

ASX RELEASE | 10 February 2022

AMP Full Year Results & Appendix 4E

In accordance with ASX Listing Rule 4.3A, AMP Limited (AMP) attaches for the full year ended 31 December 2021 its:

- Appendix 4E
- Directors' report; and
- Financial report.

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Authorised for release by the AMP Limited Board.

AMP Limited and its subsidiaries

Appendix 4E Preliminary Final Report
under ASX Listing Rule 4.3A



2021

ASX Appendix 4E Preliminary Final Report

for the year ended 31 December 2021

AMP Limited ABN 49 079 354 519
amp.com.au

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Appendix 4E Preliminary Final Report

under ASX Listing Rule 4.3A

Current year:	1 January 2021 to 31 December 2021
Prior corresponding year:	1 January 2020 to 31 December 2020

Results for announcement to the market

Financial Results	31 Dec 2021 \$m	31 Dec 2020 \$m	% Movements
Revenue from ordinary activities of continuing operations	3,297	3,397	3% decrease
Revenue from ordinary activities of discontinued operations	–	(23,391)	100% increase
Total revenue from ordinary activities	3,297	(19,964)	117% increase
Profit from ordinary activities of continuing operations after tax attributable to members	(252)	53	575% decrease
Profit from ordinary activities of discontinued operations after tax attributable to members	–	124	100% decrease
Total net profit for the period attributable to members	(252)	177	242% decrease

Dividends

AMP Limited proposed to pay no dividends on full year results.

Net tangible assets per ordinary share	31 Dec 2021 \$ ¹	31 Dec 2020 \$
Net tangible assets per ordinary share	1.08	1.06

1 Net tangible assets per ordinary share is calculated as total equity attributable to AMP shareholders (\$3,980m) less the carrying value of intangibles (\$344m), defined benefit plan surpluses (\$41m) and net assets held for charitable purposes by AMP Foundation (\$65m), divided by ordinary fully paid outstanding shares (3,264m).

Additional Appendix 4E disclosure requirements, including the financial statements and commentary on the current year's results are contained in the Directors' Report and Financial Report for the year ended 31 December 2021, which is attached to this report.

This document should be read in conjunction with the AMP Limited Directors' Report and Financial Report for the year ended 31 December 2021 and any public announcements made by AMP Limited and its controlled entities during the year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2021* and *ASX Listing Rules*.

The information in this report is based on the consolidated financial statements of AMP Limited, which have been audited by Ernst & Young (EY). EY have concluded that the Financial report for the year ended 31 December 2021 gives a true and fair view of the consolidated financial position of the AMP group as at 31 December 2021 and of the group's financial performance for the year ended 31 December 2021, except for the effect of a limitation on their ability to obtain sufficient audit evidence on the equity accounted results of AMP's investment in China Life Pension Company (CLPC) as they are still in the process of being audited by their auditor. This has resulted in a qualification to the audit opinion. A copy of their audit report is included in the attached Directors' Report and Financial Report for the year ended 31 December 2021.

Appendix 4E Preliminary Final Report

under ASX Listing Rule 4.3A

Changes in controlled entities during the year ended 31 December 2021

Name of the entity	Date control	
	Gained over entity	Lost over entity
A.C.N. 655 220 670 Pty Limited	10-Nov-21	
AMP Capital Investors Infra Debt Asia No.2 (GP) S.à r.l.	14-Sep-21	
AMP Capital Private Markets NZ Limited	05-Jul-21	
Capital Private Wealth Pty Ltd	20-May-21	
Advisory Group Pty Limited		14-Sep-21
AMP Insurance Investment Holdings Pty Limited		24-Feb-21
AMP Administration (NZ) Limited		19-Nov-21
AMP Capital Equity Volatility Premium Fund Class C		03-Nov-21
AMP Capital Global Long Term Alpha Fund		06-Apr-21
AMP Capital Global Long Term Alpha GP Limited		30-Sep-21
AMP GBS Limited		07-Jul-21
AMP Warringah Mall Pty Limited		02-Dec-21
Australian Financial Risk Management (Queensland) Pty Ltd		02-Sep-21
Capital Private Wealth Pty Ltd		03-Dec-21
Cavendish Superannuation Holdings Pty Ltd		23-Apr-21
Exford Pty Ltd		16-Sep-21
Foundation Wealth Advisers Pty Limited		31-Mar-21
Genesys Holdings Pty Ltd		27-Jan-21
Genesys Kew Pty Ltd		27-Jan-21
Intelligent Property Services Pty Ltd		03-Dec-21
ipac Portfolio Management Limited		20-Sep-21
ipac Securities Limited		03-Dec-21
Justsuper Pty Ltd		15-Dec-21
Lindwall Group Pty Ltd		03-Dec-21
Macarthur Financial Planning Pty. Limited		03-Dec-21
MoneyBrilliant Pty Ltd		10-Dec-21
PSK Financial Services 25 Pty Limited		03-Dec-21
PSK Financial Services Group Pty Ltd		03-Dec-21
QQT Investment 2 Pty Limited		02-Jul-21
Stature Wealth Management Pty. Ltd.		03-Dec-21
Strategic Wealth Solutions Pty Limited		03-Dec-21
TM Securities Pty Ltd		01-Aug-21
Trenthills Financial Services Pty Limited		27-Jan-21
Wainscott Financial Planning And Advice Pty Ltd		13-Aug-21



2021

Directors' report and Financial report

AMP Limited ABN 49 079 354 519

Unless otherwise specified, all amounts are in Australian dollars.
The directors' report, financial report and independent auditor's
report are dated and current as at 10 February 2022.

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ABOUT THE DIRECTORS' REPORT

This directors' report provides information on the structure and progress of our business, our 2021 financial performance, our strategies and prospects for the future and the key risks we face. It covers AMP Limited and the entities it controlled during the year ended 31 December 2021.

OPERATING AND FINANCIAL REVIEW

Principal activities

AMP is a leading wealth management company in Australia and New Zealand offering customers financial advice and superannuation, retirement income, banking and investment products across a portfolio of businesses. We also provide corporate superannuation products and services for workplace super and self-managed superannuation funds (SMSFs). In AMP Capital, we manage investments across a number of major asset classes for domestic and international clients.

AMP holds several strategic partnerships including:

- 19.99% equity interest in China Life Pension Company (CLPC)
- 14.97% equity interest in China Life AMP Asset Management Company Ltd (CLAMP), a fund management company which offers retail and institutional investors in China access to leading investment solutions
- 24.90% equity interest in US real estate investment manager, PCCP LLC

During the year AMP agreed to sell its 19.13% equity interest in Resolution Life Australasia for \$524 million and this transaction is expected to complete in 1H 2022 subject to regulatory approvals.

For the purposes of this report, our business is divided into four areas: AMP Bank, Australian Wealth Management, New Zealand Wealth Management and AMP Capital.

Description of business units

AMP Bank offers residential mortgages, deposits and transactional banking. The Bank continues to focus on growth through investing in technology to streamline the origination process, improving the experience for both customers and intermediaries. As at 31 December 2021, AMP Bank helped around 161,900 clients with their banking needs and provided over 10,700 new home loans.

Australian Wealth Management (AWM) comprises of three different business lines providing advice, superannuation, retirement income and managed investments products:

- **Platforms** includes superannuation, retirement and investment products through which managed funds, managed portfolios, listed securities, term deposits and guarantee investment options can be accessed to build a personalised investment portfolio. The flagship North platform is an award-winning online wrap platform which continues to deliver on its commitment of strengthening and broadening investment choice for our clients and providing a contemporary platform for advisers to manage their clients' funds.
- **Master Trust** offers the largest single retail superannuation product set in Australia (SignatureSuper) with around 850,000 customers. The highly rated SignatureSuper offer consists of three products across super and pension. The open investment menu caters to different risk profiles with exposure to a range of professional managers in order to meet the needs and goals of customers. The Master Trust business delivers high quality member services, with strong administration, contact centre and digital capabilities. It also has a proven pedigree in managing corporate super plans with complex and tailored benefit designs, including defined benefits.
- **Advice** provides professional services to a network of aligned and external financial advisers (EFAs). These advisers provide financial advice and wealth solutions to their clients, including retirement planning, investments and financing. In addition to supporting a network of professional advisers, the Advice business partners with a number of aligned advice businesses via equity ownership to support the growth and development of these businesses.

New Zealand Wealth Management encompasses the wealth management, financial advice and distribution business in New Zealand. It provides clients with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments, a wrap investment management platform and distribution of general insurance.

Directors' report

for the year ended 31 December 2021

AMP Capital is a diversified investment manager across major asset classes including infrastructure debt, infrastructure equity and real estate which make up its Private Markets business, Global Equities and Fixed Income (GEFI), diversified, multi-manager and multi-asset funds which make up its Public Markets business. AMP Capital's aspiration is to build a leading global private markets platform, underpinned by equity investments in infrastructure and real estate.

On 23 April 2021, following the conclusion of AMP's portfolio review, AMP announced the intention to demerge AMP Capital's Private Markets business, consisting of infrastructure equity, infrastructure debt and real estate. Subsequently, on 24 December 2021, AMP announced the further simplification of Private Markets with the sale of infrastructure debt, which is expected to complete in Q1 2022. The demerger of the Private Markets business will create two focused businesses better equipped to pursue and allocate capital to distinct growth opportunities and realise efficiencies.

As part of the demerger preparations, on 8 July 2021, AMP announced the sale of its Global Equities and Fixed Income business (GEFI), which is expected to complete by Q1 2022.

The remaining AMP Capital Public Markets business, the Multi-Asset Group (MAG), which is responsible for asset allocation on behalf of AMP's superannuation clients, will complete its transition to Australian Wealth Management prior to demerger, creating an end-to-end superannuation and investment platform business, with the transition of front office functions already complete.

Client remediation

AMP has completed all file reviews for its client remediation program. The total cost of the program will be \$828 million, of which approximately \$588 million represents payments to customers. This total program cost is six per cent above original estimates made three years ago. These costs are now fully provisioned.

To date \$37.9 million has been paid to customers under the inappropriate advice program, with a further \$1.9 million offered, but not yet paid. Customers have so far received \$489.7 million in fee for no service remediation, and all payments are targeted to complete by end of Q1 2022.

Demerger update

On 23 April 2021, AMP announced its intention to demerge its Private Markets business by 1H 2022.

AMP continues to make strong progress on the operational separation of AMP Capital's Private Markets business, in preparation for demerger in 1H 2022. A clear perimeter has been set with the agreed sale of the GEFI business, the announcement of the sale of the infrastructure debt business and the transfer of the MAG, and CLAMP to AMP Limited. In addition, the appointment of Shawn Johnson as CEO, AMP Capital in June 2021 and the appointments of Patrick Snowball and Andrew Fay as Chairman designate and Deputy Chairman designate further strengthen our readiness for demerger.

The demerger will be subject to final board approval, required regulatory approvals, applicable consents and approval from AMP's shareholders and is expected to occur in 1H 2022.

AMP announces new contemporary advice service model

On 26 July 2021, AMP announced the introduction of a new service model with its aligned advice network marking a new era for financial advice at AMP.

The new model, developed in collaboration with AMP adviser associations, will be progressively introduced with AMP providing services to advisers which support the delivery of quality advice, improve practice efficiency and help advisers grow their businesses.

Divestment of equity interest in Resolution Life Australasia

On 3 November 2021, AMP announced an agreement to divest its 19.13% equity interest in Resolution Life NOHC Pty Ltd (RLA) for consideration of \$524 million to Resolution Life Group, less the amount of any dividends, distributions or capital returns that are paid from RLA to AMP. The sale is subject to regulatory approval and is expected to complete in 1H 2022.

Subsequent to the agreement to divest, AMP received dividends and capital returns from RLA of \$15 million.

As part of the divestment agreement, AMP and RLA have also agreed to settle a number of post-completion adjustments and certain claims between the parties, subject to various limitations and exclusions, which results in a payment of \$141 million from AMP to RLA at completion.

Divestment of Infrastructure Debt platform

On 24 December 2021, AMP announced an agreement to sell its Infrastructure Debt platform to Ares Holdings LP for consideration of up to \$428 million. The sale is subject to a number of conditions precedent and is expected to complete in the first quarter of 2022. As the Infrastructure Debt platform has been controlled by AMP throughout the reporting period, the results of this business are included in AMP's 2021 results.

