

2019

# Corporate governance statement

# 2019 corporate governance statement

## **This statement is intended to inform our shareholders of AMP's governance framework, important developments in 2019, and priorities for further development of our governance arrangements in 2020.**

Following an initial summary, the statement is structured as follows:

1. Preamble
2. Corporate purpose
3. Separation of board and management
4. Composition, succession and evaluation
5. Reporting and disclosure
6. Risk, audit and internal control
7. Employment and remuneration

Further information on our corporate governance policies and practices can be found at [amp.com.au/corporategovernance](http://amp.com.au/corporategovernance).

This statement is current as at 13 February 2020 and has been approved by the AMP Limited Board.

## **Summary of 2019 developments and 2020 priorities**

### **ASX Corporate Governance Principles**

In 2019, AMP Limited (AMP) complied with all recommendations set by the third edition of the Australian Securities Exchange (ASX) Corporate Governance Council Corporate Governance Principles and Recommendations (the **ASX Principles**) and also complied with a number of the recommendations set out in the fourth edition of the ASX Principles.

### **2019 developments**

This statement includes commentary on actions taken by the AMP Limited Board during (and since) 2019 to enhance the group's governance, including:

- continuing board renewal;
- overseeing a self-assessment of AMP's risk governance practices and endorsing the findings and actions of the assessment;
- engaging with key regulators;
- meeting with shareholders and proxy advisers as part of AMP's ongoing engagement to discuss matters relating to governance;
- updating the risk appetite statement, risk management strategy and desired risk culture to reflect a greater focus on client outcomes;
- resetting the purpose, vision and desired cultural behaviours for AMP;
- enhancing quality of management reporting to the board; and
- updating key corporate governance policies, processes and charters.

### **2020 priorities**

The board's governance priorities for 2020 include:

- overseeing the implementation of AMP's new strategy and business model;
- overseeing the legal separation and completion of the sale of our Australian and New Zealand wealth protection and mature businesses;
- continuing to emphasise the separation between the board and management and assisting the Chief Executive Officer (CEO) in developing and assessing an effective organisational culture; and
- continuing to improve effectiveness of management reporting through accountability, information insights and refined metrics.

## 1. Preamble

The ‘tone from the top’ established through our system of governance is fundamental to the accountabilities and behaviours needed to maintain sound decision making and to create long-term value for customers, shareholders and employees.

We believe that unless directors collectively have sufficient experience as leaders operating at the level of complexity of work of the CEO, they will be less able to form an assessment of CEO performance, the company’s progress and existing leadership quality reflected through organisational culture.

AMP’s systems of governance, together with its policies and procedures, are designed and reviewed to comply with the laws and regulations of the countries in which we operate. The board objective is that these policies and procedures continue to meet legal requirements while also actively working on rebuilding AMP’s reputation, trust and confidence in the company.

While our policies are designed to achieve these outcomes, we acknowledge that mistakes happen. Our systems of work and internal controls are intended to identify and rectify such mistakes so that the trust of our customers, the community and regulators is retained.

## 2. Corporate purpose

Our motto ‘realising human ambitions’ encapsulates AMP’s purpose of helping people have confidence about their financial wellbeing. We do this by helping our customers manage the risks and reduce the uncertainties of financial outcomes that are inherent in the economies and investment markets within which we operate.

The assistance we provide our customers typically addresses; adequacy of retirement income, likelihood that investment strategies may not match their wealth accumulation expectations, potential illiquidity in investment portfolios, unexpected loss of life or income and security of home ownership.

AMP manages this through its established business systems and the expertise of our people, with the intent on making an acceptable return for risk for our shareholders.

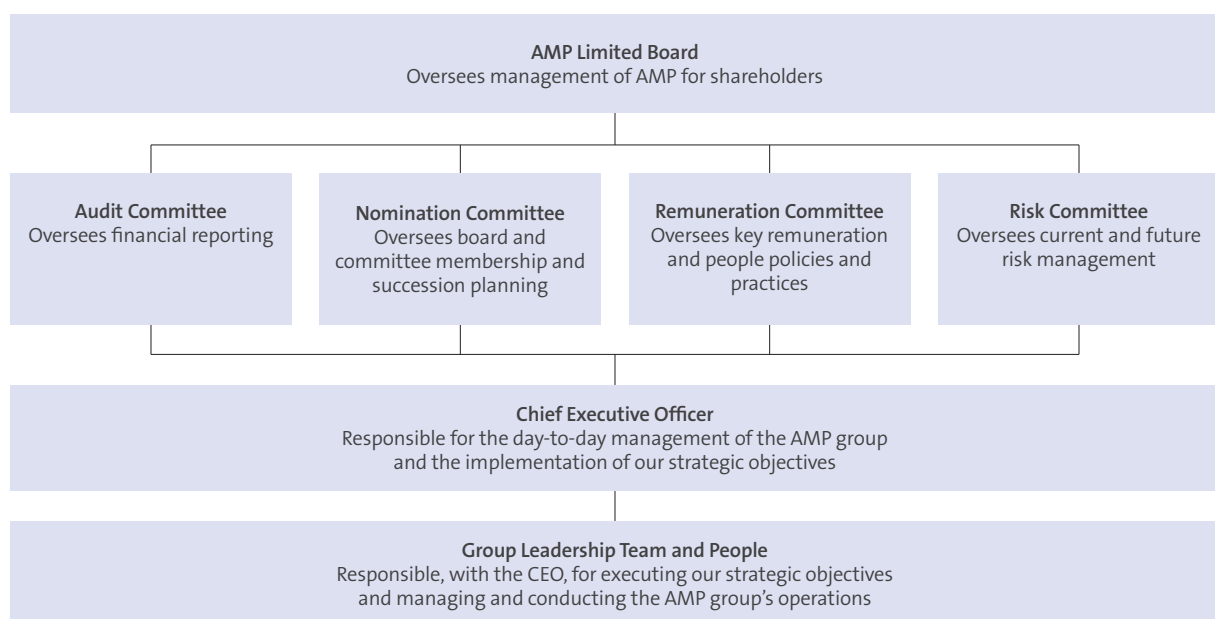
We believe that financial systems require the confidence and trust of the community and that our shareholder return objective can only be fully realised by earning and retaining the trust of our customers and the people with whom we deal.

