



Company: AMP Limited

Meeting date: May 10, 2018

Item	Management recommendation	BlackRock vote
Item 2 (a): To re-elect Holly Kramer as director	FOR	AGAINST
Item 2 (b): To re-elect Vanessa Wallace as a director	FOR	AGAINST
Item 2 (c): To elect Andrew Harnos as a director	FOR	FOR
Item 3: Adoption of remuneration report	FOR	FOR

BlackRock's director vote rationale

BlackRock has been closely following the events of the Royal Commission in relation to AMP Limited (AMP). BlackRock is concerned about a number of issues raised during the Royal Commission's hearings in relation to the AMP Board's awareness of inappropriate advice to customers (totalling more than 14,000 customers). We would expect a board to disclose such issues to shareholders, set up an independent process to understand how such behaviours could develop, implement processes to ensure such actions do not occur in the future and communicate effectively to customers. 2016 was a time when the banking industry globally was facing continuing issues of trust with cases such as Wells Fargo and Commonwealth Bank of Australia receiving significant media attention. In our view, the AMP Board should have reacted in a more decisive manner in respect of the failure of the company in its duty of care to customers and the lack of appreciation of brand damage as a result of this inaction is a concern.

On 20 April 2018, the AMP Board apologised unreservedly for the misconduct and failures identified by the Royal Commission and included a commitment to accelerate change. The further allegations that the company provided false or misleading statements to the corporate regulator are also deeply concerning. It appears from all of this that in our opinion, the AMP Board has failed in its oversight of risk culture at AMP.

We believe the whole board of AMP needs to be renewed. As such, we have reviewed the directors seeking re-election – Holly Kramer and Vanessa Wallace and decided not to support their re-election due to their length of service on the board. AMP was advised of our voting intentions with respect to the two directors not being supported by BlackRock. Subsequently, the Company announced that both Ms Kramer and Ms Wallace will not be seeking re-election and further that independent director Patricia Akopiantz will step down from the board in late 2018.

We are also of the view that it is important the renewal process is managed in an orderly manner to ensure that the board is of an appropriate size and has the required skills and expertise to allow the issues identified so far by the Royal Commission are addressed.

Andrew Harnos joined the board in June 2017. In our experience, it takes a newly appointed non-executive director at least 12 months to understand the company, its people and the culture of the board. While we believe



Mr Harnos bears some responsibility for what has happened, we would be concerned that the size of the board would not be sufficient to function appropriately in the current circumstances. On that basis we have decided to support his election to the board.

Following the announcement in May 2018 that David Murray will join the board on or before 1 July 2018 as chairman we engaged with him to ensure that our view of the importance of an orderly board renewal was conveyed to him. Mr Murray has committed to “meaningful board renewal” recognizing “the process must be measured so as to maintain the stability of AMP in the immediate future”. BlackRock is supportive of the approach. We will on an ongoing basis engage with him on the AMP Board renewal efforts including an assessment on the accountability of each of the remaining directors.

Proposal 3 Remuneration report

We reviewed the remuneration report and found it supportable.

Initiating a first strike by voting against the remuneration report will result in a board spill proposal on the agenda for the 2019 AGM. Given the commitment of Mr Murray to meaningful board renewal, we do not believe a protest vote against the remuneration report is warranted at this time.

About AMP:

AMP is a financial services company in Australia and New Zealand providing superannuation and investment products, insurance, financial advice and banking products including home loans and savings accounts.

AMP has four main business areas:

- Advice and banking provides financial planning and advice, superannuation services for businesses, and selected banking products. These products and services are primarily distributed through a network of self-employed financial planners. AMP is the largest retail distribution platform in Australia with more than 3,500 aligned and employed financial advisers.
- Insurance and superannuation provides superannuation, personal risk insurance products and self-managed super fund administration, support and design. These products and services are primarily distributed through a network of self-employed financial planners.
- Customer solutions focuses on helping companies meet customer needs, handle marketing efforts and take sales offers to market.
- AMP Capital is one of Asia Pacific's largest investment managers with about A\$180B. Through a team of investment professionals across the world, it invests in equities, fixed interest, infrastructure, property, diversified funds and multi-manager funds. It is the top 10 global investment manager in infrastructure and top 25 in real estate.

Royal Commission:

Following a series of scandals in the banking sector, in 2017, the Australian Government established a commission to inquire and report on misconduct in the banking, superannuation and financial services industry. Round two of the hearings focused on the provision of Financial Advice. As part of the hearings, AMP provided testimony on “Fees for no service” and “Investment Platform Fees”. During the “Fees for no service” testimony, AMP disclosed that misleading statements had been made by AMP to the regulator, the Australian Securities & Investments Commission (ASIC) on at least 19 occasions over a seven-year period regarding



customers being charged fees for services they had not received. It was further revealed that following an independent report commissioned by the Board, senior management and the Board urged law firm Clayton Utz to amend portions of the report that could prove to be more controversial thereby throwing into question the independence of the report.

On 20 April 2018, AMP issued a statement to the Australian Securities Exchange (ASX) apologizing “unreservedly” and committing “to accelerate change”. As part of this announcement, they also disclosed:

- The Board and the Chief Executive Officer, Craig Meller, have agreed that he will step down from his role with immediate effect.
- Mike Wilkins, a Non-Executive Director on the AMP Limited Board since September 2016 and a former CEO of IAG Limited, has been appointed as acting Chief Executive Officer until the search for the new CEO is completed.
- An immediate, comprehensive review of AMP’s regulatory reporting and governance processes will be undertaken. This work will be overseen by a retired judge or equivalent independent expert who will be appointed imminently.
- A Board Committee has been established to review the issues related to the advice business raised in the Royal Commission. The Committee is chaired by Mike Wilkins and will act with the assistance of external counsel, King & Wood Mallesons.
- The Group General Counsel, Brian Salter, has agreed to take leave while the review is undertaken. David Cullen, AMP General Counsel, Governance has been appointed as acting Group General Counsel. On 30 April 2018, AMP announced that Chairman Catherine Brenner would step down from the Board and independent director, Mike Wilkins would be appointed interim Executive Chairman. It was also further announced the departure of Group General Counsel and Company Secretary Brian Salter would leave the company and that his outstanding deferred remuneration would be forfeited as a result of the Board exercising its discretion.
- On 4 May 2018 AMP announced David Murray AO will join the board as chairman after the AGM, on or before 1 July, 2018.
- On 8 May 2018 AMP announced that three non-executive directors had chosen to resign from the board. Vanessa Wallace and Holly Kramer will step down ahead of the AGM. The board’s longest serving director, Patricia Akopiantz has offered to step down and will serve until the end of 2018.