Review of operations and results

The loss attributable to shareholders of AMP Limited for the year ended 31 December 2021 was \$252 million (2020: \$177 million profit).

Basic (loss)/ earnings per share for the year ended 31 December 2021 on a statutory basis was (7.6) cents per share (2020: 5.2 cents per share). On an underlying basis, the earnings per share was 10.7 cents per share (2020: 8.6 cents per share).

Key performance measures were as follows:

- 2021 NPAT (underlying)¹ of \$356 million increased 53% from \$233 million in 2020. This increase largely reflects the impact of stronger AMP Bank earnings (+38%), AMP Capital earnings (+18%), New Zealand Wealth Management earnings (+11%) and stronger investment income from Group Office, including contributions from CLPC and Resolution Life Australasia, partly offset by lower Australian Wealth Management earnings (-25%).
- 2021 NPAT (statutory) loss of \$252 million was impacted by items reported below NPAT including \$312 million of impairment charges, reflecting a comprehensive review of the balance sheet, \$133 million of transformation costs, \$78 million of remediation and related costs and other one-off items.
- AMP's total assets under management (AUM) and administration were \$248.2 billion² at 31 December 2021 (2020: \$255 billion).
- Australian Wealth Management net cash outflows were \$5.2 billion in 2021 compared to net cash outflows of \$7.8 billion in 2020. Net cash outflows in 2021 also included \$1.9 billion of regular pension payments to members. The improvement in net cash outflows was largely attributable to one-off impacts in 2020, including the \$1.8 billion loss of corporate mandates and \$1.8 billion of COVID-19 Early Release of Super (ERS) payments.
- AMP Capital external net cash outflows were \$12.8 billion, with \$4.6 billion of net cash outflows across real estate largely attributable to the exit of the AMP Capital Diversified Property Fund (ADPF) and \$6.9 billion net cash outflows across public markets.
- AMP Bank's residential mortgage book increased to \$21.7 billion driven by competitive pricing and offers, consistent service and targeted growth in principal and interest loans across both owner-occupied and investment lending.
- AMP's controllable costs, excluding AMP Capital, of \$775 million were 7% lower than 2020 due to cost out benefits partly offset by structural cost increases, variable remuneration and reinvestment spend.
- AMP's cost to income ratio was 71.3% in 2021, down from 75.5% in 2020.
- Underlying return on equity was 8.4% in 2021, up from 6.3% in 2020.
- 2021 total eligible capital resources were \$383 million above target requirements, down from \$524 million at 31 December 2020.

Operating results by business area

The operating results of each business area³ for 2021 were as follows:

AMP Bank – 2021 NPAT (underlying) of \$153 million increased by \$42 million (38%) from 2020 largely due to a \$26 million release of credit loss provisions as a result of the improved macro-economic outlook since the impact of COVID-19 in 2020.

Australian Wealth Management – NPAT (underlying) of \$48 million in 2021 declined 25% from 2020 primarily due to impairments to the carrying value of Advice assets, lower revenue predominantly from the impact of repricing in Master Trust and Platforms, and the cessation of grandfathered remuneration, partly offset by lower variable and controllable costs from cost reduction initiatives.

New Zealand Wealth Management – 2021 NPAT (underlying) of \$39 million increased by \$4 million (11%) from 2020 primarily due to the rebound in investment markets and improved cost performance

AMP Capital – 2021 NPAT (underlying) of \$154 million increased 18% from \$131 million in 2020, reflecting higher performance and transaction fees in 2021 and higher seed and sponsor investment returns due to a partial recovery of COVID-19 devaluations in certain asset classes and strong performance in some individual assets.

Capital management and dividend

Equity and reserves of the AMP Group attributable to shareholders of AMP Limited was \$4.0 billion at 31 December 2021 (\$4.3 billion at 31 December 2020).

AMP's surplus capital above target requirements at 31 December 2021 is \$383 million (\$524 million at 31 December 2020).

The board has resolved not to declare a final 2021 dividend. The board continues to maintain a conservative approach to capital management to support the transformation of the business. The capital management strategy and payment of dividends will be reviewed following the completion of the demerger in 1H 2022.

1 NPAT (underlying) represents shareholder attributable net profit or loss after tax excluding market adjustments, accounting mismatches and non-recurring revenue and expenses.

2 Includes SuperConcepts assets under administration.

3 Operating results have been re-presented to align to the FY 2021 Investor Report.

Directors' report

for the year ended 31 December 2021

Strategy and prospects

AMP provided an update on its planned demerger and strategic growth plans for the two post-demerger businesses AMP Limited and AMP Capital's Private Markets business on 30 November 2021.

In AMP Limited, the strategy sets a clear path to create a new AMP by:

- Renewing AMP's purpose and values to put the customer at the centre, and continuing to drive cultural transformation;
- Repositioning core capabilities to drive growth in banking and wealth platforms;
- Delivering stable earnings in the Master Trust and New Zealand Wealth Management businesses, and accelerating the transformation of Advice;
- Simplifying the business to drive efficiency and agility, including delivering on the 2019 to 2022 \$300 million cost reduction program and committing to a further \$115 million of cost reduction initiatives from 2022 through to 2024; and
- Exploring new opportunities, including in retirement and in direct-to-consumer solutions, as well as in new business adjacencies.

In AMP Capital's Private Markets business, the strategy will focus on leveraging the significant opportunity to become a global leader in the fast-growing private markets industry through:

- Delivering autonomy through an effective separation and demerger from AMP;
- Simplifying the business and organisation structure and achieving a run-rate cost base of \$275-\$280 million by 2023;
- Growing its client base, led by a newly established global client solutions team and scaling its existing infrastructure and real estate investment strategies; and
- Diversifying its product offering to clients, including potential new investment strategies structured to meet client specific interests globally.

Invest to grow AMP Bank

The Bank continues to focus on growth by optimising its customer value proposition and being service experience led for both customers and brokers. It remains on track to achieve double-digit growth in the mid-term in a highly competitive market. In particular, the Bank is benefiting from, and continuing to invest in, technology to further digitise and automate its lending platform.

Transform Australian Wealth Management

The Australian Wealth Management business consists of the Platforms, Master Trust and Advice businesses which are transforming from a vertically integrated wealth model to a competitive, contemporary wealth model.

GROW THE NORTH PLATFORM

Our Platform growth strategy is focused on attracting inflows through the external fund adviser market onto AMP's flagship platform North by delivering enhanced digital experiences and differentiating through innovative market leading retirement solutions.

OPTIMISE CLIENT OUTCOMES IN MASTER TRUST

The Master Trust strategy continues to focus on its asset management capability to deliver strong investment performance to our customers and focusing on exploring partnership opportunities to drive scale and efficiencies.

ACCELERATE THE TRANSFORMATION IN ADVICE

Over the last year our Advice model has undergone significant transformation with the announcement of our exit of the employed advice channel occurring on 3 December 2021. AMP's Advice strategy is to be a professional services provider, delivering valued licensee services at a competitive and sustainable price. Acceleration of the Advice business' transformation will also see significant simplification of our Advice model, with an ambition of breaking even by 2024.

Deliver stable client earnings in New Zealand Wealth Management

In 2H 2021 the business completed the transfer to a new investment approach with BlackRock along with the introduction of a new fee structure resulting in improved customer outcomes. New Zealand's wealth management strategy is focused on leveraging partnerships and broadening its distribution footprint, whilst simplifying its cost base through automation and digitalisation.

AMP Capital: Expand asset management footprint in private markets and explore partnership opportunities for public markets

PRIVATE MARKETS

In 1H 2021, work commenced to demerge AMP Capital's Private Markets business from AMP Limited. The business has continued to deliver strong outcomes for clients with more than 90% of capital in the Global Infrastructure Fund II committed in infrastructure assets around the world. The demerger and listing on the ASX are on track to complete in 1H 2022. Its strategy is to become a client led, globally integrated investment manager offering a diversified suite of real estate and infrastructure capabilities across risk profiles and geographies. As a standalone business, investors will be able to gain unique exposure to the investment management sector's fastest growing asset class, through a unique investment platform, a growing distribution footprint and a globally recognised team with a proven track record.

PUBLIC MARKETS

On 8 July 2021, AMP announced it entered into a binding agreement with Macquarie Asset Management to sell AMP Capital's GEFI business for a consideration of up to \$185 million. This includes upfront cash consideration of up to \$110 million and a cash earn-out of up to \$75 million payable after the second anniversary of completion. The aggregate consideration is subject to meeting certain conditions, including revenue targets, with the upfront cash component now expected to be approximately \$80 million. This transaction delivers on the previously announced strategy for the AMP Capital Public Markets business to increase the scale of GEFI through partnerships or sale and is an important step in preparing for the planned demerger. The deal is expected to complete in Q1 2022. AMP Capital is also in the process of transferring the MAG business to AMP Australian Wealth Management to create an end-to-end superannuation and investment platform business and this is on track for completion prior to the demerger.

Redefine and right size operating model for agility and efficiency

Building on the positive momentum achieved in 2021, the Company continues to progress commitments on its cost-base, capital management and culture. Disciplined cost management has reduced controllable costs by \$59 million (7%) to \$775 million (excluding AMP Capital) through the simplification of organisational structures, rationalising our property footprint and other efficiencies. \$260 million of cumulative gross cost-savings have been achieved since 2019. The on-market share buy-back was successfully completed during 1H 2021 and at 31 December 2021 AMP has a strong capital position of \$383 million above target requirements.

The path to a new AMP is enabled by cultural transformation (improving inclusion, diversity, strengthening accountability and performance), a purpose and values reset, and leadership engagement led by a new CEO. In 2021, we delivered the changes necessary in the transition to a simpler, purpose-led AMP. This work included:

- Improving inclusion and diversity to drive performance
 - Launched new Inclusion and Diversity Policy as a new foundation and standard for what inclusion means at AMP
 - Introduced an Inclusion Index to group and leader scorecards to measure how we are improving over time
 - Provided Inclusive Leadership training to Senior Leaders and extended Core Inclusion training to all employees
 - Implemented a new flexible work policy (WeFlex), to support an inclusive workplace
 - Implemented a new approach to gender diversity with 40:40:20 gender representation targets
 - Met 40:40:20 target for gender diversity for the Board, middle management, and the workforce generally, with more to do at the Executive management and Head of level
 - Launched new Parental Leave Policy removing parenting labels, increasing accessibility, and extending the period in which super contributions are made during unpaid parental leave
- Strengthening accountability across the company
 - Implemented a management action plan in response to a review of workplace conduct, with management delivering 55 actions
 - Uplifted governance in support of prevention and taking a person-centred response to harassment and discrimination
 - Uplifted the employee relations teams' capabilities
 - Increased transparency of reporting and refined conduct and culture metrics
 - Improved the range of channels for employees to raise concerns or seek advice
 - Continued to deliver strong compliance with Code of Conduct through training and support
- Creating a high-performance culture
 - Defined a culture change plan in support of business objectives and creating a simple, purpose-led AMP
 - Conducted extensive workforce engagement program, with more than 30% of employees participating in culture workshops and over 12,000 unique data points collected to inform our refreshed purpose and values
 - Implemented an improved performance framework strengthening link between performance and reward, including risk, leadership and conduct
 - Delivered quarterly culture dashboard to track culture change progress
 - Supported employee's mental health and wellbeing through a new EAP program, resources, support and training
 - Launching LinkedIn learning to all employees to encourage our people to upskill, reskill and explore professional interests
 - Launched the Into-Great program, to give all employees access to personalised coaching and counselling services

Directors' report

for the year ended 31 December 2021

Key risks

Risk is inherent to our business and AMP takes measured risks within our risk appetite to achieve our strategic objectives. We have a clear strategic plan to drive our business forward and an Enterprise Risk Management framework to identify, measure, control and report risks.

Enterprise Risk Management framework

The Enterprise Risk Management (ERM) framework provides the foundation for how risks are managed across AMP. There are six key elements of the ERM framework including governance, risk strategy and risk appetite, risk culture and conduct risk, management information systems, risk management process (encompassing how AMP identifies, measures, responds to and reports risk) and the risk ecosystem.