## 3. Separation of board and management

### Our governance framework

The governance framework provides clear separation of the board’s oversight functions and the executive responsibilities and accountability of the CEO and management team.

The division of responsibilities between the board (and its committees) and management is illustrated in the diagram below.



### 3. Separation of board and management (continued)

#### Responsibilities of the AMP Limited Board

The AMP Limited Board is responsible to AMP shareholders for overseeing the overall strategy, performance, governance and risk management of the AMP group.

In addition to reviewing its own structure and effectiveness periodically, the responsibilities of the board include:

- setting the strategic direction and overseeing associated business development of the AMP group;
- overseeing management's implementation of the strategy;
- appointing and removing the CEO;
- instilling and continually reinforcing a culture of acting lawfully, ethically and responsibly across the AMP group;
- monitoring the effectiveness of the AMP group's governance model;
- approving the risk management framework and monitoring its effectiveness;
- overseeing the performance of the CEO;
- approving the half and full year results and financial reports for AMP and AMP's dividend policy and dividends;
- approving the remuneration arrangements for the CEO, other members of the Group Leadership Team (GLT) and certain other specified individuals;
- overseeing succession planning for key executive roles; and
- approving material transactions and capital initiatives (above the CEO's delegations).

AMP's board charter provides further details of the board's responsibilities and can be found at [amp.com.au/corporategovernance](http://amp.com.au/corporategovernance).

#### Independence of directors

The board believes that independent non-executive directors perform a crucial role in bringing an independent and objective judgement to bear on issues brought before the board, providing constructive challenge and strategic guidance to management, and holding management to account.

All of the AMP Limited directors, except the CEO, are considered by the board to be independent directors, having regard to the criteria specified in the ASX Principles and by the Australian Prudential Regulation Authority (APRA). Directors are considered independent where they are independent of management and free from any business or other relationship or interest that could materially interfere with, or could be perceived to materially interfere with, the exercise of their independent judgement and ability to act in the best interests of AMP and its shareholders. Materiality is assessed on a case-by-case basis having regard to the particular circumstances.

Directors' interests are regularly reviewed, and each independent non-executive director formally confirms their independence annually.

#### Independence of the chairman

David Murray AO is the independent, non-executive AMP Limited Chairman.

The chairman is responsible for providing leadership to the board. The chairman's other responsibilities are documented in AMP's board charter.

#### Responsibilities of the CEO and Group Leadership Team

The CEO of AMP Limited is Francesco De Ferrari. The CEO is responsible for the development and subsequent implementation of the company's strategy and the overall management and performance of the AMP group.

The CEO has delegated authority from the AMP Limited Board to manage the day-to-day business of the AMP group, subject to the responsibilities and reserved powers of the board. The Group Leadership Team (GLT) support the CEO and operate through a delegations of authority framework from the CEO to the GLT, with a cascading system of authorities for employees at different levels.

#### Company secretaries

During 2019, AMP Limited had three company secretaries:

- David Cullen, Group General Counsel, was company secretary of AMP Limited from 2013 until 6 May 2019;
- Vicki Vordis was company secretary of AMP Limited from 2010 until 30 August 2019; and
- Marissa Bendyk is the current company secretary of AMP Limited.

Marissa Bendyk commenced as company secretary of AMP Limited on 6 May 2019. Marissa's biographical details and qualifications are set out on page 26 of the annual report.

The company secretary is directly accountable to the board, through the chairman, on all matters to do with the proper functioning of the board. This includes advising the board and its committees on governance matters, coordinating board business and providing a point of reference for dealings between the board and management.

## 4. Composition, succession and evaluation

### Board composition

At the date of this statement, the AMP Limited Board consists of 10 independent non-executive directors and the CEO.

The names, position and tenure of the current AMP Limited directors and the former directors who resigned during 2019 are outlined below. You can find biographical details of the current directors, including details of their qualifications and experience, on pages 12 to 15 of the annual report and at [amp.com.au/aboutamp](http://amp.com.au/aboutamp). The average tenure of the independent non-executive directors is 2 years, 2 months.

Name	Position <sup>1</sup>	Tenure as a director <sup>2</sup>
<b>Current directors</b>		
David Murray AO	Independent Chairman	1 year, 8 months
Francesco De Ferrari <sup>3</sup>	Chief Executive Officer and Managing Director	1 year, 1 month
John Fraser	Independent Director	1 year, 5 months
Andrew Harmos	Independent Director	2 years, 8 months
Trevor Matthews	Independent Director	5 years, 11 months
John O'Sullivan	Independent Director	1 year, 8 months
Debra Hazelton <sup>4</sup>	Independent Director	8 months
Andrea Slattery	Independent Director	1 year
Peter Varghese AO <sup>6</sup>	Independent Director	3 years, 4 months
Mike Wilkins AO	Independent Director	3 years, 5 months
Rahoul Chowdry	Independent Director	1 month
<b>Former directors</b>		
Geoff Roberts <sup>5</sup>	Independent Director	2 years, 10 months
<b>New directors</b>		
Michael Sammells	Independent Director	Appointment effective 1 March 2020

1 For current directors, the above reflects the position held at the date of this statement (13 February 2020).

2 The tenure information is provided as at the date of this statement (or on resignation in the case of former directors).

3 Francesco De Ferrari was appointed as CEO on 1 December 2018 and joined the AMP Limited Board (as Managing Director) on 31 January 2019. The tenure shown above relates to his period of service as a director.

4 Debra Hazelton was appointed to the AMP Limited Board effective 15 June 2019.

5 Geoff Roberts resigned as a director effective 2 May 2019.

6 It is intended that Peter Varghese will retire at the conclusion of the 2020 annual general meeting to be held on 8 May 2020.

