

# Corporate governance

## Approach to corporate governance

AMP has a set of values that recognises our responsibilities to all of our stakeholders, including shareholders, customers, employees, planners, the community and the environment.

The AMP Board places great importance on the highest standards of governance and continually reviews its governance practices to address AMP's obligations as a responsible corporate citizen.

In March 2003, the ASX Corporate Governance Council (ASX Council) published its Principles of Good Corporate Governance and Best Practice Recommendations.

AMP has adopted the principles and practices, meeting all of the ASX Best Practice Recommendations, with the exception of:

- Recommendation 9.4 relating to shareholder approval of equity based remuneration plans. This is primarily because a number of AMP executive equity plans were established prior to the release of the ASX Best Practice Recommendations and did not require shareholder approval under the *Corporations Act 2001* and ASX Listing Rules. However, at AMP's 2008 Annual General Meeting, which will be held on 15 May 2008, shareholder approval will be sought for the continued participation of the Managing Director and Chief Executive Officer in AMP's long-term incentive plan. Information about AMP's long-term incentive plan was previously provided to shareholders in October 2003 when AMP proposed the demerger of its UK operations. Although specific shareholder approval of this plan was not required at that time, it did form part of the proposed ongoing arrangements for AMP. Shareholders can access a copy of the 2008 Notice of Meeting on the AMP website: [www.amp.com.au/shareholdercentre](http://www.amp.com.au/shareholdercentre), and
- Recommendation 4.3 states that the Audit Committee should be comprised of at least three members. Following John Astbury's retirement as a director on the AMP Board in October 2007, and consequently the Audit Committee, the Audit Committee comprised two members (Richard Grellman as chairman and Nora Scheinkestel). As the board is considering succession planning and board composition generally, the chairman was appointed as a member on the Audit Committee as an interim measure, pending a permanent appointment to that committee.

☞ In accordance with the best practice recommendations, AMP has posted copies of our governance practices in the corporate governance section on our website: [www.amp.com.au](http://www.amp.com.au) including copies of relevant policies and terms of reference.

In August 2007, the ASX Council issued revised Corporate Governance Principles and Recommendations, effective 1 January 2008. AMP is required to report against these in the 2008 annual report, which will be published next year.

## Role of the board of directors

(ASX Best Practice Recommendation 1.1)

### Functions of board and management

The AMP Board is responsible to its shareholders for the overall governance and performance of the AMP group.

### The board

The AMP Board primarily represents the long-term interests of shareholders by:

- providing strategic direction to AMP through constructive engagement with senior management in the development, execution and modification of AMP's strategy
- appointing the Managing Director and Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Company Secretary and approving succession plans
- monitoring the performance of the CEO
- approving remuneration policies and practices
- reporting to shareholders and ensuring that all regulatory requirements are met
- providing advice and counsel to senior management
- ensuring appropriate group wide compliance and risk frameworks and controls are in place
- approving policies governing the operations of the AMP group
- approving decisions concerning the capital of the AMP group,

including capital restructures and significant changes to major financing arrangements

- making decisions in relation to initiatives or matters otherwise not dealt with as part of the strategy process (e.g. major acquisitions and withdrawal from existing major lines of business)
- monitoring financial results on an ongoing basis
- determining dividends and financing of dividend payments
- ensuring the board's effectiveness in delivering best practice corporate governance
- ensuring AMP's business is conducted ethically and transparently
- reviewing strategic risk management including processes for identifying areas of significant business risk, monitoring risk management policies and procedures, overseeing internal controls and reviewing major assumptions used in the calculation of significant risk exposures
- ensuring clear and transparent communication to the market, shareholders and other stakeholders as appropriate
- listening and responding to shareholders' views on the management and direction of the company, and
- considering the interests of all stakeholders.

## Role of management

(ASX Best Practice Recommendation 1.1)

### Functions of board and management

The Chief Executive Officer (CEO) is responsible for the overall management and profit performance of the AMP group. The CEO manages the organisation in accordance with the strategy, plans and policies approved by the board to achieve agreed goals.