The guiding principles in the framework assist with effective risk management practices and enable AMP to meet its legislative and regulatory requirements, codes and ethical standards, as well as internal policies and procedures.

AMP's ERM framework includes a risk management strategy which establishes the principles, requirements, roles and responsibilities for management of risk across AMP. It enables business leaders to make informed decisions and supports AMP in achieving its business strategy. The integrated framework details how risks are to be managed to fulfil the obligations to key stakeholders, clients, shareholders, policyholders and regulators to achieve financial and non-financial outcomes.

The Risk Appetite Statement articulates the nature and level of risk the board and management are willing to accept in the pursuit of delivering their strategic objectives. Alignment between AMP's corporate strategy and the risk appetite of the AMP Limited Board seeks to ensure that decisions are consistent with the nature and level of risk the board and management are willing to accept.

Further information can be found in AMP's Enterprise Risk Management Policy, available on our website at: amp.com.au/corporategovernance.

Key business challenges

Given the nature of the financial services industry, COVID-19 continues to have an adverse impact on the business but AMP remains focused to deliver its transformational strategy. Significant business challenges (in alphabetical order) include but are not limited to the following:

BUSINESS, EMPLOYEE AND BUSINESS PARTNER CONDUCT

The conduct of financial institutions continues to be an area of significant focus for the financial services industry both globally and in Australia and New Zealand. AMP devotes significant effort to ensure that our business practices, management, staff or business partner behaviours adequately meet the expectations of regulators, customers and the broader community, and do not result in an adverse impact on our reputation and value proposition to customers.

Our Code of Conduct outlines how AMP seeks to conduct its business and how it expects people to conduct themselves. The principles that define the high standards outline the behaviour and decision-making practices, including how we treat our employees, customers, business partners and shareholders. We are committed to ensuring the right culture is embedded in our everyday practices.

AMP embraces a safe and respectful work environment that encourages our people to report issues or concerns in the workplace. Directors, employees (current and former), contractors, service providers or any relative or dependants of any of these people can utilise the Whistleblowing program to report conduct or unethical behaviours.

CLIMATE CHANGE

AMP, its customers and its external suppliers may be adversely affected by physical and transition risks associated with climate change. These effects may directly impact AMP and its customers on a range of physical, financial and legal risks to our business, the investments we manage on behalf of our customers and the wider community.

Initiatives to mitigate or respond to adverse impacts of climate change may in turn impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes.

AMP's approach to managing climate related risks and opportunities is outlined in AMP's Climate Position and Action Plan, available on the AMP website. It includes providing low carbon and green investment choices to customers, managing and disclosing investment risks, leveraging our influence as an investor, reducing our own operational impacts and supporting customers and communities where possible.

AMP provides annual performance disclosures aligned to key pillars of the Task Force on Climate-related Financial Disclosures (TCFD) framework, including through its Sustainability Report and through investor led disclosures such as the CDP (formerly Carbon Disclosure Project). In 2021, AMP retained an A- rating (second highest rating available) in the annual CDP investor disclosure program, indicating leadership in our management of climate related risks and opportunities. AMP has been carbon neutral across its operations since 2013 to address the direct impacts of our business activities.

COMPETITOR AND CUSTOMER ENVIRONMENT

The financial services industry continues to face challenges from the COVID-19 pandemic but AMP remains focused in supporting clients and employees during these unprecedented times. We have supported clients with banking and early release of super initiatives during COVID-19.

Customer expectations are evolving which is intensifying competition within wealth management as COVID-19 causes market volatility, affecting the performance of its assets under management across the industry. There is also strong competitive tension in asset management. AMP continues to adapt its capabilities and operating model in order to remain competitive and relevant to customers but an on-going pandemic may impact on new business and retention of existing business.

In 2021, AMP continued to deliver its strategy to reposition AMP as a simpler, client-led, growth-oriented business. The strategy to reinvent AMP as a contemporary wealth manager is to fund growth, reduce costs and fix legacy issues. The strategy builds on core strengths and market positions with whole-of-wealth solutions.

At the end of 2021, AMP announced its updated strategy to manage core capabilities to drive growth in banking and wealth platforms, delivering stable earnings in the Master Trust and New Zealand Wealth Management businesses, and accelerating the transformation of Advice. The program will also simplify the business to drive efficiency and agility, as well as explore new opportunities including in retirement and direct-to-consumer solutions, as well as in new business adjacencies.

CYBER SECURITY THREATS

Cyber risk continues to be a threat in a rapidly changing technological and regulatory environment as the magnitude of the costs of cybercrime vary depending on the nature of the attack. We are committed to enhancing our cyber security capability and control posture as we recognise the current environment of cybercrime activity has increased across the industry during the period.

AMP is investing in building a capability that is both sustainable and commensurate to the threats faced, including having recently launched a new Cyber Defence Centre and having built an enduring team to further uplift its cyber defences to mitigate malicious threats and cybercrime activities. Whilst AMP has demonstrated maturity uplifts against the National Institute of Standards and Technology Cyber Security Framework and our adopted industry best-practice framework, cyber risk will retain its position as a key risk as AMP continues to mature and evolve its cyber security operating model. This will assist in preventing, detecting and responding to cyber incidents, in order to protect AMP's assets and business operations.

OPERATIONAL RISK ENVIRONMENT

Operational risk exposures, relevant to the industry in which AMP operates, relate to losses resulting from inadequate or failed internal processes, people and systems or from external events. These include, but are not limited to, information technology, human resources, internal and external fraud, money laundering and counter-terrorism financing, bribery and corruption. High operational risks are driven by a complex operating environment associated with legacy products, systems and, in some cases, manual controls. This environment will be further stressed by the key business challenges included in this section.

Staff retention and key person risk are key operational risks for AMP, particularly in AMP Capital's asset management business which operates in a very competitive industry where competition for talent is high. AMP Capital remains subject to threats to its funds and its people from time to time.

We are committed to containing operational risk by reducing operational complexity and strengthening risk management, internal controls and governance. We have completed all file reviews for our client remediation program with some outstanding payments to be completed by Q1 2022. We continue to reshape the Adviser network and simplify superannuation products and investment options.

The AMP operational risk profile reflects these exposures and the financial statements of AMP contain certain provisions and contingent liability disclosures for these risks in accordance with applicable accounting standards.

ORGANISATIONAL CHANGE

In 2021, AMP concluded its portfolio review, announcing the planned demerger of the Private Markets business of infrastructure equity, and real estate, the sale of the infrastructure debt platform to Ares Management Corporation, the sale of the Global Equities and Fixed Income (GEFI) business to Macquarie Asset Management and the transfer of the Multi-Asset Group (MAG) to the Australian Wealth Management. This coincided with additional changes to simplify the internal operating model.

There is a risk that business momentum is lost whilst organisational change is implemented. The increase in volume of change may have an adverse impact to employees causing a strain to deliver on our strategy and transformation initiatives. These risks will be mitigated by maintaining leadership and performance focus on the business.

AMP continues to invest in adopting new ways of working to drive efficiency and improve our practices to increase accountability and build on core strengths. We recognise that failure to execute appropriately on the implementation of these changes can increase the risks of disruption to AMP's business operations.

Directors' report

for the year ended 31 December 2021

REGULATORY ENVIRONMENT

AMP operates in multiple jurisdictions across the globe, including Australia and New Zealand, and each of these jurisdictions has its own legislative and regulatory requirements. The financial services industry both globally and in Australia and New Zealand continues to face further challenges as temporary regulatory changes were introduced causing disruption to the wealth industry.

AMP continues to respond and adjust its business processes for these changes, however, failure to adequately anticipate and respond to future regulatory changes could have a material adverse impact on the performance of its businesses and achieving its strategic objectives. AMP's commitment to strengthen its risk management practices, its control environment and enhancing its compliance systems across the businesses, will address these legislative and regulatory requirements. AMP's internal policies, frameworks and procedures seek to ensure any changes in our domestic and international regulatory obligations are complied with in each jurisdiction. Compliance, legal and regulatory risk that results in breaches is reported to AMP management committees and regulators. This is managed in accordance with internal policies.

Regulatory consultations and interactions are reported and monitored as part of AMP's internal risk and compliance reporting process. AMP actively participates in these interactions and co-operates with all regulators to resolve such matters.

More information about our approach to these challenges can be found on our website at: corporate.amp.com.au/about-amp/corporate-sustainability.

THE ENVIRONMENT

In the normal course of its business operations, AMP is subject to a range of environmental regulations of which there have been no material breaches during the year. You can find further information about AMP's environmental policy and activities at amp.com.au/corporate-sustainability.

SIGNIFICANT CHANGES TO THE STATE OF AFFAIRS

Apart from elsewhere disclosed in this report, there were no other significant changes in the state of affairs during the year.

EVENTS OCCURRING AFTER THE REPORTING DATE

As at the date of this report and except as otherwise disclosed, the directors are not aware of any other matters or circumstances that have arisen since the reporting date that have significantly affected, or may significantly affect, the group's operations; the results of those operations; or the group's state of affairs in future periods.

THE AMP LIMITED BOARD OF DIRECTORS

The directors of AMP Limited during the year ended 31 December 2021 and up to the date of this report are listed below. Directors were in office for this entire period except where stated otherwise:

CURRENT NON-EXECUTIVE DIRECTORS:

- Debra Hazelton (Chair)
- Rahoul Chowdry
- Kate McKenzie
- John O'Sullivan
- Michael Sammells
- Andrea Slattery
- Mike Hirst (appointed 1 July 2021)

EXECUTIVE DIRECTOR:

- Alexis George (Chief Executive Officer and Managing Director) (appointed as a director on 11 August 2021)

FORMER EXECUTIVE DIRECTOR:

- Francesco De Ferrari (Chief Executive Officer and Managing Director) (resigned as a director on 30 June 2021)

Debra Hazelton CHAIR*BA (Hons), MCom, GAICD*

Debra was appointed to the AMP Limited Board as a non-executive director in June 2019 and as the Chair in August 2020. She is also the Chair of the Nomination Committee and is a member of the Remuneration, Audit and Risk Committees.

Debra is the Chair of the AMP Bank Board and is a member of its Audit and Risk Committees.

EXPERIENCE

Debra brings significant experience from more than 30 years in global financial services, including as the local Chief Executive of Mizuho Bank in Australia and Commonwealth Bank (CBA) in Japan. She has expertise across global corporate culture transformation, institutional banking, risk management, treasury, financial markets and human resource management.

Debra is also a non-executive director on the boards of Treasury Corporation of Victoria and Persol Asia Pacific Pte Ltd (Singapore) and Vice President of the Australia-Japan Business Cooperation Committee. Her previous board experience includes Australia-Japan Foundation, Australian Financial Markets Association (AFMA), Asia Society and Women in Banking and Finance. She has graduate and post-graduate degrees in Japanese language, literature and philosophy as well as economics and finance.

DIRECTORSHIPS OF OTHER ASX LISTED COMPANIES: None

GOVERNMENT AND COMMUNITY INVOLVEMENT

- Director, Treasury Corporation of Victoria (appointed August 2018)
- Vice President, Australia-Japan Business Cooperation Committee (AJBCC) (appointed October 2020)
- Member, Australian Chamber Orchestra - Japan Advisory Committee (appointed May 2019)
- Adviser, Japan Women's Innovation Network (appointed December 2020)
- Member, Chief Executive Women (CEW) Australia (appointed January 2020)

Rahoul Chowdry INDEPENDENT NON-EXECUTIVE DIRECTOR*BCom, FCA*

Rahoul was appointed to the AMP Limited Board as a non-executive director in January 2020. He is a member of the Remuneration, Nomination, Audit and Risk Committees and was appointed as Chairman of the Risk Committee in May 2020. At the same time, he was appointed to the AMP Bank Board and is a member of its Audit Committee and the Chairman of the Risk Committee.

EXPERIENCE

Rahoul has over 40 years' experience in professional services, advising complex multinational organisations in Australia and overseas.

He is currently a Senior Advisor at Minter Ellison and is a member of the Audit and Risk Committee of the firm's Partnership Board. Between January 2018 and June 2021 he was Partner and National Leader of Minter Ellison's financial services practice in Australia and leader of the risk consulting practice. Prior to this, Rahoul was a Senior Partner at PwC for almost 30 years, where he undertook a number of leadership roles, delivering audit, assurance, and risk consulting services to major financial institutions in Australia, Canada and the United Kingdom.