## 4. Composition, succession and evaluation (continued)

### Committee composition

The AMP Limited Board has four standing committees, each of which focuses in detail on different areas of the board's responsibilities.

All of the AMP Limited non-executive directors are members of each standing committee (other than the Nomination Committee and the Audit Committee where the AMP Limited Chairman is not a member). This ensures that all non-executive directors are informed of the matters presented to these committees by management and advisers.

The composition of the four standing committees as at the date of this statement is shown below.

Independent non-executive directors	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee
David Murray AO (Chairman)	Not a Member but attends as an observer	Member	Chairman	Chairman
John Fraser	Member	Member	Member	
Andrew Harnos	Member	Chairman	Member	
Trevor Matthews	Member	Member	Member	
John O'Sullivan	Member	Member	Member	
Debra Hazelton	Member	Member	Member	
Andrea Slattery	Chairman	Member	Member	
Mike Wilkins AO	Member	Member	Member and lead director <sup>1</sup>	Member
Peter Varghese AO	Member	Member	Member	Member
Rahoul Chowdry	Member	Member	Member	

- 1 For details of this role, please refer to the Employment and remuneration section of this statement (under the sub-heading Remuneration Committee).  
Additional change: It is proposed that Michael Sammells be a member of each of the Audit Committee, Risk Committee and Remuneration Committee on his appointment becoming effective, 1 March 2020.

Details of the number of meetings of each standing committee held during 2019, and of each committee member's attendance at those meetings, are included on page 25 of the annual report.

There are also a number of management committees which assist the standing committees. The management committee members are senior executives who meet regularly to discuss a range of matters including strategic and operational issues and risk management.

Each committee operates in accordance with written charters, these can be found at [amp.com.au/corporategovernance](http://amp.com.au/corporategovernance) (in the Board committees section).

### Board succession

The AMP Limited Board was further renewed and strengthened by the appointment of Andrea Slattery, Debra Hazelton and Rahoul Chowdry as new independent non-executive directors.

AMP has announced the appointment of Michael Sammells effective 1 March 2020.

Andrea Slattery was elected as a director by shareholders at our 2019 AGM. Debra Hazelton, Rahoul Chowdry and Michael Sammells will stand for election by shareholders at our 2020 AGM. The AMP Limited Board unanimously recommends (with each candidate abstaining in respect of their own election) that shareholders vote in favour of their election.

### Nomination Committee

The Nomination Committee supports the AMP Limited Board on succession planning including both board and committee appointments and performance evaluation processes.

Details of the committee's current composition are set out in the committee composition table set out above. David Murray is the independent chairman of the Nomination Committee. For 2019, the Nomination Committee had at least three members and all were independent directors.

In undertaking and reviewing board succession planning, the Nomination Committee's role includes identifying and assessing suitable candidates for appointment to the AMP Limited Board and the boards of certain subsidiaries. External consultants are engaged to assist with the selection process where considered appropriate. In assessing potential candidates, the Nomination Committee has regard to board and committee size, time commitments and the needs of the particular board as well as the current and desired mix of experience, skills, attributes, independence and diversity for the relevant board.

## 4. Composition, succession and evaluation (continued)

### AMP Limited Board skills matrix

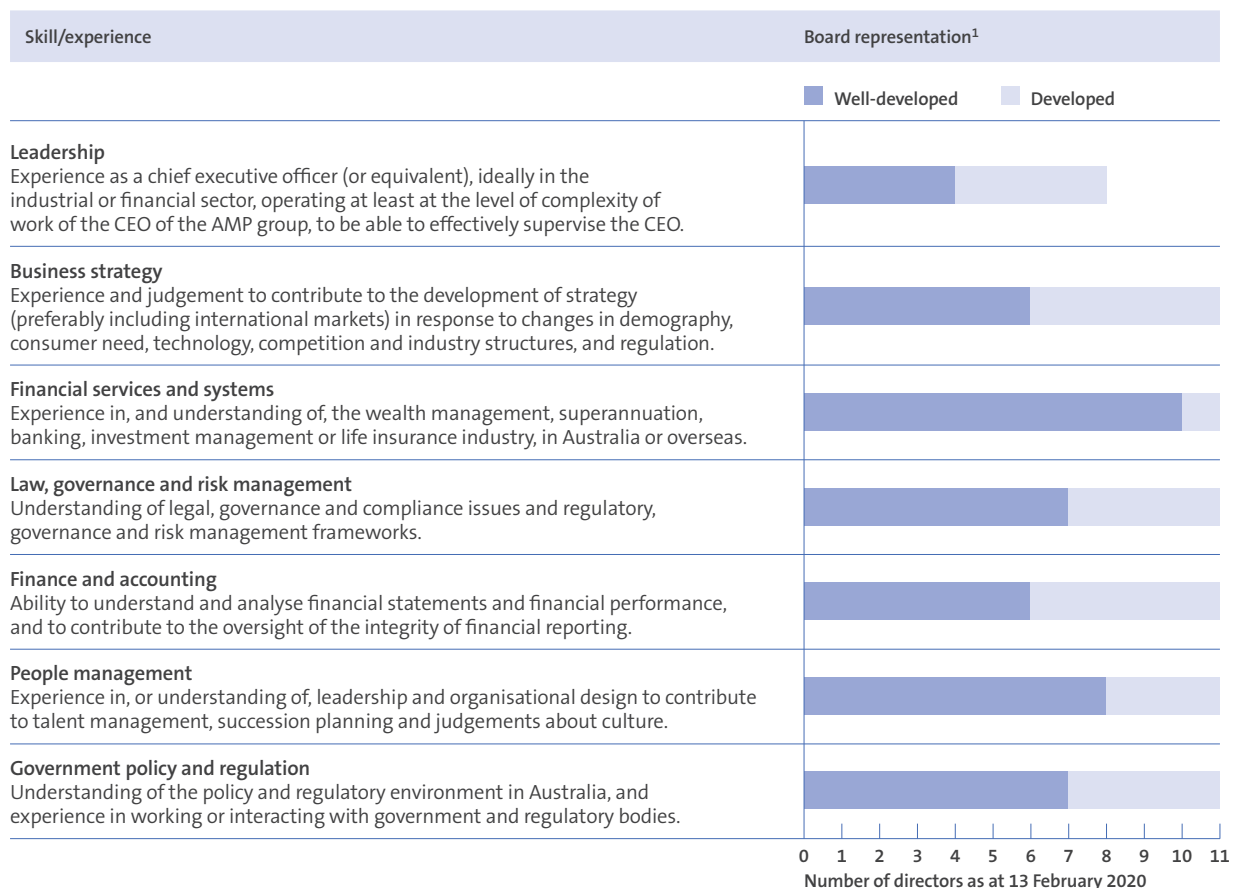
The board of AMP believes that its membership should comprise high calibre directors with an appropriate mix and diversity of skills, professional experience, tenure and personal background that allow the directors individually, and the board collectively, to:

