoE performance	Percentage of performance rights in the RoE tranche to vest
RoE below threshold performance target	0%
RoE at threshold performance target	50%
RoE between threshold and maximum performance targets	Straight line vesting between 50% and 100%
RoE equal to or greater than maximum performance target	100%

Shareholders will be advised of the vesting outcomes for the 2015 LTI award in the annual report for the year ending 31 December 2018.

### How many performance rights will be granted to the chief executive officer for 2015?

The number of performance rights in the 2015 grant is based on a board determination of the value of the LTI the CEO should receive (namely, 225% of his annual fixed remuneration). The formula used to calculate the total number of performance rights to be allocated to the CEO as his LTI for 2015 is set out below.

$$N = \frac{(225\% \times \$1,750,000)}{\text{Face value of an AMP share}}$$

where:

**N** is the number of performance rights to be allocated to the CEO. If N is a fractional number, it will be rounded down to the nearest whole number of performance rights.

**225%** is the actual percentage of the CEO's annual fixed remuneration determined by the board to be applicable for the CEO's LTI for 2015.

**\$1,750,000** is the annual fixed remuneration of the CEO for 2015.

**Face value of an AMP share** is the volume-weighted average price of AMP shares on the ASX during the 10-day trading period up to and including the valuation date for the 2015 LTI award.

The valuation date for the 2015 award is expected to be 8 May 2015 and the share price at that date is not yet known, however, for illustrative purposes, Craig Meller would receive 615,234 performance rights if an assumed share price of \$6.40 was applied. This share price was the closing price as at 17 February 2015.

**When will performance rights be granted to the chief executive officer?**

If shareholders approve the proposed resolution in item 4 at the 2015 AGM, the 2015 grant will be made in June 2015.

**Can the board change the terms and conditions of performance rights?**

The board may vary or waive any of the terms and conditions of performance rights in the 2015 grant (including the performance hurdles), but may not do so in a way that reduces the participant's rights (except in limited circumstances or with the participant's consent). Additionally, the board may waive, amend or replace the performance hurdles for the 2015 grant if the board determines that the original performance hurdles are no longer appropriate or applicable, provided that the board is satisfied that the interests of the participant are not materially prejudiced or advantaged relative to the position reasonably anticipated at the time of the grant.

In some limited circumstances (such as a takeover bid being made for AMP or other change in control event occurring in relation to AMP), the board will have the discretion to determine whether some or all of the performance rights held by Craig Meller will vest, remain on foot or lapse, having regard to all relevant circumstances.

**What will happen to the performance rights if the chief executive officer leaves AMP before the end of the vesting period?**

If Craig Meller gives notice of resignation to AMP and his full contractual notice period ends before the specified vesting date as determined by the board for the performance rights, all unvested performance rights will lapse, unless the board determines otherwise. All performance rights will lapse if Craig Meller's employment is terminated by AMP for cause or inadequate performance. In other cases, including termination by AMP on notice, termination by agreement, death, disability, retirement and redundancy, Craig Meller's performance rights will be retained subject to the original performance hurdles and performance periods, unless the board determines otherwise.

**What will happen at the end of the performance period?**

Under the LTI plan, if some or all of the performance rights in the 2015 grant satisfy the performance hurdles at the end of the applicable performance period and therefore vest, AMP will allocate shares to Craig Meller (at no cost to him) equal to the number of performance rights that vest, unless the board decides to pay him a cash equivalent in lieu of an allocation of shares. Any cash equivalent would be determined by multiplying an average market price of AMP shares at the relevant time by the number of shares to which he would otherwise be entitled on vesting.

If the performance hurdles are not achieved for some or all of the performance rights granted to Craig Meller, those performance rights will lapse immediately without re-testing of the performance hurdles.

## Explanatory notes continued

Shares delivered to Craig Meller on vesting of any performance rights will be bought on market and, therefore, will not dilute existing AMP shareholdings.

### **Are there other circumstances when performance rights may lapse?**

The board may determine that any unvested performance rights granted as part of Craig Meller's 2015 LTI award (or shares allocated on vesting of those rights) will lapse or be forfeited in certain circumstances. For example, the board may decide that Craig Meller's unvested performance rights should lapse where it considers it appropriate to do so to protect the financial soundness of AMP, to meet unexpected or unknown regulatory requirements or if the board considers that the grant of equity was inappropriate in the circumstances.

### **What will happen if shareholders do not approve the 2015 grant?**

To compensate Craig Meller for the remuneration he would forego if shareholder approval of his LTI is not given, Craig Meller is entitled, under his employment agreement, to receive a cash payment instead of performance rights in these circumstances. Craig Meller will only be entitled to receive a cash payment if the performance hurdles are satisfied or the rights would otherwise have vested.

For the 2015 grant, any such cash amount will be equivalent to the value the grant would have had at vesting if it had been approved by shareholders.

### **Board recommendation**

In the non-executive directors' view, it is in the best interests of shareholders to approve the share-based 2015 LTI grant to the CEO because vesting of the performance rights will be subject to performance hurdles that appropriately align the CEO's remuneration with shareholder returns. Your directors (with the CEO, Craig Meller, abstaining) therefore recommend shareholders approve the 2015 grant and the CEO's continuing participation in the LTI plan.

As Craig Meller has a personal interest in the resolution proposed in item 4 of the notice, he abstained from the board decision to make a recommendation as to how shareholders should vote on this resolution.

### **Item 5: Increase in non-executive directors' fee pool**

In accordance with the ASX Listing Rules and AMP's constitution, shareholders determine the maximum annual aggregate amount of remuneration that may be provided to non-executive directors of AMP for their services as directors of AMP and its subsidiaries.