DIRECTORSHIPS OF OTHER ASX LISTED COMPANIES: None

GOVERNMENT AND COMMUNITY INVOLVEMENT

- Member, Reserve Bank of Australia, Audit Committee (appointed February 2018)

Mike Hirst INDEPENDENT NON-EXECUTIVE DIRECTOR*BCom, SFF*

Mike was appointed to the AMP Limited Board as a non-executive director in July 2021 and is a member of the Audit, Nomination, Risk and Remuneration Committees. At the same time, Mike was appointed to the AMP Bank Limited Board and its Audit and Risk Committees.

EXPERIENCE

Mike has more than 40 years of experience in board and senior executive leadership roles within retail banking, treasury, funds management and financial markets.

He was the Managing Director of Bendigo and Adelaide Bank from 2009 to 2018 and prior to this worked in senior executive and management positions with Colonial Limited, Westpac Banking Corporation and Chase AMP Bank.

Mike served as Deputy Chairman of the Treasury Corporation of Victoria and previously held non-executive directorships with Austraclear Limited, Colonial First State, Rural Bank and Barwon Health Limited.

He was a Commissioner on the Federal Government's National COVID-19 Commission Advisory Board, a member of the Federal Government's Financial Sector Advisory Council and was Deputy Chairman of the Australian Bankers Association.

DIRECTORSHIPS OF OTHER ASX LISTED COMPANIES:

- Non-executive director of AMCIL Limited (appointed January 2019)
- Non-executive director of Butn Limited (appointed September 2020)

Directors' report

for the year ended 31 December 2021

DIRECTORSHIPS OF OTHER COMPANIES:

- Non-executive director of GMHBA Limited (appointed July 2018)

GOVERNMENT AND COMMUNITY INVOLVEMENT

- Deputy Chairman of Racing Victoria (appointed October 2016)
- Member of the Australian Institute of Company Directors (appointed April 2003)
- Senior Fellow of FINSIA (appointed September 2003)
- Honorary Member of the Business Council of Australia (appointed July 2018)

Kate McKenzie INDEPENDENT NON-EXECUTIVE DIRECTOR BA, LLB, GAICD

Kate was appointed to the AMP Limited Board as a non-executive director in November 2020 and is a member of the Audit, Nomination, Risk and Remuneration Committees. At the same time, Kate was appointed to the AMP Bank Board and its Audit and Risk Committees.

EXPERIENCE

Kate has more than 25 years of experience in other board and senior executive leadership roles.

She is currently non-executive director of NBN Co., becoming the Chair of NBN Co. on 1 January 2022, and Stockland Corporation Limited and has previously served on the boards of Allianz Australia, Foxtel, Telstra Ventures, Sydney Water and Workcover. Kate was the Chief Executive Officer of Chorus, the New Zealand telecommunication group, listed on the ASX and NZX, from February 2017 to December 2019, and held several executive roles at Telstra, including as Chief Operating Officer, prior to this.

DIRECTORSHIPS OF OTHER ASX LISTED COMPANIES:

- Stockland Corporation Limited (appointed December 2019)
- Healius Ltd (appointed February 2021)

GOVERNMENT AND COMMUNITY INVOLVEMENT

- Member, Chief Executive Women (CEW) Australia (January 2006)

John O'Sullivan INDEPENDENT NON-EXECUTIVE DIRECTOR BA, LLB, LLM, FAICD

John was appointed to the AMP Limited Board in June 2018. He was appointed a member of the Audit, Nomination, Risk and Remuneration Committees in January 2019.

In February 2019, John was appointed to the AMP Bank Board and as a member of its Audit and Risk Committees.

EXPERIENCE

John has over 40 years experience in the legal and financial services sectors in Australia. He started his career at Freehill Hollingdale & Page (Herbert Smith Freehills), later becoming a partner at the firm where he was recognised as one of Australia's leading corporate and mergers and acquisitions lawyers.

From 2003 to 2008, John was General Counsel of the Commonwealth Bank of Australia before spending ten years at Credit Suisse Australia where he was Executive Chairman, Investment Banking and Capital Markets, Australia until February 2018. John is a member of the Takeovers Panel. He holds a Bachelor of Laws and Bachelor of Arts from the University of Sydney and a Master of Laws from the University of London.

DIRECTORSHIPS OF OTHER ASX LISTED COMPANIES: None

GOVERNMENT AND COMMUNITY INVOLVEMENT

- Ambassador of the Australian Indigenous Education Foundation (appointed 2008)
- Director of Serendipity Capital Holdings Limited (appointed April 2020)

Michael Sammells INDEPENDENT NON-EXECUTIVE DIRECTOR

BBus, FCPA, GAICD

Michael was appointed to the AMP Limited Board as a non-executive director in March 2020. He is the Chairman of the Remuneration Committee and a member of the Audit, Nomination and Risk Committees. In March 2020, Michael was also appointed to the AMP Bank Board and is a member of its Audit and Risk Committees.

EXPERIENCE

Michael has over 35 years of professional experience, with significant experience in senior executive financial and commercial roles. His experience as Chief Financial Officer spans over 20 years from 1999 to 2019, where he held this role in government, private and ASX listed companies.

Michael is also a non-executive director of Sigma Healthcare Limited and has served on numerous private boards for the last 13 years.

DIRECTORSHIPS OF OTHER ASX LISTED COMPANIES:

- Sigma Healthcare Limited (appointed February 2020)

Andrea Slattery INDEPENDENT NON-EXECUTIVE DIRECTOR

BAcc, MComm, FCPA, FCA, FSSA, FAICD, GCB.D

Andrea was appointed to the AMP Limited Board as a non-executive director in February 2019 and is a member of the Audit, Nomination, Risk and Remuneration Committees. At the same time, she was appointed to the AMP Bank Limited Board and its Audit and Risk Committees. She was appointed Chair of the AMP Limited and AMP Bank Audit Committees in May 2019.

EXPERIENCE

Andrea has substantial experience as a non-executive director and senior executive in the financial services, retirement and superannuation, government relations, clean energy & low emissions technologies, infrastructure and professional services sectors with expertise in strategic, digital and corporate governance transformation and ESG, spanning more than 29 years.

Andrea was the managing director and CEO of the SMSF Association for 14 years from 2003 to 2017, which she co-founded. Prior to this, Andrea was a financial adviser, as well as founding her own tax consulting and advisory business. Andrea attained the Global Competent Boards ESG (GCB.D) in 2021.

Her previous Government Advisory Committee appointments include, the Federal Government's Innovation Investment Partnership, Stronger Super Peak Consultative Group, Superannuation Advisory Group, the Future of Financial Advice, the Shadow Ministry's Infrastructure and Innovation and Superannuation and Industry Partnerships.

DIRECTORSHIPS OF OTHER ASX LISTED COMPANIES:

- Argo Global Listed Infrastructure (appointed April 2015)
- Centrepont Alliance Limited (November 2018 – January 2019)

GOVERNMENT AND COMMUNITY INVOLVEMENT

- Director of Clean Energy Finance Corporation (appointed February 2018)
- Deputy Chairman of Woomera Prohibited Area Advisory Board (appointed July 2019)

Alexis George CHIEF EXECUTIVE OFFICER

BCom, FCA, GAICD

Alexis George was appointed Chief Executive Officer (CEO) of AMP Limited on 2 August 2021. She is responsible for leading the AMP business.

Alexis was appointed to the AMP Limited Board and AMP Bank Limited Board on 11 August 2021.

EXPERIENCE

Alexis has more than 25 years' experience in the financial services industry in Australia and overseas. She spent seven years at ANZ, most recently as the Deputy Chief Executive Officer, working to drive group-wide strategic initiatives in addition to responsibility for shared service centres and banking services.

As the Group Executive Wealth Australia, Alexis led ANZ's ~\$4 billion wealth divestment program, including the separation and sale of its life insurance and superannuation businesses.

Prior to ANZ, Alexis spent ten years with ING Group in a number of senior roles including CEO Czech Republic and Slovakia responsible for banking, insurance and funds management and Regional COO Asia responsible for product, marketing, technology and operations.

DIRECTORSHIPS OF OTHER ASX LISTED COMPANIES: None

GOVERNMENT AND COMMUNITY INVOLVEMENT

- Member, Chief Executive Women (CEW) Australia (October 2016)

Directors' report

for the year ended 31 December 2021

Attendance at board and committee meetings

The AMP Limited Board met 25 times during the year ended 31 December 2021. The Chair and directors also attended other meetings, including board committee meetings, special purpose committees, strategy sessions and working groups. The Chair and directors also frequently attended meetings of subsidiary boards and committees, special purpose committees, and working groups of which they were not a director or member during the year.

The table below shows details of attendance by directors of AMP Limited at meetings of boards, committees and working groups of which they were members during the year ended 31 December 2021. Any voluntary attendances by directors in the capacity as observers are not included in the table below:

Board/committee	AMP Limited Board Meetings ¹		Audit Committee		Risk Committee		Nomination Committee		Remuneration Committee		Subsidiary board and committee meetings ²		Additional Committees ³
	A	B	A	B	A	B	A	B	A	B	A	B	B
Held/attended	A	B	A	B	A	B	A	B	A	B	A	B	B
Debra Hazelton	25	25	4	4	7	7	4	4	6	6	5	5	2
Rahoul Chowdry	25	25	4	4	7	7	4	4	6	6	–	–	11
John O'Sullivan	25	25	4	4	7	7	4	4	6	6	–	–	15
Michael Sammells	25	25	4	4	7	7	4	4	6	6	4	4	13
Andrea Slattery	25	25	4	4	7	7	4	4	6	6	–	–	6
Kate McKenzie	25	24	4	4	7	7	4	4	6	5	–	–	0
Mike Hirst⁴	12	12	2	2	3	3	2	2	3	3	–	–	0
Alexis George⁵	10	10	–	–	–	–	–	–	–	–	–	–	–
Francesco De Ferrari⁶	13	10	–	–	–	–	–	–	–	–	–	–	–

Column A – indicates the number of meetings held while the director was a member of the board/committee. Directors may, and frequently do, attend meetings as observers if they are not a member of the board/committee.

Column B – indicates the number of those meetings attended.

- Where board and committee meetings of AMP Limited and AMP Bank Limited were held concurrently, only one meeting has been recorded.
- Subsidiary board and committee meetings refer to meetings of the following board and committee main-subsidiary: AMP Capital Holdings Limited.
- Additional committees were convened during the year on matters including the portfolio review, due diligence, and financial results.
- Mike Hirst was appointed as a director of AMP Limited effective 1 July 2021.
- Alexis George was appointed Chief Executive Officer of AMP Limited effective 2 August 2021 and as Managing Director on 11 August 2021.
- Francesco De Ferrari resigned as Managing Director of AMP Limited effective 30 June 2021.

COMPANY SECRETARY DETAILS

Details of the company secretary of AMP Limited as at the date of this report, including her qualifications and experience, are set out below.

Marissa Bendyk, General Counsel, Corporate Governance & Group Company Secretary

LLB (Hons), BCom (Accounting), GAICD

Marissa was appointed as the Company Secretary for AMP Limited on 6 May 2019 and is also secretary of several other AMP group companies. Before joining AMP, Marissa worked at APA Group and King & Wood Mallesons focusing on corporate governance, mergers and acquisitions, and corporate and commercial law.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

Under its constitution, the company indemnifies, to the extent permitted by law, all current and former officers of the company (including the non-executive directors) against any liability (including the costs and expenses of defending actions for an actual or alleged liability) incurred in their capacity as an officer of the company. This indemnity is not extended to current or former employees of the AMP group against liability incurred in their capacity as an employee, unless approved by the AMP Limited Board.

During, and since the end of, the financial year ended 31 December 2021, the company maintained, and paid premiums for, directors' and officers' and company reimbursement insurance for the benefit of all of the officers of the AMP group (including each director, secretary and senior manager of the company) against certain liabilities as permitted by the *Corporations Act 2001*. The insurance policy prohibits disclosure of the nature of the liabilities covered, the amount of the premium payable and the limit of liability.