- discharge their responsibilities and duties under the law effectively and efficiently;
- consider and form a view on AMP's culture and governance;
- understand the business of AMP and the environment in which AMP operates to be able to agree with management the objectives, goals and strategic direction to promote the creation of enduring value; and
- assess the performance of management in meeting those objectives and goals.

The board has adopted a board skills matrix to help guide its assessment of the collective mix of skills and experience currently represented on the board and that the board needs going forward to support the refinement of AMP's strategy and transformation of AMP. The matrix includes an emphasis on experience at the level of complexity of work of the CEO. It also highlights the importance of strategy development in the context of the multi-faceted nature of technology, competition, industry structures and regulatory change, and has a focus on risk management experience.

In addition, directors must have sufficient time available to fulfil their roles, the absence of unmanageable conflicts of interest, and the skills, experience, judgement and integrity to undertake the role of a non-executive director of a public listed company. These personal attributes are a precondition for appointment, rather than forming part of the revised skills matrix.

The table below outlines the areas covered by the revised skills matrix and, for each area, shows the directors' assessment of the extent to which the relevant skill or experience is represented on the AMP Limited Board at the respective levels of 'well-developed' and 'developed'. All areas in the skills matrix are currently well represented on the board as a whole.



1 This column shows the number of existing directors (out of a total of 11 directors at the date of this statement) who are considered to possess the relevant skill or experience at the respective levels of 'well-developed' and 'developed'. By definition, the CEO is excluded from the calculation of the number of directors possessing the requisite leadership experience. Accordingly, the numbers shown for leadership are out of a total of 10 directors.

## 4. Composition, succession and evaluation (continued)

### Appointment and tenure of directors

Prior to the appointment of any new director, comprehensive checks are conducted to determine if the candidate has the capabilities needed and is fit and proper to undertake the responsibilities of the role. These include extensive background checks on character, education, career experience, criminal history and bankruptcy.

Throughout their tenure, directors must continue to demonstrate that they have the character, diligence, honesty, integrity, judgement and skills required for the role. Relevant background checks are repeated at least triennially during their tenure. Each director provides an annual declaration confirming their fitness and propriety to perform their duties.

On appointment, each director enters into a formal letter of appointment outlining the main terms, conditions and expectations of their appointment. Before accepting the position, the candidate must confirm that they have sufficient time to fulfil their obligations to AMP and provide details of their other commitments.

All new non-executive directors must stand for election by shareholders at the first AGM following their appointment and all non-executive directors must then stand for re-election at the third AGM after their first election or any subsequent re-election. As managing director, the CEO is not required to stand for election. This is consistent with the ASX listing rules. AMP's notice of meeting for the AGM provides all material information known to AMP that is relevant to the election or re-election of each director standing.

The maximum tenure of a non-executive director will normally be until the ninth AGM occurring after they were first elected by shareholders at an AGM. If a director is to continue to hold office after their ninth AGM, they must be re-elected by shareholders at that and each subsequent AGM.

### Director induction, education and access to information

Once appointed, all new directors are provided with an information pack including governance policies and business information and are invited to participate in a comprehensive induction program. This program includes meetings with the chairman, other board members, the CEO, members of the GLT and other senior executives (as appropriate).

Board members receive regular briefings from senior management across the business and have the opportunity to participate in site visits to AMP's operations. Directors also receive regular updates on industry, market, regulatory, governance and accounting developments through a range of channels, including through briefings at board meetings, board workshops held outside of board meetings, and meetings with regulators, customers and investors.

The board encourages directors to participate in appropriate opportunities for the continuing enhancement of their knowledge and capabilities, and of the performance of the board generally.

With notification to the chairman, directors may seek independent professional advice on AMP-related matters that are connected with the delivery of their responsibilities, at AMP's expense and in accordance with AMP's protocols. Directors must ensure the costs are reasonable and any advice that is received must be made available to the rest of the board unless otherwise agreed by the chairman.

### Board evaluation

As noted in the 2018 annual report, the 2018 board evaluation was deferred due to the significant changes to the board composition which occurred in 2018. In 2019, the performance of the AMP Limited Board, each of its committees and each director of AMP Limited was reviewed through an internal review process. The evaluation process adopted by the board included the completion of board performance surveys by each director and one-on-one discussions with those individuals. The survey and discussions were based on questions linked to the performance, opportunities and challenges for the board.

The board evaluation process covered matters such as:

- the board's contribution to developing strategy and policy;
- the board's performance relative to its objectives;
- interaction between the board and management and between board members;
- the board's oversight of business performance and compliance, risk controls and management;
- board composition, including consideration of relevant skills and structure; and
- the operation of the board, including the conduct of board meetings and group behaviours.

The board as a whole has then reviewed and discussed the results of this process and identified ways to enhance its effectiveness.

## 5. Reporting and disclosure

### Market disclosure

AMP is committed to providing shareholders and the market with equal and timely access to material information about AMP in accordance with our continuous disclosure obligations under the ASX Listing Rules and NZX Listing Rules. This includes a commitment to ensure that any materials presented to analysts or other third parties are lodged with the ASX prior to the relevant presentation as reflected in our market disclosure policy. This policy sets out the processes we have in place to support compliance with our continuous disclosure obligations, and the roles and responsibilities of our employees, disclosure officers, our Market Disclosure Committee (MDC) and the AMP Limited Board in relation to continuous disclosure.