### **What does the non-executive directors' fee pool cover?**

The current fee pool is \$3.85 million per year, as approved by shareholders at the 2011 AGM. Shareholder approval is now being sought to increase the maximum aggregate amount that may be paid as non-executive directors' fees by \$770,000 to \$4.62 million per year. The aggregate amount covers all remuneration (including superannuation) provided to AMP's non-executive directors for their services as directors and committee members of AMP and its subsidiaries.

The total remuneration provided to all non-executive directors of AMP for the year ended 31 December 2014 was \$3.15 million, of which \$2.31 million was for service on the AMP Limited Board and its committees and \$845,000 was for service on the boards and committees of AMP's subsidiaries.



AMP believes that, as a large, diversified financial services group, with significant, highly regulated operating subsidiaries, it is important for AMP Limited non-executive directors to have knowledge, understanding and oversight of the organisation as a whole and the issues and risks specific to its key subsidiaries. For this reason AMP non-executive directors also sit on the boards and committees of key subsidiaries. These are AMP Bank, AMP Life, The National Mutual Life Association of Australasia and AMP Capital Holdings.

AMP non-executive directors appointed to a subsidiary board receive the same fees for that appointment as the other non-executive directors on that board. Further details on AMP non-executive director remuneration are included in the AMP 2014 annual report.

### **Why is an increase being proposed?**

The board is seeking approval for an increase in the non-executive directors' fee pool for these reasons:

- *To have flexibility to increase the number of non-executive directors* – It is anticipated that an additional board appointment may be made in 2015 which would return the number of non-executive directors to nine. While the board is not currently proposing any further increase in numbers, there are circumstances where it may seek to appoint an additional non-executive director. These could include when an appointment is made prior to the retirement of an existing director to ensure a smooth succession between the newly appointed and retiring director. This would result in a short-term increase in the size of the board and the total fees payable to the directors. Another example would be where a potential director candidate, with a set of complementary skills, comes to the board's attention. The board may wish to invite such a candidate to become a director. Any new appointment would be subject to election by shareholders at the following AGM.
- *Remuneration levels* – AMP sets directors' fees at a market competitive level to ensure it attracts and retains the services of directors of the highest calibre, with the appropriate mix of skills and experience. Following a recent review of non-executive directors' fees, a 3% increase in board and committee fees for AMP and its key subsidiaries was approved, with effect from 1 April 2015. A \$4,500 increase for members and \$9,000 increase for the chairman of the Nomination and Governance Committee were also approved in recognition of the committee's increased workload. This is the first increase in fees for that committee since 2005. While AMP does not anticipate any further increase in fees in the short term, the board considers it important to retain the ability to adjust fees if required.

It is not intended to fully utilise the increase in the fee pool in the immediate future, but to retain the flexibility to respond to contingencies and adequately compensate AMP's non-executive directors.

### **Board recommendation**

As the non-executive directors have a personal interest in item 5, the directors make no recommendation as to how shareholders should vote on this resolution.

## Questions from shareholders

We welcome questions from shareholders before and during the meeting. Questions should relate to matters relevant to the business of the meeting, including matters arising from the financial report, directors' report (including the remuneration report) and the auditor's report, general questions regarding the performance, business or management of AMP, and relevant questions for the auditor. You can ask AMP or the auditor a question in the following ways:

- Online at [amp.com.au/shares](http://amp.com.au/shares) (click on Ask a question) or through the online proxy service. You will need your holder number and control number which can be found on your proxy form.
- Post or fax your question to the AMP share registry. You can use the envelope enclosed to post your question. Registry contact details are on the back cover of this booklet.
- In person at the meeting or online via the live webcast at [amp.com.au/agm](http://amp.com.au/agm).

If you have questions relating to private affairs, as either a shareholder or customer of AMP, our staff at the customer service desk or shareholder services desk in the foyer will be happy to assist you on the day of the meeting. Before or after the meeting you can contact the AMP Investor Relations team on 1800 245 500 or by sending an email to [shares@amp.com.au](mailto:shares@amp.com.au).

Your questions (other than questions you wish to ask during the meeting) must be received no later than Thursday 30 April 2015.

The chairman of the meeting will answer as many of the frequently asked questions as possible at the meeting. Due to the expected volume of questions, AMP will not be sending individual replies. The meeting will be webcast live at [amp.com.au/agm](http://amp.com.au/agm).

# Definitions

**AGM** means annual general meeting

**AMP** means AMP Limited (ABN 49 079 354 519)

**AMP group** means AMP and its controlled entities

**AMP share registry** means Computershare Investor Services Pty Limited (ABN 48 078 279 277) of Level 4, 60 Carrington Street, Sydney NSW 2000

**CEO** means chief executive officer and managing director of AMP

**Closely related party**, in relation to a member of the key management personnel, means the member's spouse, child or dependant (or a child or dependant of the member's spouse), anyone else in the member's family who may be expected to influence or be influenced by the member in the member's dealings with AMP (or the AMP group), and any company the member controls

**Key management personnel** or **KMP** means those persons having authority and responsibility for planning, directing and controlling the activities of AMP or the AMP group, whether directly or indirectly. Members of the KMP include directors (both executive and non-executive) and certain senior executives

**LTI** means long-term incentive

**RoE** means return on equity

**STI** means short-term incentive

**Sydney time** means Australian Eastern Standard Time

**TSR** means total shareholder return

**You or holder** means a holder of AMP shares

## Need help?

Contact the AMP share registry

**email** [ampservices@computershare.com.au](mailto:ampservices@computershare.com.au)

**web** [amp.com.au/shares](http://amp.com.au/shares)

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AMP Limited is incorporated and domiciled in Australia. Company Secretary: David Cullen