## Board composition and size

(ASX Best Practice Recommendations 2.1, 2.5)

### Independence of directors – board composition and commitment

The directors determine the size of the board, with reference to the Constitution, which provides that there will be a minimum of three directors and a maximum of 16 directors. The AMP Board is made up of a majority of independent non-executive directors and has only one executive director, the CEO. The chairman of the board is non-executive and independent of the role of the CEO.

☞ AMP's Constitution is available on AMP's website.

## Appointment of directors

Nominations of new directors, recommended by the Nomination Committee, are considered by the full board. The Nomination Committee considers a wide base of potential directors, taking into account the range of skills and experience required in relation to the:

- current composition of the board
- need for independence
- strategic direction and progress of AMP, and
- geographic spread and diversity of AMP's businesses.

From time to time, the Nomination Committee uses external consultants in this practice. The board assesses nominated directors against a range of criteria including experience, professional skills, personal qualities and their capacity to commit themselves to the board's activities. Any appointment is subject to any share qualification requirement of AMP's Constitution (Clause 60).

☞ A copy of the Nomination Committee terms of reference is available on AMP's website.

## Director independence

It is important that the board operates independently of executive management. Each of the non-executive directors is considered by the board to be independent of management. This means that they do not have any business interest or other relationship that could materially interfere with the exercise of their independent judgement and their ability to act in the best interests of the company.

AMP also includes independent directors on the boards of significant regulated subsidiaries.

### Chairman's appointment and responsibilities

(ASX Best Practice Recommendations 2.2 and 2.3)  
*Independence of directors – board composition and commitment*

The chairman is appointed by the board from the non-executive directors.

The chairman:

- provides appropriate leadership to the board and AMP
- ensures membership of the board is balanced and appropriate for AMP's needs
- facilitates board discussions to ensure the core issues facing the organisation are addressed
- maintains a regular dialogue and mentor relationship with the CEO
- monitors board performance
- guides and promotes the ongoing effectiveness and development of the board and individual directors, and
- attends board committee and subsidiary board meetings from time to time.

### Conduct of board business

The AMP Board normally holds around 10 formal board meetings each year and will also meet whenever necessary to carry out its responsibilities.

When conducting AMP Board business, directors have a duty to question, request information, raise any issue of concern, fully canvass all aspects of any issue confronting AMP and vote on any resolution according to their own judgement. Directors keep confidential board discussions, deliberations and decisions that are not required to be disclosed publicly.

### Conflicts of interest

(ASX Best Practice Recommendation 3.1)  
*Promote ethical and responsible decision-making*

Directors are required to continually monitor and disclose any potential conflict of interest that may arise. Directors must:

- disclose to the board any actual or potential conflicts of interest that may exist as soon as the situation arises
- take necessary and reasonable steps to resolve any conflict of interest within an appropriate period, if required by the board or deemed appropriate by that director, and
- comply with the *Corporations Act 2001* requirements about disclosing interests and restrictions on voting.

Directors discuss with the chairman any proposed board or executive appointments they are considering undertaking and should advise AMP of such appointments to other companies as soon as possible after the appointment is made.

The same requirement exists for related party transactions, including financial transactions with AMP. Related party transactions are reported in writing to the Board Executive and the Company Secretary and, where appropriate, raised for consideration at the next board meeting.

### Access to information

Directors are encouraged to access members of senior management at any time to request relevant information.

Directors are entitled to seek independent advice on AMP related matters at AMP's expense. Directors must ensure that the costs are reasonable and must advise the chairman before the advice is sought. The information must be made available to the rest of the board.

### CEO and CFO assurance

(ASX Best Practice Recommendations 4.1 and 7.2)  
*Integrity in financial reporting*  
*Recognise and manage risk*

The board receives regular reports about the financial condition and operational results of AMP and its controlled entities. The board has received and considered the annual certification from the CEO and the CFO in accordance with ASX Best Practice Recommendations 4.1 and 7.2 and the *Corporations Act 2001* stating that:

- the company's financial statements present a true and fair view of our financial position and performance and are in accordance with Australian Accounting Standards, and
- the risk management and internal compliance and control systems are sound, appropriate and operating effectively in all material respects.