## 5. Reporting and disclosure (continued)

The MDC is a management committee, chaired by the Group General Counsel, that assists the board and the CEO with the discharge of AMP's continuous disclosure responsibilities. The MDC's responsibilities include reviewing the form and content of any proposed announcement in relation to price sensitive matters and confirming that appropriate verification has been undertaken on the factual accuracy and completeness of such announcements.

AMP's market disclosure policy can be found at [amp.com.au/corporategovernance](http://amp.com.au/corporategovernance). The policy was updated in 2019 to reflect changes to AMP's organisational structure and market practice.

### Keeping our shareholders informed

We publish detailed information about our company, our board and management, and our governance framework and policies on our website. Our website includes a dedicated shareholder centre where shareholders can readily access material announcements released to the ASX, information about our full-year and half-year financial results, our annual reports and shareholder reviews, and other information relevant to their AMP shareholdings. This can be found at [amp.com.au/shares](http://amp.com.au/shares).

Shareholders can elect to receive their annual reports, notices of meeting and dividend statements in print or online. Shareholders who choose to receive their reporting information online can still opt to receive a copy of their dividend statement by post.

We also provide an email alert system through our website which enables shareholders and other interested parties to receive notification when media releases and material ASX announcements are released by AMP. You can subscribe for these email alerts at [corporate.amp.com.au/newsroom](http://corporate.amp.com.au/newsroom).

### Communicating with our shareholders

We encourage direct, two-way communication with our shareholders. Shareholders are able to communicate electronically with our Investor Relations team (by email to [shares@amp.com.au](mailto:shares@amp.com.au)) and with our share registry, Computershare (by email to [ampservices@computershare.com.au](mailto:ampservices@computershare.com.au)). We also have dedicated phone lines for shareholders to contact the registry or the AMP shareholder services team.

Our Investor Relations team coordinates an investor relations program and conducts group and one-on-one briefings with our institutional investors and analysts. Where possible, our group briefings are webcast and an archived copy of the webcast is published on our website. Our dedicated shareholder website ([amp.com.au/shares](http://amp.com.au/shares)) includes a calendar of scheduled, upcoming announcements and presentations.

In 2019 the Investor Relations team initiated a program to help shareholders reconnect with their shares. The Find My AMP Shares website ([findmyampshares.com.au](http://findmyampshares.com.au)) was launched in November 2019 through a media campaign targeting people who had moved address and not kept their shareholding up to date. More than 24,000 people accessed the site, with several hundred reconnecting with their shares and dividend payments due to them.

### Annual shareholder meeting

The AMP Limited Board welcomes the opportunity to meet with AMP's shareholders and encourages them to join us for our annual general meeting (AGM) each year either in person or via our webcast.

We encourage shareholders to provide us with any questions about our business or the business of the AGM ahead of each meeting, so that these can be addressed before or at the meeting. In 2019, for shareholders who were unable to attend the AGM, we provided an online facility for them to submit written questions during the AGM. Shareholders are also able to lodge their proxy forms online using a computer or mobile device.

#### 2020 annual general meeting

AMP's 2020 AGM will be held on Friday 8 May in the Concert Hall at The Concourse, Chatswood, New South Wales. Shareholders who are unable to attend can appoint a proxy to vote on their behalf, either online or by post or fax, and can observe the meeting and ask questions through our webcast. Full details will be provided in the 2020 notice of meeting. All resolutions are decided on a poll.

### Our approach to tax

We take our tax obligations very seriously and are focused on integrity and transparency in both compliance and reporting. The AMP Limited Board does not sanction or support any activities which seek to aggressively structure AMP's tax affairs. We work closely with the Australian Taxation Office to ensure that all our tax requirements are met.

Details of AMP's tax payments are published in the AMP tax report which can be found at [amp.com.au/shares](http://amp.com.au/shares). The report is consistent with the Board of Taxation's voluntary tax transparency code.

Our tax is mainly paid in Australia and determined by the nature of our business. For example, different tax rates apply within our life insurance business and we pay our taxes accordingly.