In addition, the company and each of the current and former directors are parties to deeds of indemnity, insurance and access. Those deeds provide that:

- the directors will have access to board papers and specified records of the company (and of certain other companies) for their period of office and for at least 10 (or, in some cases, seven) years after they cease to hold office (subject to certain conditions);
- the company indemnifies the directors to the extent permitted by law, and to the extent and for the amount that the relevant director is not otherwise entitled to be, and is not actually, indemnified by another person;
- the indemnity covers liabilities (including legal costs) incurred by the relevant director in their capacity as a current or former director of the company, or as a director of any AMP group company or an AMP representative to an external company; and
- the company will maintain directors' and officers' insurance cover for the directors, to the extent permitted by law, for the period of their office and for at least 10 years after they cease to hold office.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit, other than where the claim is determined to have resulted from any negligent, wrongful or wilful act or omission by or of Ernst & Young. No payment has been made to indemnify Ernst & Young during or since the financial year ended 31 December 2021.

REMUNERATION DISCLOSURES

The remuneration arrangements for AMP directors and senior executives are outlined in the remuneration report which forms part of the directors' report for the year ended 31 December 2021.

Directors' and senior executives' interests in AMP Limited shares, performance rights and options are also set out in the remuneration report on the following pages.

REMUNERATION REPORT



Our Board and Executive KMP, as leaders, are united in their recognition of AMP's historical significance, their strong understanding of the business challenges faced and their drive and motivation to transform the business.

REMUNERATION REPORT CONTENTS

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Dear fellow shareholder

In the 2021 financial year, enormous efforts were made to drive far-reaching and necessary changes within AMP. They were made against an external backdrop of another year heavily impacted by the new variants of the global COVID-19 pandemic, with long periods punctuated by lockdowns. There were also internal pressures and complexities created by the need to conduct the portfolio review, which concluded in April 2021, a significant shift in strategic direction and a change in Chief Executive Officer (CEO) partway through the group's transformation.

New direction and stability

I am pleased, therefore, to report that new levels of energy, stability and clear direction have been brought to AMP under the stewardship of its new CEO, Alexis George. The promotion, hiring and retention of high-calibre and respected senior executives, who are outstanding leaders in their fields, were successfully achieved. This includes the appointment of Scott Hartley in January as CEO Australian Wealth Management and Shawn Johnson in June 2021 as CEO AMP Capital and the recent appointment of Felicia Trewin as Chief Technology Officer, who will be joining us in March 2022.

Our Board and Executive KMP are united in their recognition of AMP's historical significance, their strong understanding of the business challenges faced and their drive and motivation to transform the business.

Most importantly, like the Board, they are focused on rebuilding value, trust and confidence in the business, and are moving at pace to make this happen.

Year in review

Despite some executive departures, the overall performance of AMP tracked at 61.5% against the 2021 target scorecard.

This is a solid result, particularly considering external factors (e.g., COVID pandemic, unpredictability of market and economic factors, consumer shifts) and internal decisions (e.g., demerger, Infrastructure Debt sale, impairments, leadership changes) including uncertainty from ongoing operating model change.

The most notable and significant achievements during 2021 were:

- The successful hiring and retention of business leaders with proven track records to the executive team
- The laying of foundations and delivering to date to the demerger timetable to create two separate, streamlined and agile businesses – a new and reinvigorated AMP Limited and Private Markets
- The completion of the sale of the remaining stake in Resolution Life and the agreed divestments of other non-core businesses – global equities, fixed income and infrastructure debt
- The core bank system was simplified and modernised, and we more strongly aligned our advice network, invested in the North platform and repriced the Master Trust and MySuper products, the delivery of ~\$130 million in cost reductions and improvement in culture.

The scorecard objectives, measures and targets are set at the start of the year and relate to weighted long-term goals to improve financials, boost client care, drive strategic priorities and significantly lift both risk management and leadership. Of the total scorecard targets set for 2021, 51% are financial and 49% non-financial measurements, of which many are lead indicators of sustainable future financial performance such as strategy, culture, leadership, reputation and risk.

In addition, with AMP's respectable underlying full-year results, the total score achieved was due to the strategically significant work undertaken, in large part, by our renewed and strengthened executive team during 2H21.

2021 incentive outcomes

In determining the 2021 group incentive pool, the Board was highly cognisant of the shareholder experience and the impacts of organisational instability during the first half of 2021. This was caused by previous poor customer experiences as well as reputation-related events, the portfolio review and the announcement of Francesco De Ferrari's departure. These factors clearly weighed on AMP's reputation and share price.

It is important to highlight the tremendous work and dedication of AMP's employees, who were significantly stretched at many times during the year, yet consistently strove to provide improved care to customers. I wish to personally thank them for their significant contributions to the business during this difficult and challenging period.

Therefore, considering a holistic view of performance, the risk overlay and the risk metrics included in the scorecard, the Board determined to set an incentive pool of 70% of target (excluding AMP Capital). We aimed to balance the need to reward, retain and motivate employees, acknowledging strategic outcomes delivered in 2021, while also recognising and aligning to the disappointing shareholder experience. As AMP works its way through this strategically important and challenging time, the judgment between rewarding and retaining high-quality executives and the shareholder experience represents some challenges.

The incentive pool for Executive KMP is 50% of target, of which 40% will be paid in cash in April 2022 and 60% delivered in share rights, that vest over three years for the CEO and over two years for Executive KMP. Individual allocations vary based on time in role and performance.

Furthermore, the Board determined that the former CEO will not receive a STI allocation for 2021.

There were no long term incentive (LTI) plans due to be tested in 2021; therefore, no LTI vested in 2021. Subject to shareholder approval at the AGM in May 2022, performance rights under the LTI program will be granted.

Based on our continued commitment to provide greater transparency and disclosure, we provided details on the 2021 scorecard and STI outcomes in Sections 1.4, 1.5, 3.2 and 3.5 of this report.

Executive remuneration framework

The shareholder vote against the 2019 Remuneration Report was taken very seriously by the Board. As a result, we consulted with shareholders, proxy advisers and other shareholder representatives. We listened carefully to concerns along the way and acted on them.

As outlined in last year's Remuneration Report, a consistent and simplified executive remuneration framework was developed during 2020 and applied from 1 January 2021, outlined in Section 1.3.

With the demerger underway, no amendments are proposed to the framework for 2022. Nevertheless, it is the Board's intention to review key aspects of executive remuneration on a regular basis to ensure the structure and methodology remain aligned with our remuneration principles while supporting the reinvigoration and growth of the new AMP.

Post the demerger, we will review and ensure compliance with the Financial Accountability Regime and APRA's remuneration prudential standard (CPS 511) for implementation in 2023.

One-off events outside the 2021 remuneration framework

CEO's sign-on award

We are delighted Alexis George, one of the country's most experienced and respected leaders in wealth and banking, joined AMP as CEO in August 2021. A competitive remuneration package was developed to recognise remuneration forgone in leaving her roles as ANZ Banking Group's Deputy CEO and Group Executive of its wealth arm, with a sign-on equity award with a face value of \$4.091 million, tranches of which will vest over the next four years. Part of the sign-on equity, to the value of \$1.32 million, vested during 2021 and Alexis George also received \$732,500 in cash in lieu of STI forgone at her previous employer.

Full details of Alexis George's sign-on awards and Francesco De Ferrari's exit arrangements can also be found in Section 1.6.

Retention awards

In 2020, during the portfolio review, to provide enhanced stability and continuity across the business, the Board granted one-off retention awards to critical Executive KMP. This also recognised key executives' additional workloads as a result of the portfolio review.

When the concept was first considered, extensive consultation with shareholders and proxy advisers was undertaken. They expressed their general dislike of such payments, however, understood and recognised the challenging and unique situation facing AMP.

As detailed in the 2020 Remuneration Report, the retention awards totalled \$3.89 million. On 31 October 2021, 60% of the award was paid in cash. The remaining 40% was delivered in share rights that will vest on 31 October 2024.

Non-Executive Director remuneration

As previously announced, the Board reviewed the Chair and Non-Executive Director fees and determined there would be a 15% reduction to all fees effective 1 August 2021 to reflect the sale of AMP Life.

The Chair's fees were reduced from \$660,000 to \$561,000 and NEDs' base fees were reduced from \$240,000 to \$204,000 per annum (inclusive of superannuation contributions).

Non-Executive Director fees will be reviewed again following completion of the demerger.

People and culture strategy

As we continue our drive to improve AMP's culture, uplifting our performance framework and practices across AMP are an important part of the reset. The framework places equal emphasis on results ("the what") and behaviours ("the how"), linking strategy, goals, performance outcomes and remuneration. We are launching a new performance management approach in 2022 in conjunction with the roll out of a new system: PeopleCONNECT.

Other actions undertaken during 2021 included: completion of the Group's 2021 action plan, following an in-depth review of workplace conduct, which will continue in 2022; launching a new inclusion and diversity policy; and uplifting workplace relations capability.

A set of non-negotiable actions were implemented, they include: delivering inclusive leadership training for all AMP employees; ensuring a consistent approach to workplace conduct management, including taking a person-centred approach to conduct matters and the application of consequences; and establishing succession and retention plans for critical roles.

During 2021, we commenced our journey towards a simpler, purpose-led AMP. Importantly, we are taking an inclusive and participative approach with employees and customers to develop our new purpose and values. We expect to launch these in 1H22. The approach has engaged more than 30% of the workforce in face-to-face workshops, giving our people the opportunity to share in open conversations about the past, current experiences and envisage a positive future. Furthermore, frequent messages from Alexis George have been well received and the executive team is focused on leading by example. Regular employee surveys show evidence of this, with improved trust in leadership, and renewed confidence in the direction of the business.

We appreciate and welcome feedback from our stakeholders and will continue to engage with you as we transform and grow post demerger.

On behalf of the Board, I would like to thank you for your support as an AMP shareholder and invite you to read the full report in detail.



Michael Sammells
Chair, Remuneration Committee

Remuneration Report

This report details the remuneration framework and outcomes for Key Management Personnel (KMP) of AMP Limited for the year ended 31 December 2021. It has been prepared and audited in accordance with the disclosure requirements of the *Corporations Act 2001*.

1 SECTION

REMUNERATION SNAPSHOT

1.1 KEY MANAGEMENT PERSONNEL

Name	Position	Term as KMP
Executive KMP		
Alexis George	Chief Executive Officer	2 August 2021
David Cullen	Group General Counsel	Full year
James Georgeson	Chief Financial Officer	Full year
Scott Hartley	Chief Executive Officer, Australian Wealth Management	11 January 2021
Shawn Johnson	Chief Executive Officer, AMP Capital	28 June 2021
Rebecca Nash	Chief People Officer	15 November 2021
Sean O'Malley	Group Executive, AMP Bank	15 November 2021
Phil Pakes	Chief Risk Officer	Full year
Former Executive KMP		
Francesco De Ferrari ¹	Chief Executive Officer	30 June 2021
Helen Livesey ²	Group Executive, People and Corporate Affairs	15 November 2021
Blair Vernon ³	Chief Executive Officer, AMP New Zealand	31 December 2020
Non-executive Directors		
Debra Hazelton	Chair	Full year
Rahoul Chowdry	Non-Executive Director	Full year
Michael Hirst	Non-Executive Director	1 July 2021
Kathryn McKenzie	Non-Executive Director	Full year
John O'Sullivan	Non-Executive Director	Full year
Michael Sammells	Non-Executive Director	Full year
Andrea Slattery	Non-Executive Director	Full year

1 Francesco De Ferrari's formal termination date was 25 December 2021. Termination payment details are included in Section 1.6 and table 7.1 of this report.

2 Helen Livesey's formal termination date was 1 January 2022. Termination payment details are included in Section 1.6 and table 7.1 of this report.

3 Blair Vernon was included in the 2020 Remuneration Report while acting as Chief Executive Officer, AMP Australia (AMPA). AMP has determined that the Chief Executive Officer, AMP New Zealand role is not KMP as the position does not have the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly due to the New Zealand business not being of a size that is material to the overall results of AMP.

1.2 SHAREHOLDER FEEDBACK ON 2020 REMUNERATION REPORT

At the conclusion of the 2021 AGM, 76.18% of votes were in support of the remuneration report, with positive feedback received on improvements in the structure, content and layout of the remuneration report providing greater clarity than previous versions. However, some important points were raised.