Throughout 2007, significant effort continued to be devoted to the ongoing enhancement of the risk management, internal compliance and control systems. Where internal control deficiencies are identified during the year, additional tests of procedures or tests of resulting account balances included in the financial statements have confirmed that there has been no material impact on the financial statements.

### Committees


The board has established committees to consider certain issues and functions in further detail. The chairman of each committee reports on any matter of substance at the next full board meeting. All committee papers and minutes are provided to the board.

There are currently three standing committees:

- Audit Committee
- Nomination Committee, and
- Remuneration Committee.

Other committees may be formed from time to time, as required. Each committee has its own terms of reference, approved by the board and reviewed annually, with additional review when appropriate.

The chairman and CEO attend committee meetings where appropriate. The structure and membership of the board and its committees are summarised in the diagram below.

 The terms of reference for all committees are available on AMP's website.

## Committees

### AMP Limited Board

Committee	Audit Committee	Nomination Committee	Remuneration Committee
<b>Chair</b>	Richard Grellman	Nora Scheinkestel	Meredith Hellicar
<b>Members</b>	Peter Mason*, Nora Scheinkestel	Peter Mason, Richard Grellman	David Clarke, Peter Mason, John Palmer
<b>Duties</b>	<ul style="list-style-type: none"> <li>– AMP's relationship with the external auditor</li> <li>– Integrity of financial statements</li> <li>– Business risk management framework, including compliance and internal controls</li> </ul>	<ul style="list-style-type: none"> <li>– Composition of the board</li> <li>– Succession planning of the board</li> <li>– Appointment of non-executive directors to subsidiary companies</li> <li>– Continuing education</li> <li>– Board performance reviews</li> <li>– Director remuneration</li> </ul>	<ul style="list-style-type: none"> <li>– Effectiveness, integrity and legal compliance of remuneration programs</li> <li>– Annual review and recommendation of CEO's total remuneration package</li> </ul>

\* Interim appointment

### Nomination Committee

(ASX Best Practice Recommendations 2.4 and 2.5)

#### *Independence of directors – board composition and commitment*

The Nomination Committee supports and advises the AMP Board on board matters including policies, performance, remuneration, composition and succession planning. This includes identifying, evaluating and recommending candidates to the AMP Board and the boards of key operating subsidiaries and providing advice regarding candidates nominated by shareholders.

The Nomination Committee is responsible for reviewing the remuneration of non-executive directors on the AMP Board and on boards of key operating subsidiary boards. AMP has increased the presence of AMP Board non-executive directors on key operating subsidiaries to increase the non-executive directors' knowledge and understanding of the businesses and to enhance the governance of the subsidiary boards.

✓ The terms of reference for all committees are available on AMP's website.

### Board performance assessment

(ASX Recommendation 8.1)

#### *Performance evaluation of the board and its committees, directors and key executives*

The AMP Board reviews its own performance and that of individual directors, including the chairman, on a regular basis. In 2007, an external consultant facilitated these reviews. Future reviews will either be facilitated by the chairman, (and in the case of his own review by another non-executive director), or by an external consultant as deemed appropriate by the board from time to time.

In addition, the board reviews the performance of any director standing for re-election at a general meeting of the company.

All committees of the AMP Board as well as the boards, the individual directors and committees of key operating subsidiaries regularly review their own performance.

### Retirement of directors

One-third of the directors are required to retire by rotation at each Annual General Meeting (AGM). The directors to retire at each AGM are those who have been longest in office since their last election. Where directors have served for equal periods, they may agree among themselves or determine by lot who will retire. A director must retire at the third AGM since last elected or re-elected.

A director appointed as an additional or casual director by the board will hold office until the next AGM when the director is required to stand for election. This election will be in addition to any rotational retirements.

The managing director is not subject to retirement by rotation and is not to be taken into account in determining the retirement by rotation of directors.

A director who holds any executive office with AMP (including the CEO) ceases to be a director when they no longer hold their executive office. The tenure of non-executive directors will generally be no longer than nine years. A non-executive director can continue to hold office after a nine-year term only if they are re-elected by shareholders at every subsequent AGM.