## 6. Risk, audit and internal control

### Our enterprise risk management (ERM) framework

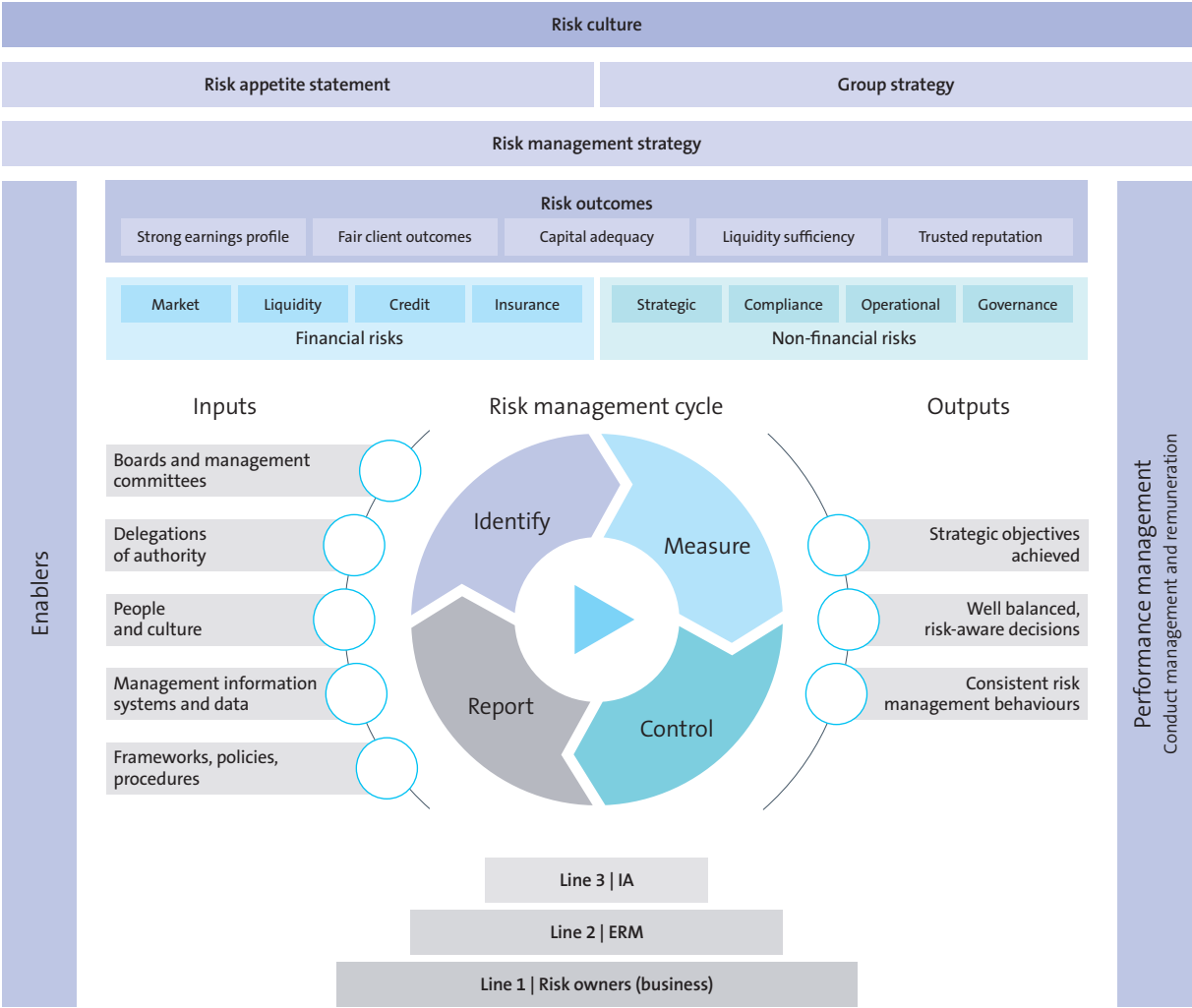
There are five key elements within AMP’s ERM framework which provide the foundation for how risks are managed. They include:

1. governance,
2. risk strategy and appetite,
3. people and culture,
4. management information systems; and
5. risk management process (identifying, measuring, controlling and reporting risk).

Any material risks identified are then assessed against five risk outcomes, being:

1. capital adequacy,
2. liquidity sufficiency,
3. fair client outcomes,
4. trusted reputation; and
5. strong earnings profile.

### Enterprise risk management framework



AMP’s ERM policy can be found at [amp.com.au/corporate-governance](http://amp.com.au/corporate-governance).

## 6. Risk, audit and internal control (continued)

### Risk governance

The AMP Limited Board is ultimately responsible for the risk management framework and oversight of its operation by AMP's management. In particular, the board is responsible for setting AMP's risk appetite, the strategic plan and risk management strategy. It also monitors policies and business practices to align pursuit of strategic objectives with AMP's risk appetite and with applicable laws and regulations.

The Risk Committee assists the board in the execution of its responsibilities in relation to risk. The key responsibilities of the Risk Committee include:

- overseeing AMP's risk culture and assisting the Board in assessing the extent to which AMP's risk culture supports its ability to operate within its risk appetite and recommends any changes to the board;
- recommend AMP's risk management strategy, risk appetite statement and ERM Framework to the board for approval; and
- providing prior endorsement of the appointment or removal of AMP Group's Chief Risk Officer (CRO).

Details of the committee's current composition are set out in the table on page 6. Throughout 2019 (and since the end of the year):

- the Risk Committee was chaired by an independent non-executive director who was not the chairman of the board;
- the Risk Committee had at least five members and all of its members were independent directors; and
- the members of the Risk Committee, collectively, had the necessary technical knowledge and a sufficient understanding of the financial services industry to enable the committee to discharge its responsibilities effectively.

AMP also has management committees to assist in overseeing risk management. The Group Risk and Compliance Committee guides the implementation of risk management practices, processes and systems, and oversees all material risk exposures (ie financial and non-financial risks) and risk decisions facing AMP. The Group Asset and Liability Committee oversees financial risks across AMP in relation to capital and financing, and the risk appetite as it relates to financial risk and shareholder capital.

### Three lines of defence

We have a 'three lines of defence' approach to risk management accountability:

**Line 1** – management is accountable for delivering on the strategy and objectives of the enterprise as approved by the board, taking into account AMP's values and the board approved appetite for risks. Each business unit is accountable for identifying and assessing risks to the AMP strategy, and for designing, implementing and maintaining an effective control environment to manage risk within the set risk appetite.

**Line 2** – the Enterprise Risk Management (ERM) team, led by the Group CRO, is accountable for developing risk management policies, systems and processes to promote a consistent approach to risk management throughout AMP and for providing independent review and challenge to the business. ERM's role also includes oversight and aggregation of the level of risk in the business and its relationship to the risk appetite, risk reporting to the board and Risk Committee and overseeing all contact with relevant regulators.

**Line 3** – AMP Group Internal Audit is accountable to the board via the Chair of the Audit Committee. AMP Group Internal Audit, led by the Chief Audit Executive, is governed by an Internal Audit Charter (mandate) and is accountable for providing independent assurance for the effectiveness of the control environments in place to manage the key risks of AMP.

The 'three lines of defence' approach is designed to provide assurance to management and the board that risks are identified, managed and reported effectively.

### Review of the risk management framework

The AMP Limited Board, assisted by both the Risk and Audit Committees, reviews the soundness of the risk management framework at least annually. The review, in relation to the 2019 reporting period, is underway and will be completed in 2020.

The Audit Committee assists the board by providing an objective non-executive review of the effectiveness of the risk management framework.