Shareholder feedback

Board response

LTI design, including more performance measures	The current LTI design aligns to standard market practice, the Board will consider the a second performance measure to the LTI for 2023 subject to compliance with CPS 511.
Board discretion	The Board exercises discretion to apply remuneration consequences to executives with overall accountability for matters arising in their business units with adverse risk, customer and/or reputational impacts. Along with a range of measures, the Board considers individual performance or conduct that has an in-year impact on STI awarded.
Transparency	The Board remains committed to providing greater clarity and detail in the disclosure especially as it relates to the STI outcomes.

1.3 2021 REMUNERATION FRAMEWORK

The following diagram illustrates the remuneration framework applied to AMP Limited Executive KMP during 2021 and announced in the 2020 Remuneration Report. It is underpinned by the remuneration governance, risk management and consequence management frameworks and is subject to overall AMP Board discretion. The rationale for the remuneration framework has been to strengthen and simplify AMP's overall approach to remuneration. In addition, it was developed to work effectively within the context of AMP's transformation. With the variable pay and extensive deferral included in the awards, emphasis is placed on the shareholder experience and compliance with regulatory frameworks and guidelines, including BEAR.

OUR REMUNERATION PRINCIPLES

Market competitive to attract the right people



Reflect our values behaviours and expectations



Differentiate for performance and adjust for risk



Linked to strategy and sustainable value creation



Balance interests of clients people and shareholders



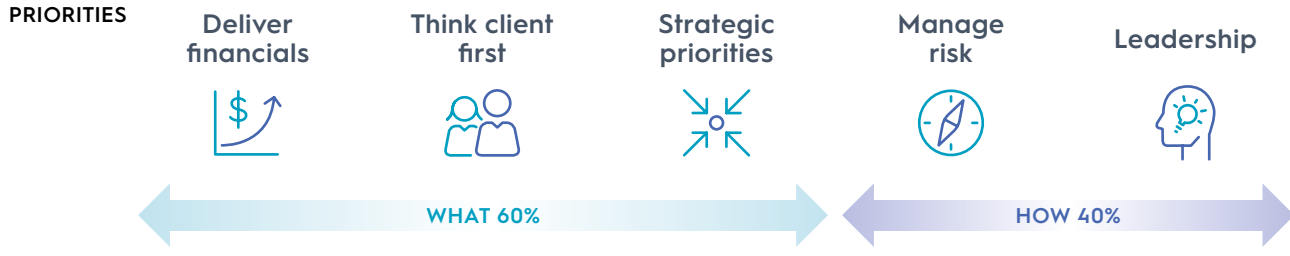
OUR REMUNERATION FRAMEWORK

ELEMENT	Fixed Remuneration FR	Short Term Incentive STI		Long Term Incentive LTI
PURPOSE	Market competitive to attract and retain talent Takes executive skill and experience into account	Cash: Reward for achieving key financial and non-financial priorities that progress the strategy	Equity: Encourage retention and monitor latent risk related to the performance period	Align reward to shareholder success with upside for superior performance relative to market peers
AWARD MIX	Cash	40% cash	60% equity	Equity rights at face value
TARGET	Market median and relevant peer group	Target is 100% of FR ¹ Max is 200% of Target		Up to 100% of FR in performance rights
TIME FRAME	n/a	Cash paid in relevant year Equity deferred over two to three years		Three-year performance period and additional one-year restriction
VESTING	On award	CEO: 33.4% in year two, 33.3% in years three and four Group Executive KMP: 50% in year two, 50% in year three		Based on Total Shareholder Return (TSR) relative to ASX 100 Financial Organisations ex AREITs over a three-year performance period with further 12-month restriction

1 Chief Risk Officer (CRO) target is 70% of FR (max is 200% of target or 140% of FR).

Remuneration Report

1.4 2021 SCORECARD AND OUTCOMES



2021 OBJECTIVES

<ul style="list-style-type: none"> ▶ Drive group P&L performance ▶ Effectively manage return profile 	<ul style="list-style-type: none"> ▶ Drive client outcomes ▶ Drive client engagement ▶ Improve market reputation ▶ Drive net new business ▶ Client remediation program 	<ul style="list-style-type: none"> ▶ Maximise shareholder value – portfolio review ▶ Reinvent wealth management in Australia ▶ Repivot asset management to private markets ▶ Grow NZ franchise ▶ Create simpler, leaner business 	<ul style="list-style-type: none"> ▶ Operate within risk appetite ▶ Strengthen three lines of defence ▶ Improve risk culture 	<ul style="list-style-type: none"> ▶ Drive employee engagement ▶ Promote diverse and inclusive culture ▶ Succession planning and strength of executive team
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▶ Financially aligned objective

WEIGHTING

30%	15%	15%	20%	20%
-----	-----	-----	-----	-----

PERCENTAGE OF OBJECTIVES ACHIEVED

0%	94%	90%	80%	90%
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SCORECARD RESULT

61.5%

STI POOL

AMP STI Pool 70% ¹ of Target ²	Executive KMP STI Pool 50% of Target
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BOARD DISCRETION OVERLAY

The Board considered a number of factors including the risk overlay and shareholder experience and determined that funding the pool at this level is appropriate and equitably rewards the contribution of employees

1 The STI incentive pool excludes AMP Capital which is delivered through a profit share arrangement.
 2 Where target is the midpoint of the overall incentive opportunity.

1.5 ACTUAL REMUNERATION REALISED IN 2021

Under AMP's remuneration framework, executives are eligible to receive a mix of fixed remuneration, STI (delivered 40% in cash and 60% deferred in share rights) and LTI.

The table below sets out the remuneration actually received by the CEO and Executive KMP as at 31 December 2021 and the value of any equity awarded in prior years (either as deferred STI and/or LTI) vesting during 2021.

This information differs from the statutory remuneration table which presents remuneration in accordance with Australian Accounting Standards. Statutory disclosures are included in Section 7.1.

Executive KMP	Year	Short term benefits						Total Remuneration received
		Fixed ¹	Cash STI ²	Retention Payments ³	Vested equity ⁴	Sign-on awards ⁵	Benefits ⁶	
		\$	\$	\$	\$	\$	\$	\$
Alexis George	2021	714,192	172,000	–	1,316,759	732,500	–	2,935,451
	2020	–	–	–	–	–	–	–
David Cullen	2021	750,000	180,000	450,000	182,223	–	7,418	1,569,641
	2020	739,481	–	–	203,892	–	–	943,373
James Georgeson	2021	750,000	186,000	450,000	33,419	–	1,000	1,420,419
	2020	745,792	–	–	48,726	–	1,800	796,018
Scott Hartley	2021	875,342	206,000	–	–	–	104,528	1,185,870
	2020	–	–	–	–	–	–	–
Shawn Johnson	2021	486,712	274,000	–	–	–	43,781	804,493
	2020	–	–	–	–	–	–	–
Rebecca Nash ⁷	2021	634,658	114,400	–	–	–	346	749,404
	2020	–	–	–	–	–	–	–
Sean O'Malley ⁷	2021	556,438	111,600	–	–	–	1,639	669,677
	2020	–	–	–	–	–	–	–
Phil Pakes	2021	700,000	tbd ⁸	420,000	–	–	12,339	1,132,339
	2020	520,219	–	–	–	–	–	520,219

1 Fixed remuneration (FR) received reflects the time in role during 2021. For Rebecca Nash and Sean O'Malley, FR received also includes amounts received prior to their appointments.

2 Cash STI paid during the relevant year is based on outcomes related to the applicable year's performance and reflected for the relevant reporting period. Cash STI represents 40% of the total STI awarded and the remaining 60% will be delivered in share rights in April 2022.

3 The cash component of the Portfolio Review retention awards granted in 2020 were paid on 31 October 2021 to Executive KMP at that time.

4 The value of vested equity awards was calculated based on the units which vested multiplied by the five-day volume weighted average price (VWAP) up to and including the vesting date of each award. The table also includes the portion of Alexis George's sign-on awards that vested during 2021.

5 The CEO Alexis George received sign-on cash to the value of \$732,500 in December 2021. Full details of the sign-on awards are provided in Section 1.6.

6 Other benefits may include non-monetary benefits and any related FBT exempt benefits and FBT payable benefits, for example car related expenses, insurances, professional memberships and subscriptions.

7 The FR for Rebecca Nash and Sean O'Malley reflects their pro rated FR in their current KMP and prior non-KMP roles.

8 The STI amount is to be determined but will be within the range of zero to a cap of 58% of his target STI opportunity of \$490,000.

Remuneration Report

1.6 KEY NON-FRAMEWORK RELATED EVENTS

Details

Alexis George, CEO

Alexis George was appointed as the new Chief Executive Officer and commenced on 2 August 2021. Remuneration included:

- Salary (including superannuation) \$1.715 million
- Sign-on equity award with a face value of \$4.091 million delivered in AMP equity vesting over four years to replace existing incentive arrangements that were foregone with previous employer. On 22 November 2021, the portion vested, see Sections 7.3 and 7.4.

	% of Total Award	Number Vested	Lapsed	Value at vesting	Performance
Share rights	13%	507,243	–	\$512,315	–
Performance rights	5%	109,038	–	\$191,938	Absolute TSR CAGR of more than 8%
Performance rights	15%	448,130	122,010	\$452,611	Relative TSR at 64.3 percentile

Performance period 2 August – 22 November 2021 with TSR of 8.49%

- She received \$732,500 in cash to replace STI foregone.
- She will participate in the LTI grant for 2022 subject to the grant being approved by shareholders at the AGM in May 2022.

Francesco De Ferrari, Former CEO

AMP agreed a mutual separation with Francesco De Ferrari effective 30 June 2021. The final termination date was 25 December 2021. He received the following payments:

- Payment in lieu of six months notice.
- Payment of \$300,000 (less applicable tax) in respect of the additional work that was provided to the AMP Capital business throughout 2021.
- Relocation allowance of \$377,000 before tax.
- No STI outcome was awarded for 2021.
- Eligible to retain a pro rata portion of the 2019 LTI award and Transformation Incentive award based on time elapsed from the grant date to termination date. The awards will remain on foot in accordance with the original terms of offer and performance hurdles tested on the vesting date. The remaining balance of both awards will lapse.
- Eligible to retain all other unvested incentive awards, held on foot in accordance with the original terms of offer, see Sections 7.3 and 7.4.

The former CEO was not granted a LTI or a retention award in 2021.

Shawn Johnson, CEO AMP Capital

Shawn Johnson was appointed as AMP Capital CEO and commenced on 28 June 2021. Remuneration arrangements include:

- Annual fixed remuneration of \$950,000 including superannuation.
- Eligible to participate in an annual incentive with the opportunity to receive a discretionary annual award of up to 1.2% of the AMP Capital modified profit of which 60% will be deferred and vest over two years.
- Eligible to participate in an equity plan in Private Markets after listing.

He did not receive any equity awards under the AMP Limited Equity Incentive Plans.

Helen Livesey, Group Executive People and Corporate Affairs

Helen Livesey ceased as KMP on 15 November 2021 with a termination date of 1 January 2022. Redundancy payments include:

- Payment in lieu of balance of twelve months notice.
- Provision of other benefits required by law.
- A pro-rated portion of the unvested Transformation Incentive award will lapse, and the remaining balance is retained in accordance with plan rules and subject to original terms.
- Eligible to retain all other unvested incentive awards, held on foot in accordance with the original terms of offer, see Sections 7.3 and 7.4.
- STI outcome for 2021 of \$300,000 paid in cash. It represents 35% of the pro rated target STI opportunity, see Sections 3.5 and 7.1.

Retention awarded in 2020 and paid in 2021

As indicated in the 2020 Remuneration Report, the Board awarded selected retention awards to key individuals to maintain stability through the portfolio review. The cash portion (60%) of these awards were paid on 31 October 2021 and the remaining (40%) delivered as share rights that vest in October 2024, see Sections 1.5, 7.1 and 7.3.

1.7 LOOKING FORWARD 2022

Remuneration framework

No changes to the remuneration framework are proposed for 2022.

The Board will continue to review its approach to executive remuneration on a regular basis and will consult with shareholders for feedback. Any adjustments will seek to ensure the structure and methodology remain aligned with our remuneration principles whilst supporting the growth of the business. We will also review for compliance with the Financial Accountability Regime and APRA's remuneration prudential standard CPS 511 during 2022 for implementation in 2023.