### Remuneration Committee

(ASX Best Practice Recommendations 9.2 and 9.5)

#### *Remunerate fairly and responsibly*

The Remuneration Committee advises the board on overall remuneration strategy and in particular the effectiveness, competitiveness, integrity and alignment with shareholders' interests of AMP's senior executive remuneration programs (including share and performance right plans), protocols and practices.

Key responsibilities include annually reviewing and recommending to the board the performance targets and total remuneration

package of the CEO, and reviewing and approving the remuneration of the CEO's direct reports and the short-term incentive plan performance measures and incentive pool amounts.

✓ The terms of reference for all committees are available on AMP's website.

### Directors' and executives' remuneration

Comprehensive information on AMP's remuneration policies and practices is contained in the remuneration report on pages 10 to 31.

The ASX Best Practice Recommendation 9.4, (which under the revised Corporate Governance Principles and Recommendations ceased to have effect from 1 January 2008), states that companies should ensure that payment of equity-based remuneration for executives is made in accordance with thresholds set in plans approved by shareholders. AMP's equity-based remuneration plans have been designed around appropriate performance benchmarks and shares are acquired 'on market' under those plans. The plans were established between 1998 and 2001, prior to the release of the ASX Best Practice Recommendations, and were not put to shareholders for approval as the plans did not require shareholder approval under the Corporations Act nor under the ASX and NZX Listing Rules. In this respect, AMP was not in compliance with this recommendation; however, there is no dilution of shareholder capital as our policy is for shares to be purchased on-market under all plans.

At AMP's 2008 Annual General Meeting, which will be held on 15 May 2008, shareholder approval will be sought for the continued participation of the Managing Director and Chief Executive Officer in AMP's long-term incentive plan. Information about AMP's long-term incentive plan was previously provided to shareholders in October 2003 when AMP proposed the demerger of its UK operations. Although specific shareholder approval of this plan was not required at that time, it did form part of the proposed ongoing arrangements for AMP. For further information, shareholders can access a copy of the 2008 Notice of Meeting on the AMP website: [www.amp.com.au/shareholdercentre](http://www.amp.com.au/shareholdercentre)

### Audit Committee

(ASX Best Practice Recommendations 4.2, 4.3, 4.4, 4.5 and 7.1)

#### *Safeguard integrity in financial reporting Recognise and manage risk*

The primary function of the Audit Committee is to review and provide recommendations to the board in regard to:

- AMP's financial statements and financial reporting systems
- the appointment, performance and independence of the external auditor
- the effectiveness of the risk management framework including compliance
- internal controls and the assurance provided by internal audit, and
- the adequacy of the scope, cover and cost of AMP group's insurance program.

ASX Best Practice Recommendation 4.3 states that the Audit Committee should be comprised of at least three members. Following John Astbury's retirement as a director on the AMP Board in October 2007, and consequently the Audit Committee, the Audit Committee comprised two members (Richard Grellman as chairman and Nora Scheinkestel). As the board is considering succession planning and board composition generally, the chairman was recently appointed as a member on the Audit Committee as an interim measure, pending a permanent appointment to that committee.

### Auditor independence

The independence of the external auditor is of particular importance to shareholders and the board. The board has adopted a Charter of Audit Independence, which covers the following key points:

- the rotation of the senior audit partner every five years
- the annual confirmation by the auditor that it has satisfied all

- professional regulations relating to auditor independence
- the quarterly reporting on the levels of audit and non-audit fees, and
- the specific exclusion of the audit firm from work which may give rise to a conflict.

In accordance with the *Corporations Act 2001* and, based on the advice of the Audit Committee, the directors have satisfied themselves that the provision of non-audit services during the year by the auditors, Ernst & Young, is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

### Risk management

The board has overall responsibility for ensuring that there is a sound system of risk management and internal compliance and control across the business. It also has responsibility for establishing risk management policies and the risk appetite of the AMP group, and ensuring that these are implemented.