In performing this annual review, the board and Risk and Audit Committees are supported by, and consider the outcomes of, an annual review of the risk management framework conducted by our Internal Audit function or, every three years, by an operationally independent party. This review assesses the appropriateness, effectiveness and adequacy of the risk management framework.

The review also includes the annual risk management declaration provided by the board to APRA, as required by APRA Prudential Standard CPS 220 Risk Management.

## 6. Risk, audit and internal control (continued)

### Strengthening risk management, internal controls and governance

In 2018, AMP committed to strengthen the risk management, internal controls and governance across the business over a two-year period (\$100 million pre-tax investment) through a number of initiatives under the *Enterprise Risk Management Strengthen Risk Management, Internal Controls and Governance Work Plan*.

Since the second half of 2018, AMP has invested approximately 65% of this \$100 million for projects in the Advice, Bank, Wealth Management, Operations and Enterprise Risk Management. To date, this investment has been split across approximately 30 initiatives with five key underlying focus areas:

1. **Better Customer Outcomes:** Focus on delivering initiatives across the business that carry risk and controls benefits to promote better customer outcomes. Some key initiatives included: Customer Complaints Framework; Advice Business Review Program; and Trustee Member First.
2. **Governance and Three Lines of Defence:** Establish clearly defined responsibilities and accountabilities across the three lines for the governance of risks, with initiatives emphasising Line 1 implementation.
3. **People and Culture:** Establish a culture where people, behaviours and remuneration are aligned to achieve optimal risk management outcomes, with projects including: Simplifying Governance and Entities; Conduct Management; and Conflicts of Interest.
4. **Internal Control Environment:** Strengthening of risks and controls, with key initiatives uplifting Financial Crime Compliance and Compliance and Operational Risk and Controls.
5. **Systems and Data:** Uplift systems and data management infrastructure to support strategic risk initiatives and effective control, with major programs being delivered for the Governance Risk and Compliance System.

Good progress has been made in these key focus areas throughout 2019. This work will continue into 2020, along with business as usual improvements, to deliver a strengthened risk management, internal controls and governance position for AMP.

### Economic, environmental and social sustainability risks

We are committed to managing business sustainably for today and for the future, by creating long-term value for our clients, shareholders, employees, the community and the environment. Our approach to sustainability is built around three connected areas of stakeholder focus, being our clients, people and communities.

Our ongoing commitment and progress to managing business sustainably saw:

- fee reductions across the North and MyNorth platforms;
- enhanced digital functionality to provide whole of wealth solutions to create value for customers;
- further progress on customer remediation;
- constructive engagement on the policy and regulatory reform in the financial services industry;
- continued investment in the development and training of our employees and advisers; and
- enhanced mental health and wellbeing support.

We also acknowledge ethical issues and climate change relating to our investments and the impacts of our operations and supply chains. AMP Capital continues to provide thought leadership in responsible investment, while we remain carbon neutral across our own operational footprint. Through the AMP Foundation, we also support employee volunteering and provide direct support to charities and social enterprises.

Details of our approach to managing our sustainability issues and performance are provided in our annual sustainability report. Our performance is also summarised on pages 10 to 11 of the 2019 annual report. All relevant documents can be found at [amp.com.au/corporatesustainability](http://amp.com.au/corporatesustainability).

## 6. Risk, audit and internal control (continued)

### Audit Committee

The Audit Committee assists the AMP Limited Board with the review and oversight of AMP's financial reporting framework.

The main responsibilities of the Audit Committee include:

- considering AMP's financial reports;
- considering the adequacy and effectiveness of AMP's financial reporting systems and internal control framework;
- recommending the appointment of the Chief Audit Executive and the external auditor; and
- overseeing the objectivity, performance, adequacy and independence of the internal and external audit functions.

Details of the Audit Committee's current composition are set out in the table on page 6.

In 2019 and through to the date of this statement:

- the Audit Committee was chaired by Geoff Roberts, an independent non-executive director who was not the chairman of the board until his retirement in May 2019 from which point, the Audit Committee was chaired by Andrea Slattery, an independent non-executive director who was not the chairman of the board;
- the Audit Committee had at least three members and all were independent directors; and
- the members of the Audit Committee, collectively, had the accounting and financial expertise and a sufficient understanding of the financial services industry to enable the committee to discharge its responsibilities effectively.

### CEO and CFO assurance

Before the AMP Limited Board approves AMP's financial statements for each full and half financial year, the CEO and the CFO are required to provide the board with a declaration of their opinion as to whether:

- the financial records for the relevant reporting period have been properly maintained;
- the financial statements and notes for the relevant reporting period comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the AMP group; and
- their opinion has been formed on the basis of a sound risk management system and internal control which is operating effectively.

### Internal Audit

Our Internal Audit team provides the board and management of AMP and its subsidiaries with independent assurance over the management of key organisational risks and the effectiveness of the associated control environment.

The responsibilities Internal Audit has to the board and Audit Committee are being discharged by the Chief Audit Executive. The Chief Audit Executive is supported by the in-house Internal Audit function, with supplementary subject matter expertise provided through strategic co-source partnerships with several large accounting firms offering a diverse range of expertise relevant to AMP's businesses to ensure appropriately skilled resources to deliver audit activity.

### External auditor

AMP has appointed Ernst & Young (EY) as the company's external auditor, with the lead audit partner rotating every five years (unless special circumstances require this to be extended for additional years).

Our Audit Committee has adopted a charter of audit independence, which sets out a framework to assist in maintaining the independence of EY as a result of its business dealings with AMP.

EY representatives attend each Audit Committee meeting and regularly meet with the committee without management present. Internal Audit team members may be invited to attend EY's private discussions with the committee from time to time.

EY's lead audit partner for AMP attends each AGM and shareholders are given the opportunity to ask questions relevant to 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.

## 7. Employment and remuneration

### Code of conduct

The code of conduct reflects the AMP Limited Board's and GLT's:

- commitment to fostering a culture of acting lawfully, ethically and responsibly; and
- expectation that every individual who represents AMP acts honestly, professionally and with integrity, and always considers our customers' best interests when making decisions.