Treatment of unvested equity at the demerger

The Board has approved an approach for the treatment of the unvested shares and rights at the time of demerger. The treatment is based on the principle that employees should be treated fairly and in line with shareholders at the point of the demerger. The performance measures should continue to operate as intended. The treatment is also consistent with market practice and the approach used in other recent demergers.

2022 scorecard

For 2022, we are making changes to the scorecard to ensure that the process is simpler, more transparent and drives an improved, performance-oriented and aligned business. While the key result areas remain consistent, their labels, respective weightings, along with the objectives and measures are changing. In addition, principles have been established to inform the development of the scorecard, to improve clarity and alignment, and increase focus on the successful achievement of the critical objectives.¹

SCORECARD PRINCIPLES ARE:

– Be clear on strategic priorities	– Focus on fewer objectives and measures
– Increase focus on customer and people	– Quantitative or meaningful qualitative measures
– Provide a whole of AMP perspective	– Scorecard is easy to communicate to employees and externally
– Balance shareholder and regulator requirements	– Cascade key result areas and objectives

Key result areas	Objectives	Metric
Customer	✓ Improve our brand and reputation	Reputational score RepTrak
	✓ Deliver to our customers	Customer NPS
20%		
People	✓ Improve employee engagement	eSat progress target
	✓ Build an inclusive culture	Inclusion index progress target Gender diversity tracking to target for senior executives
20%		
Strategy	✓ Grow the Bank	Mortgage book growth
	✓ Grow the Platform business	Net cashflow
	✓ Complete the demerger	Tracking to plan
	✓ Simplify the business	Achieve target total cost base
20%		
Finance	✓ Manage return on equity	Return on equity (ROE)
	✓ Improve profitability	NPAT (statutory) NPAT (underlying)
30%		
Risk	✓ Operate within risk appetite	95–100% compliance within stated risk appetite, and action plans where appropriate
	✓ Embed risk culture	Risk culture self-assessment
10%		
100%	The overall AMP performance scorecard outcome is subject to Board discretion and a risk overlay	

1 In early 2022, AMP will be introducing a new Performance Management approach through a new human resource information system: PeopleCONNECT.

Remuneration Report

2 SECTION

DETAILED BACKGROUND ON THE REMUNERATION STRATEGY AND FRAMEWORK

2.1 REMUNERATION STRATEGY

The goal of the AMP remuneration strategy is to align performance, ensure prudent risk management and reward outcomes. It is designed to support the attraction, retention and reward of high-performing talent required to deliver strong client outcomes, sustained returns to shareholders and foster an environment where our employees can thrive. At the beginning of each year the Board sets the scorecard for the year to support the achievement of the business strategy. The scorecard consists of five key strategic priorities as outlined below and the Board determines the appropriate objectives, metrics and targets. These are then cascaded to business units and achievement is assessed on overall, business unit, team and individual performance. Outcomes awarded under our remuneration framework reflect both **what** our strategy seeks to deliver and **how** it is delivered, as performance assessment explicitly considers not only the strategic priorities delivered, but also relies on the visible demonstration of our desired culture, behaviours and conduct expectations. The remuneration principles provide AMP with the flexibility to address the challenges in attracting and retaining talent, remaining competitive and differentiating for performance. These principles are reviewed on a regular basis to ensure they remain fit for purpose and will be used by the Board in annual assessments of the effectiveness of AMP's remuneration strategy and framework.

OUR REMUNERATION PRINCIPLES

Market competitive to attract the right people



Reflect our values behaviours and expectations



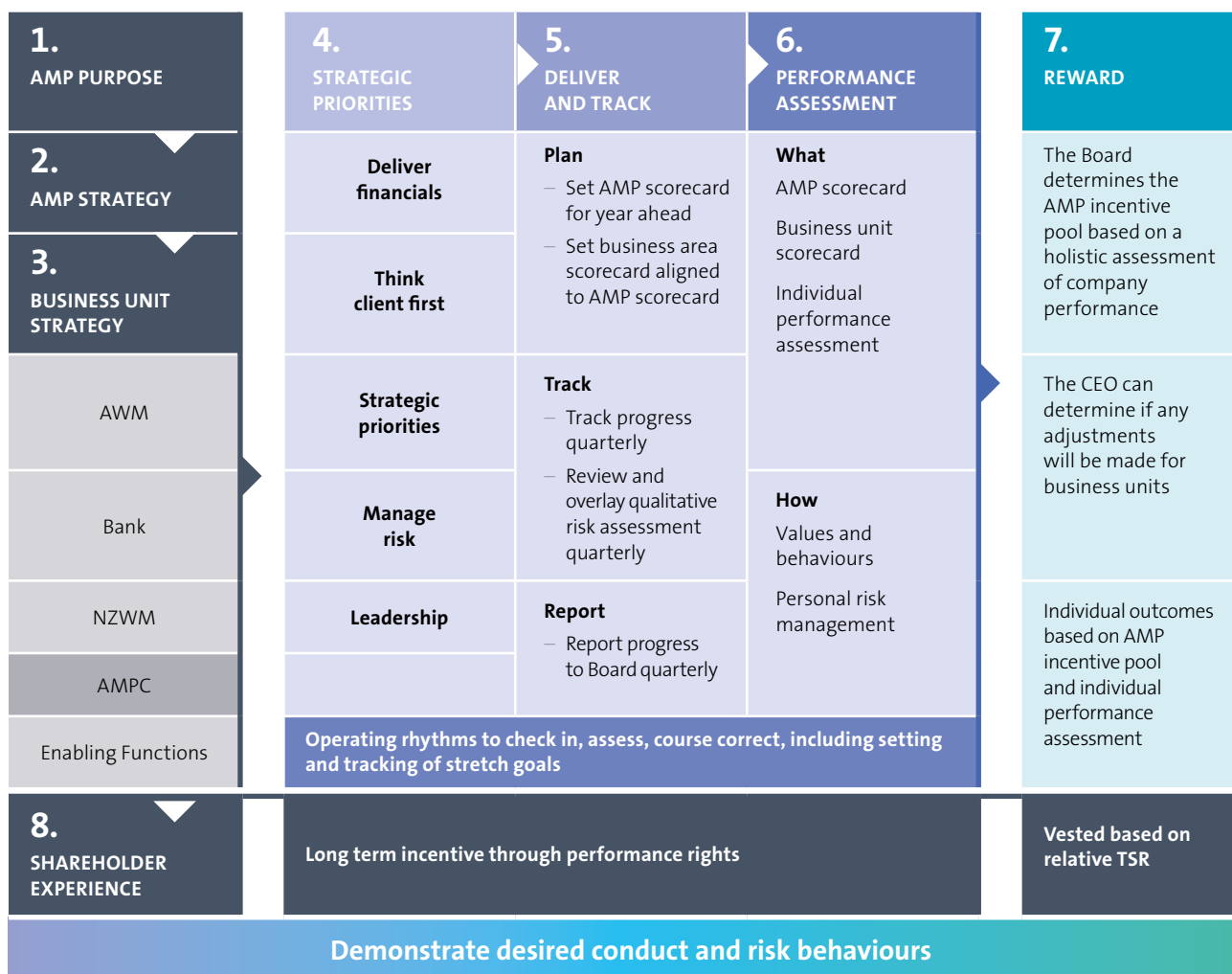
Differentiate for performance and adjust for risk



Linked to strategy and sustainable value creation



Balance interests of clients, people and shareholders



2.2 REMUNERATION FRAMEWORK DETAILS

Based on shareholder feedback received in 2020, the Board reviewed the executive remuneration framework and introduced a new simplified framework in 2021 to respond to the concerns previously raised via stakeholder feedback and to align better with market practice. The framework is summarised in Section 1.2. More detail on the 2021 short and long term incentives is outlined below. The Board also considers the shareholder experience, employee performance and applies a risk overlay in determining the reward outcome.

2021 SHORT TERM INCENTIVE

OVERVIEW	STI is the at-risk remuneration component designed to motivate and reward for performance during 2021.					
AWARD DETERMINATION	STIs are determined with reference to the performance of AMP relative to the scorecard, and Executive KMP individual performance and behaviours. The final outcome and incentive pool is at the Board's discretion based on: <ul style="list-style-type: none"> – A scorecard comprising financials, clients, strategic, risk management, and leadership priorities and objectives that supports AMP's risk management framework; and – Behaviour in line with AMP's desired culture, conduct and risk appetite. 					
STI OPPORTUNITY	Target STI opportunity is 100% of fixed remuneration (FR) for the CEO and Executive KMP (70% of FR for the CRO). Maximum STI opportunity is 200% target.					
DELIVERY	40% of the STI award is delivered as cash and 60% is deferred into equity. Deferred STI is delivered as conditional share rights that represents the right to receive a fully-paid ordinary AMP share for nil consideration subject to continued employment at the time of vesting.					
VESTING PERIOD		2021	2022	2023	2024	2025
	CEO	Performance period	Cash	33.4%	33.3%	33.3%
	Executive KMP			50%	50%	–
FORFEITURE (MALUS)	The Board has the ability to adjust unvested equity (including downwards to zero) in a range of circumstances, such as protecting financial soundness or responding to unexpected or unintended consequences that were unforeseen (such as material risk management breaches, unexpected financial losses, reputational damage or regulatory non-compliance).					

Remuneration Report

2.2 REMUNERATION FRAMEWORK DETAILS *continued*

2021 LONG TERM INCENTIVE

OVERVIEW	LTI awards are granted annually by the Board in the form of performance rights that vest subject to a relative Total Shareholder Return (TSR) against a peer group.										
LTI OPPORTUNITY	The allocation value of LTI awards that was granted during 2021 to Executive KMP: <ul style="list-style-type: none"> – 100% of FR for Executive KMP. – 70% of FR for the Chief Risk Officer. 										
ALLOCATION METHODOLOGY	Face value with the number of performance rights granted based on the Volume Weighted Average Price (VWAP) of shares during the ten-trading day period up to 1 January.										
PERFORMANCE PERIOD	1 January 2021 - 31 January 2023 with a further one year restriction period subject to continued service.										
PERFORMANCE HURDLES	<p>Measure</p> <p>The 2021 LTI award is subject to a relative TSR performance hurdle, where AMP's TSR performance is ranked relative to companies in a peer group. The peer group is defined as the S&P/ASX 100 financial companies excluding A-REITs as at 1 January 2021.</p> <p>Companies that are no longer part of the index at the end of the performance period (for instance, due to acquisition or delisting) may be removed from the peer group.</p> <p>Test</p> <table border="1"> <thead> <tr> <th>Percentile Rank Achieved</th> <th>Proportion of Award Vesting</th> </tr> </thead> <tbody> <tr> <td>< 50th percentile</td> <td>0%</td> </tr> <tr> <td>50th percentile</td> <td>50%</td> </tr> <tr> <td>> 50th percentile and < 75th percentile</td> <td>50% plus 2% for each additional percentile (rounded to the nearest whole percentile)</td> </tr> <tr> <td>≥ 75th percentile</td> <td>100%</td> </tr> </tbody> </table> <p>Vesting</p> <p>Vesting of LTI is subject to an continued employment with AMP at the vesting date.</p> <p>Unvested rights will lapse if an executive resigns before the performance hurdles are tested. Should an executive cease employment for any other reason, any unvested rights will be retained and vest in the ordinary course subject to the original performance conditions.</p>	Percentile Rank Achieved	Proportion of Award Vesting	< 50th percentile	0%	50th percentile	50%	> 50th percentile and < 75th percentile	50% plus 2% for each additional percentile (rounded to the nearest whole percentile)	≥ 75th percentile	100%
Percentile Rank Achieved	Proportion of Award Vesting										
< 50th percentile	0%										
50th percentile	50%										
> 50th percentile and < 75th percentile	50% plus 2% for each additional percentile (rounded to the nearest whole percentile)										
≥ 75th percentile	100%										
RETESTING	There are no opportunities to retest performance hurdles.										
DIVIDEND ENTITLEMENTS	No dividend is paid or payable on any unvested rights or vested and unexercised rights.										
FORFEITURE (MALUS)	The Board retains the discretion to adjust downwards the unvested portion of any LTI award, including to zero.										