While the board is responsible for risk management, the Audit Committee assists the board by monitoring and evaluating the effectiveness of AMP's risk management and internal control environment. The Audit Committee also approves AMP's accounting policies, reporting practices and production of financial statements and monitors the application of appropriate management controls. It considers internal and external audit reports and reviews the adequacy of AMP's procedures and internal controls in order to monitor financial risks and major operational risks.

Risk and compliance processes and reporting procedures provide assurance to the board and Audit Committee that the preparation of the financial statements and the control systems underlying them are adequate.

Appropriate risk management structures exist throughout the organisation, including the Group Risk and Compliance Committee and business unit risk committees. The risk management framework enables the business to identify and assess risks and controls, respond promptly and appropriately and continue to monitor risks and issues as they evolve. Risk and compliance information is reported quarterly to the Audit Committee, or more urgently, if required.

AMP's risk management structures and procedures are continually being enhanced or updated. In addition, the internal audit function provides independent and objective assurance to the board that risks are being managed effectively across the group.

🔗 The Risk Management Policy is available on AMP's website.

### Compliance

Compliance is a key element of risk management. The board is responsible for ensuring that adequate measures are undertaken to manage compliance with the laws, regulations, contracts, industry codes, internal standards and policies applicable to AMP's operations.

As required by the *Corporations Act 2001*, Australian financial services licensed entities have adopted individually tailored conflict of interest policies.

While the board is responsible for AMP's compliance framework, the Audit Committee assists the board by monitoring and evaluating AMP's compliance. Consistent with AMP's risk management approach, AMP's compliance measures are subject to monitoring and continuous improvement. Any compliance issues or incidents are reported quarterly to the Audit Committee, or more urgently, if required.

### Code of conduct

(ASX Best Practice Recommendations 3.1 and 3.3)  
*Promote ethical and responsible decision-making*

AMP has adopted a code of conduct outlining the standards of personal and corporate behaviour required of all directors, officers and employees.

This code reinforces an already strong ethical culture for the benefit of all stakeholders.

A copy of the code of conduct is provided to all directors and employees on joining AMP.

🔗 AMP's code of conduct is available on AMP's website.

### Trading policy

AMP's Trading Policy sets out AMP's policy regarding the trading in AMP securities by directors and employees and insider trading.

AMP's Trading Policy aims to:

- protect stakeholders' interests at all times
- ensure that directors and employees do not use any information they possess for their personal advantage, or to the detriment of AMP, and
- ensure that directors and employees comply with insider trading provisions of the *Corporations Act*.

Trading in AMP securities by directors, executives and certain employees ('Designated Persons') is restricted to the following trading windows:

- 30-day period beginning on the second day after the release of AMP's interim and annual results
- 30-day period beginning on the second day after the AMP Annual General Meeting, and
- period commencing on the day after the issue of a prospectus offering AMP securities (or a document containing equivalent information) and ending on the day the offer closes.

However, Designated Persons may acquire AMP securities under any share plan (such as the Employee Share Acquisition Plan or the Non-Executive Directors' Share Plan, or any successor or similar plans), on a monthly or other regular basis, outside the trading windows referred to above. These securities are acquired in accordance with a fixed purchase program under the terms of the share plan.

Trading in AMP securities, during or outside the formal trading windows, is subject to the overriding prohibition on trading while in the possession of inside information.

Outside the formal trading windows, a director or employee may, in the first 10 business days in December each year:

- elect to participate in or vary or cease their participation in the AMP Employee Share Acquisition Plan and/or the AMP Executive Short-term Incentive Plan (or any successor or similar plans including any short-term incentive bonus), and
- apply to receive performance rights under the AMP International Employee Share Ownership Plan.

During this limited trading window, a Designated Person may not otherwise trade in AMP securities.

Breaches of this policy will be treated seriously and may lead to disciplinary action being taken against the employee, including dismissal.

🔗 AMP's Trading Policy is available on AMP's website.

### Communication with shareholders

(ASX Best Practice Recommendations 5.1, 5.2 and 6.1)  
*Timely and balanced disclosure*

AMP is committed to transparency and quality in its communication to shareholders. Our approach to communicating with shareholders and financial markets is set out in AMP's Market Disclosure Policy. Information is communicated to shareholders through the distribution of the Annual Report and other communications as required. All significant information is posted on AMP's website as soon as it is disclosed to the ASX.

