

**ADDRESS BY AMP CHAIRMAN SIMON MCKEON AO
TO THE AMP ANNUAL GENERAL MEETING
12 MAY 2016**

2015 business performance

Reflecting on 2015, AMP performed very well, demonstrating the company's strength and resilience, particularly against the backdrop of more challenging investment markets in the second half.

The consistent execution of our strategy delivered strong financial results.

Craig will take you through that performance, our strategy and our significant long-term growth potential, in more detail shortly.

What is most pleasing about 2015 is that we continued to deliver better outcomes for all the people who count on us: our shareholders, customers, business partners, employees, and the communities where we operate across Australia, New Zealand and internationally.

For our 800,000 shareholders, we lifted our total 2015 dividend to 28 cents per share – an 8 per cent increase on the previous year.

We also made improvements to our payout policy and franking rate based on our confidence in AMP's financial strength.

Our policy is now to payout between 70 to 90 per cent of underlying profit, and we've lifted our franking rate to 90 per cent.

Our return on equity improved to 13.2 per cent, and we were pleased to deliver better total shareholder returns, outperforming the ASX 200 by 8 per cent in 2015 and 10 per cent over the past three years.

Looking at the current year, investment market conditions have continued to be volatile. The first quarter cashflows we announced today are subdued as a result. This is consistent with what we have seen across the industry.

The first quarter also proved challenging for our life insurance business with ongoing volatility in our claims experience. We have previously advised that we expect volatility in these results while we continue to fix and strengthen the life business, but we remain committed to our strategy and confident that we are on the right track.

I'm now going to turn beyond AMP's business performance, and make some comments about the broader financial services industry in which we operate, and the scrutiny it is currently facing.

Role of Australia's financial services industry

Australia has one of the most highly advanced financial systems in the world; a system admired globally for its stability and sophistication.

Indeed, this industry is the largest contributor to our national economy, with gross value add to GDP of 9.3 per cent¹, and wealth management has been identified as one of Australia's key drivers of international growth during the next 20 years².

Of course, our A\$2 trillion³ superannuation system is lauded for its foresight and hailed as one of the cornerstones of our country's economy.

While helping people save for their futures, it also helps to fund infrastructure and business investment across our nation.

We have high expectations of our financial services providers, and understandably so; we trust them to safeguard and grow our hard-earned money.

We expect that the people who have the privilege of taking care of our savings and investments will act in good faith and in the best interests of their customers.

The community's support for our financial system helped to cushion Australia from the full impact of the global financial crisis, and so our country's major financial institutions remained profitable and well capitalised.

At AMP, we acknowledge the enormous responsibility and privilege we have as the steward of the financial futures of millions of people, and we recognise that the most important licence we operate under is the one granted to us by the people of Australia and New Zealand.

Our social licence is underpinned by the community's trust and confidence and, we don't take this for granted.

Integrity of industry

However, there's an important national conversation going on in our country right now about the integrity in our financial services industry.

This discussion stems from a series of serious and disappointing issues across the industry, including:

- the alleged manipulation of the key benchmark interest rate
- the mismanagement of life insurance claims – which followed last year's concerns about the financial advice sector

¹ *Why Australia*, Benchmark Report 2016, Australian Trade Commission (Austrade)

² *Positioning for Prosperity? Catching the next wave*, Deloitte report, 2014

³ Quarterly Superannuation Performance, Australian Prudential Regulation Authority, December 2015

- and, the role and treatment of whistleblowers.

At the crux of these issues, is the question of how to balance competing stakeholder interests and specifically how organisations can create value for shareholders in a way that serves the best interests of customers.

The answer to this question goes to the heart of a company – and its culture.

The issues confronting our industry have driven a period of more intense self-reflection at AMP in this regard. It's caused the board and management team to take a harder look at what we think and what we do.

It's very difficult to define culture; and I suspect, like many others in our industry, we are grappling with this. There is no universally-recognised description and certainly no one-size-fits all approach.

We know that culture forms the bedrock of any organisation and that when companies get it right, good things follow.

We also know this is an important conversation to have within AMP if we want our industry to be trusted, and therefore successful and sustainable. And while we're not perfect, and we don't have all the answers, we know that as an industry leader, it's our responsibility to participate in the public debate.

Today we are intentionally sharing AMP's thinking on culture in the interest of furthering this debate.

1. Culture is about doing the right thing

First, we believe that culture is about doing the right thing. It is about actions, not words.

It is pervasive and multi-dimensional, embracing everything we do to foster a customer culture, nurture strong risk and fiduciary cultures, manage conduct risk, and ensure strong ethics and compliance.

At AMP, we recognise that culture has many threads, and we are taking action and making progress on each.

- Over the past two years, we have been transforming our core Australian business to recognise and keep pace with changing consumer expectations around technology and service.
- We have led the industry in lifting professional standards for financial advice and driven the development of an industry-wide ethics programme in partnership with The Ethics Centre; more than 400 AMP aligned advisers and employees have participated in the course to date.

- Both myself and key members of AMP’s management team have also been active in shaping and promoting The Banking and Finance Oath. The decision to sign is entirely voluntary but is a sign of our commitment to doing the right thing by our customers.
- Work is also underway to strengthen our risk and compliance frameworks, including an active review of our advice controls.