The code applies globally to anyone employed by, or who works for, any entity within the AMP group, whether as a board member, leader, employee, contractor or consultant.

The code recognises the importance of AMP leaders role modelling the right behaviours and upholding the expected standards of behaviour within their teams. Our leaders are expected to recognise and reward those who consistently represent AMP with professionalism, honesty and integrity, and to take steps to hold those who do not to account.

The code of conduct is complemented by a range of other corporate policies, including policies on fraud, conflicts of interest, business integrity, workplace health and safety, and workplace respect.

The code of conduct can be found at [amp.com.au/corporategovernance](http://amp.com.au/corporategovernance).

### Whistleblowing policy

The AMP Limited Board, the CEO and the GLT are committed to encouraging, protecting and supporting responsible reporting of illegal, unacceptable or undesirable conduct, including conduct that is (or is suspected to be) dishonest, unethical, fraudulent, corrupt or otherwise inconsistent with our code of conduct, questionable accounting practices and inappropriate workplace behaviour.

AMP has a whistleblowing policy and provides support for whistleblowers. The policy is supported by an external whistleblowing platform that our people can contact to report suspected unethical, illegal or improper behaviour anonymously and confidentially. Mandatory training on our whistleblowing policy is also provided to strengthen our people's awareness of the policy and the steps they should take to report any suspected wrongdoing.

The whistleblowing policy can be found at [amp.com.au/corporategovernance](http://amp.com.au/corporategovernance).

### Securities trading policy

Our securities trading policy was updated in November 2019 and outlines rules for directors, senior executives, other nominated employees, and their close associates for trading in AMP securities. These nominated persons are only permitted to trade in AMP securities during designated trading windows and provided that they are not in possession of confidential price-sensitive information (inside information) at that time.

The trading policy also reinforces insider trading law by preventing all employees, contractors and their close associates from trading in AMP securities at any time when they possess inside information.

The securities trading policy can be found at [amp.com.au/corporategovernance](http://amp.com.au/corporategovernance).

### Employment terms and remuneration

The CEO, GLT and other senior executives have clearly defined goals, accountabilities and employment contracts which set out their terms of employment, duties, rights and responsibilities, and entitlements on termination of employment.

Details of our policies and practices for the remuneration of non-executive directors, the CEO and the members of the GLT are disclosed in our 2019 remuneration report (on pages 29 to 52 of the annual report).

### Remuneration Committee

The Remuneration Committee assists the AMP Limited Board (and the boards of AMP subsidiaries) to establish and oversee AMP's remuneration policy and practices. The Remuneration Committee's responsibilities include:

- recommending to the AMP Limited Board the remuneration of non-executive directors, the CEO, the GLT members and certain other specified individuals;
- recommending to the board the performance objectives and measures relevant to the remuneration of the CEO, and reviewing the performance of the CEO against these objectives;
- recommending to the board AMP's remuneration policy, including an assessment of the policy's effectiveness and compliance with prudential standards;
- overseeing all incentive plans;
- recommending to the board any new incentive plans, including equity-based plans; and
- overseeing general remuneration practices across AMP.

Details of the Remuneration Committee's current composition are set out in the table on page 6.

## 7. Employment and remuneration (continued)

The Remuneration Committee had at least three members in 2019. The committee had an independent chairman throughout 2019 and all of its members were independent directors.

Since 1 January 2019, the Remuneration Committee has been chaired by David Murray, the independent AMP Limited Chairman. The committee has appointed Mike Wilkins to the role of lead director to deal with remuneration matters, and lead discussion (in the chairman's absence) when matters arise at a board or committee meeting in connection with the AMP Limited Chairman's fees.

### Performance evaluation

Performance objectives and performance appraisals for executives who are key management personnel (KMP), including the CEO and nominated GLT are reviewed annually by the Remuneration Committee and recommended to the AMP Limited Board for its consideration. Further information on the evaluation of executive KMP performance for 2019 is set out in the remuneration report (on pages 29 to 52 of the annual report).

### Inclusion and diversity

AMP has an inclusion and diversity policy which is available at [amp.com.au/corporategovernance](http://amp.com.au/corporategovernance). This policy requires the board to set measurable objectives for achieving gender diversity and to annually assess both the objectives and AMP's progress in achieving them.

The established target for the AMP Limited Board is for women to hold 40% of board positions, men to hold 40% of positions, and either women or men to hold the remaining 20% of positions. Women currently hold 20% of board positions. The board is focused on meeting its gender targets as soon as possible.

AMP also has gender diversity targets in place for management positions, which require women to hold 47% of senior executive roles and 50% of middle manager roles by the end of 2020.

AMP acknowledges that it is behind in its progress towards meeting these targets but continues to remain committed to these measurable objectives.

In 2019, AMP maintained a sound representation of women in management positions. The representation of women in senior executive roles decreased to 38% (a decrease of 1%) as at 31 December 2019, and representation of women in middle manager roles increased to 43% (an increase of 2%). Overall, women make up 51% of our workforce.

The objective is to continually review AMP's employment systems to ensure that the signals sent by establishing these policies and targets are not undermined by unfair work practices. Systems which do not adequately address favouritism and cronyism in the workplace can lead to discriminatory outcomes, notwithstanding the intent of the policies.

### Representation of women at AMP

Roles	2020 target %	2019 progress target %	31 December 2019 %	31 December 2018 %
AMP Limited Board	40	40	20	11
Senior executives <sup>1</sup>	47	44	38	39
Middle management <sup>2</sup>	50	47	43	41
All employees	n/a	n/a	51	52

1 Senior executives are generally one to four reporting layers below the CEO and represent the top 7% of the organisation. People in these roles typically lead discrete functions and are responsible for making strategic decisions for those functions. They generally have the title Group Executive, Director or Head of.

2 Middle managers are generally between three to six reporting layers below the CEO and represent the next 25% of the organisation. People in these roles typically report to our senior executives and are involved in operational decision making or have specialised and high value skills. They have a wide range of titles including Senior Manager, Manager and Lead.