The guiding principle of the policy is that AMP must immediately notify the market via an announcement to the ASX of any information concerning AMP that a reasonable person would expect to have a 'material' effect on the price or value of AMP securities. The policy permits exceptions to immediate notification in accordance with the ASX Listing Rules.

AMP's Market Disclosure Committee ensures that company announcements:

- are made in a timely manner
- are factual
- are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions, and
- do not omit material information.

Shareholders can elect to receive all communications electronically or not to receive some communication materials by contacting our share registry or visiting our website.

AMP's Market Disclosure Policy is available on AMP's website.

**Annual General Meeting (AGM)**

(ASX Best Practice Recommendations 6.1 and 6.2)

*Rights of shareholders*

All shareholders are encouraged to attend and/or participate in AMP's AGM. The meeting is webcast live or shareholders can attend in person or send a proxy as their representative. Online proxy voting is also available for all shareholders prior to the meeting. Unless indisposed, all directors and senior management attend the meeting, along with the external auditor.

Full details of the next AGM are included in the mailing for this Annual Report and are available on AMP's website.

**Social responsibility**

(ASX Best Practice Recommendation 10.1)

*Recognise the legitimate interests of stakeholders*

AMP's purpose is helping people to manage their finances so they can enjoy the future they want. This in itself is an important social responsibility. We also make a positive contribution to the communities in which we operate through the investment activities of the AMP Foundation.

AMP's Social Responsibility Plan is endorsed by the board. Our strategy is to identify and act on a small number of issues that are close to our core business where we can make a difference. We will not seek publicity around these activities – our actions will speak for us – and we will be open and honest around what we are doing and why.

AMP's Social Responsibility Plan, summarised below, looks at our social responsibilities from four perspectives and outlines our objectives for each. For AMP, Community relates to the general community in Australia and New Zealand; Marketplace encompasses our planners, customers and suppliers; Workplace is our employees; and Environment is the natural world.

While the CEO has overall responsibility for the delivery of our Social Responsibility Plan, this responsibility reaches much further into AMP, with senior management and many other employees directly involved.

AMP's community program is available on AMP's website.

**Comparison of NZX and ASX Corporate Governance rules**

As an overseas listed issuer, AMP is deemed to satisfy and comply with the New Zealand Stock Exchange (NZX) Listing Rules so long as it remains listed on the Australian Stock Exchange (ASX). The only NZX requirements applicable to AMP are to give the NZX the same information and notices it is required to give to the ASX and to include a statement (referred to below) in its annual report.

Some material differences may exist between the corporate governance rules and principles of the ASX and NZX. This may arise because the relevant matters are mandatory under the NZX Corporate Governance Rules but are only best practice recommendations under the ASX Corporate Governance Rules (requiring disclosure of non compliance in the Annual Report).

**2007 social responsibility framework**

<b>Community</b> the general community in Australia and New Zealand	<b>Marketplace</b> encompassing our planners, customers and suppliers	<b>Workplace</b> our employees	<b>Environment</b> our impact on the natural world
Helping to increase the effectiveness of Australia and New Zealand's retirement income systems so that people can better prepare and provide for themselves in retirement. This includes increasing individual saving rates through superannuation, and ensuring that people seek financial advice so as to maximise their retirement income			
Helping to lift the standard of financial advice available to all Australians and New Zealanders. This includes working to improve how well people understand how to manage their money to prepare for retirement			
Influencing investee companies to improve their corporate governance, operational, environmental and social practices with the objective of maximising returns to their shareholders			
Building community involvement programs that have a positive impact on the community and are aligned to AMP's business	Building sustainable supply chains that benefit both AMP and the supplier, and include social and environmental standards	Encouraging AMP employees to increase their skills and capabilities so they are more effective both within and outside AMP	Increasing the efficiency of AMP's operations and reducing its environmental footprint
		Embracing diversity to spur innovation, broaden our perspective and attract, engage and retain talent	