These are just some of the many actions we are taking across the group to strengthen culture.

Recognising that culture is about ‘doing’, we view it as a work in progress. It isn’t ‘set and forget’ and there is never room for complacency.

You must remain vigilant and humble so you continually assess and improve your processes, systems and frameworks.

2. Culture emanates from a strong social purpose

Secondly, we think that culture emanates from a strong sense of purpose.

We were founded 167 years ago with a clear social purpose: ‘to be a sure friend in uncertain times’. At its heart, this is a commitment to help and do the right thing for our customers, which has become an integral part of AMP’s DNA.

Our history and heritage as a mutual intrinsically aligned the interests of customers and members and is still a key driver of who we are today.

We now express our purpose as helping people ‘own tomorrow’ and our employees take great pride in upholding this commitment for our customers: today, it remains one of the most powerful cultural motivators in our organisation.

3. Doing the right thing starts at the top

Thirdly, we think that a commitment to doing the right thing starts at the top.

Visible and vocal leadership is undoubtedly one of an organisation’s most significant cultural levers. It is up to AMP’s board, leadership team and other senior leaders in the organisation to set, protect and role model desired behaviours and actions.

One of the most important leadership values we foster is an openness and willingness to listen and respond to bad news. Former AMP Chairman Peter Willcox said it best when he told management: ‘Run, don’t walk to me with bad news’ – and this holds true in AMP today.

It’s the responsibility of leaders to respond constructively to challenging news: it’s our duty to listen, investigate and fix.

This is why whistleblowing policies are so important. We want employees – at any level – to feel safe and empowered to identify and raise issues that are unethical, unacceptable or even questionable.

Our CEO Craig Meller regularly emphasises the importance of speaking up and taking action. This forms the fundamental premise of our whistleblowing policy which is regularly communicated to and reinforced with all employees and our aligned financial advisers.

4. Culture involves balancing competing stakeholder interests

The importance of debating and optimising the balance of competing stakeholders' interests is the fourth factor influencing our thinking on culture.

For AMP, like many other organisations, one of the most crucial balances to strike is the one between shareholders and customers. This lies at the crux of the issues facing our industry today.

We believe that doing the right thing for customers is in the best long-term interests of shareholders.

Short-term measures designed to maximise shareholder value can often come at the expense of customers' interests. In the long-term, this undermines the social licence to operate and devalues the company for shareholders.

This is why remuneration frameworks aligned to customer outcomes are critical. At AMP, we have aligned a proportion of our remuneration framework to the net promoter system, which not only measures customer advocacy, but is also a powerful way to give customers a stronger voice within the organisation and to drive behaviour change in line with customers' best interests.

5. Doing the right thing means owning and fixing your mistakes

How companies respond when things go wrong really matters – it is an important cultural indicator.

At AMP, we stand behind our products, services and advice.

Yet, for all the action we are taking to strengthen and improve culture, and for all our best intentions, we won't always get things right. When we make a mistake, we acknowledge it, apologise and work hard to fix it as quickly as possible. This is the right thing to do.

AMP's response to industry events

What are we doing to foster and strengthen culture in the context of the challenges facing our industry?

We can't comment on the benchmark rate issue as we are not involved directly in this specialised market activity.

However, we are Australia's leading life insurance company, and in recent months, you would have seen media coverage relating to the management of life insurance claims at one of our competitors.

It's difficult not to feel distressed by these stories, which remind us all of the importance of life insurance at the most vulnerable times of a person's life.

Insurance provides security when people experience the trauma of losing a loved one and reassurance during illness or disability. Insurance is one of the driving reasons behind AMP's existence; it has helped define the role we've played in Australian daily life for the past 167 years.

At AMP, we treat each claim on a case-by-case basis and use thorough, expert assessment to identify and pay all rightful claims. Last year we paid almost \$1 billion in insurance claims, helping nearly 10,000 customers.

We don't pay every claim, and we don't always get it right, but we are committed to being absolutely open and fixing our mistake if we're in the wrong.

The recent scrutiny has served to highlight the inherent complexity in life insurance.

We recognised the need for change two years ago and have been on the front foot in putting in place a comprehensive program to make our insurance business better for customers and more sustainable for shareholders. Craig will take you through the specific action we're taking shortly.

Conclusion

In conclusion, AMP is a strong, resilient company, taking action to better serve customers and generate better returns to shareholders. This is evident in our 2015 financial results. We are achieving this through the consistent execution of our growth strategy, along with constant work to strengthen our culture.

AMP is a very special company. I'm proud of its culture, and am honoured to have been part of it.

I have every confidence that this great company will continue to grow and prosper; I leave it in very good hands – with a strong, professional and highly capable management team who I believe have the highest standards of integrity.

Within AMP, there is a willingness to listen and learn; there's a fight against complacency and there's an unwavering commitment to our purpose, and doing the right thing.

No organisation is perfect. We don't hold ourselves up as an example, nor do we have all the answers, because there are things we need to change and things we need to do better.

We know, however, that culture is an important conversation to have if we want our industry to continue to thrive and prosper. This will only happen if we have the community's trust, and therefore, a social licence to operate.

Thank you.

[ends]