3

SECTION

PERFORMANCE AND REWARD OUTCOMES

3.1

SUMMARY OF 2021 FINANCIAL PERFORMANCE

The table below illustrates AMP's performance over the past five years and the remuneration outcomes.

	2017	2018	2019	2020	2021
Financial results					
Profit (loss) after tax attributable to shareholders (\$m)	848	28	(2,467)	177	(252)
Net profit after tax (underlying) (\$m) ¹	1,040	680	439	233	356
Cost to income ratio (%)	46.2	55.8	66.0	75.7	71.3
Shareholder outcomes					
Total dividend (cents per share)	29	14	0	10	0
Share price at 31 December (\$)	5.19	2.45	1.91	1.56	1.01
Remuneration outcomes					
Relative TSR percentile ²	27th	8th	0	0	n/a
LTI vesting outcome (% of grant)	0	0	0	0	n/a
Average STI received by KMP (as % of maximum opportunity)	58	0	23	0	19.5

1 NPAT (underlying) represents shareholder attributable net profit or loss after tax excluding market adjustments, accounting mismatches and non-recurring revenue and expenses.

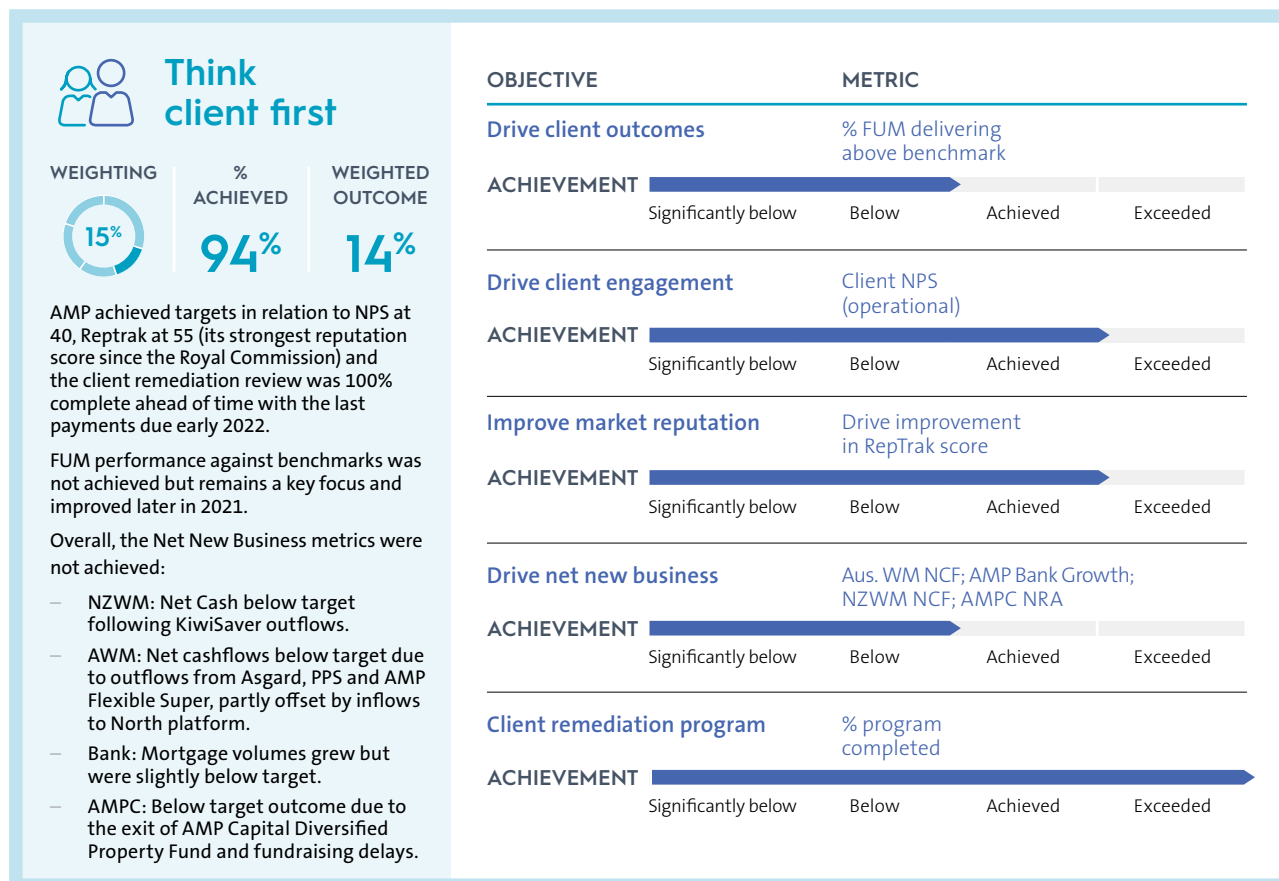
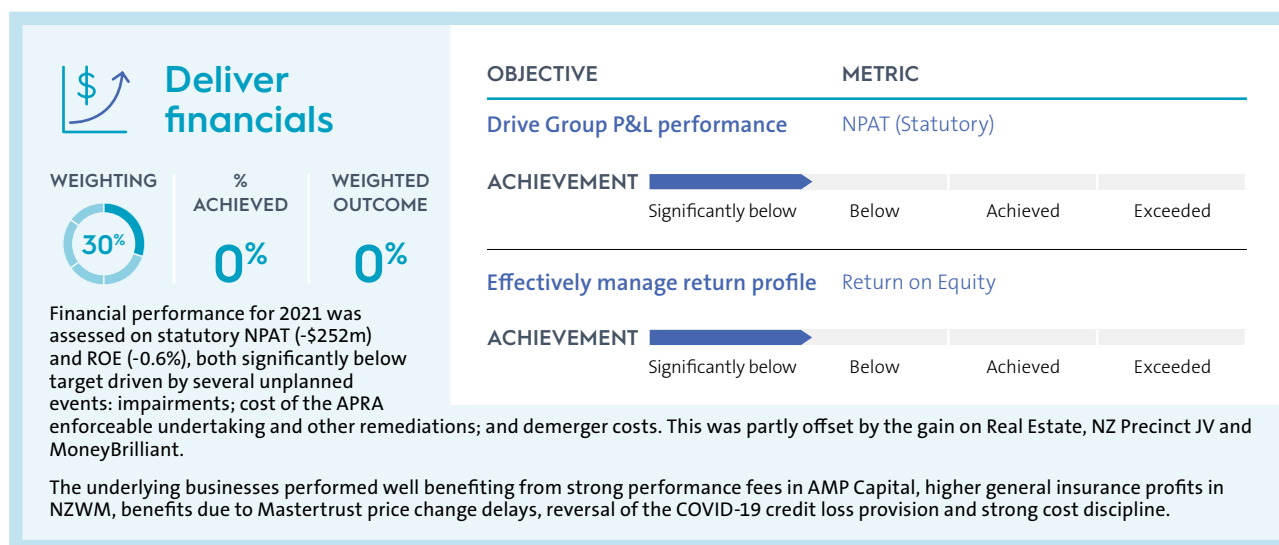
2 No LTI grants were tested during 2021.

Remuneration Report

3.2 PERFORMANCE OBJECTIVES AND ASSESSMENT

As part of the Board's commitment to provide increased transparency regarding the financial and non-financial objectives, detailed below are objectives and measures used to assess company and executive performance. The strategy is underpinned by five key priorities, which have objectives, metrics and targets that were set at the beginning of 2021. These form the overall scorecard and achievements against these objectives were used by the Board as a key input to determine the incentive pool (excluding AMP Capital).

OUR 2021 PERFORMANCE SCORECARD





Strategic priorities

WEIGHTING



% ACHIEVED

90%

WEIGHTED OUTCOME

13.5%

Most of the strategic priority targets were achieved except for fundraising in the infra debt platform and net new business numbers in WMNZ.

Portfolio review

Completed in early 2021 and the Board determined to demerge AMP Capital. Operational Separation was achieved in Dec 2021, with legal separation targeted for June 2022 once we receive support from the regulators.

Reinvent wealth management

Reshape advice is on target and completed.

AMP Bank mortgages grew strongly driven by the Broker channel performing well.

AMP organisation model simplification continued through project Hudson and Operational Separation and is focused on a simpler, purpose-led AMP after demerger.

Repivot asset management

AMP Capital announced the sale of GEFI, the transfer of MAG to AWM, developed growth strategy for Infrastructure and Real Estate, and plan to deliver the target cost base.

Fundraising in the infrastructure debt platform is below target and slower than anticipated due to the need to respond to market challenges and uncertainty surrounding demerger announcement.

Create a simpler leaner business

AMP made considerable progress implementing the target number of actions in response to the Conduct review findings and building foundations for an inclusive, high-performing culture.

The Cost Out Program exceeded the target in year controllable cost reduction (~\$130m).

OBJECTIVE	METRIC
Maximise shareholder value through Portfolio Review	Completion of Portfolio Review to maximise shareholder value
ACHIEVEMENT	<p>Significantly below Below Achieved Exceeded</p>
Reinvent Wth Mgmt. in Australia	Accelerate North FUM growth
ACHIEVEMENT	<p>Significantly below Below Achieved Exceeded</p>
	Reshape Advice: % practice exits completed (pipeline as at March**)
ACHIEVEMENT	<p>Significantly below Below Achieved Exceeded</p>
	Accelerate mortgage growth in AMP Bank – mortgage settlements
ACHIEVEMENT	<p>Significantly below Below Achieved Exceeded</p>
	AMP org model defined; leadership identified
ACHIEVEMENT	<p>Significantly below Below Achieved Exceeded</p>
Repivot Asset Mgmt. to private markets	Continue development of AMPC Strategy
ACHIEVEMENT	<p>Significantly below Below Achieved Exceeded</p>
	IDF V Fundraise – since inception
ACHIEVEMENT	<p>Significantly below Below Achieved Exceeded</p>
Grow New Zealand franchise	Growth in Net New Business
ACHIEVEMENT	<p>Significantly below Below Achieved Exceeded</p>
Create a simpler, leaner business	Conduct review findings implementation
ACHIEVEMENT	<p>Significantly below Below Achieved Exceeded</p>
	Cost-out target – cost out delivered in-year
ACHIEVEMENT	<p>Significantly below Below Achieved Exceeded</p>

Remuneration Report

3.2 PERFORMANCE OBJECTIVES AND ASSESSMENT *continued*



Manage risk

WEIGHTING



% ACHIEVED

80%

WEIGHTED OUTCOME

16%

Overall risk scorecard performance improved, with progress made in relation to risk culture. This included strong mandatory training completion rates, a decrease in the percentage of complaints, and a low volume of overdue regulatory commitments. Scorecard metrics show improved issue/incident management across support functions. Three lines of defence is below target, largely because of the percentage of overdue issues/incidents. Risk appetite was on-track.

OBJECTIVE

METRIC

Operate within risk appetite

100% breaches with risk acceptance / action plans

ACHIEVEMENT



Strengthen three lines of defence

Green status across 3LOD measures

ACHIEVEMENT



Improve risk culture

Green risk culture score

ACHIEVEMENT



Leadership

WEIGHTING



% ACHIEVED

90%

WEIGHTED OUTCOME

18%

eSAT increased to 71 (just below target) despite employees facing into the uncertainty of a portfolio review, separation of Private Markets, and operating model change. Gender diversity improved with additional female talent appointed to the executive team. The Board approved the 40:40:20 approach in 2020 and talent, recruitment and organisational design principles were updated. The Inclusion Index improved with a more contemporary inclusion policy and framework, We-Flex policy to help make work more accessible, and core inclusion training. Talent reviews completed across senior employee population and succession plans are in place for the executive team and direct reports.

OBJECTIVE

METRIC

Drive employee engagement

eSat score

ACHIEVEMENT



Promote diverse and inclusive culture

Gender diversity (L6+)

ACHIEVEMENT



Inclusion index

ACHIEVEMENT



Succession planning & strength of executive teams

Succession plan; skills matrix

ACHIEVEMENT



BOARD DISCRETION AND INCENTIVE POOL DETERMINATION

The overall scorecard outcome is 61.5%. This is a solid result, particularly considering external factors (e.g., COVID pandemic, unpredictability of market and economic factors, consumer shifts) and internal factors (e.g., demerger, Infrastructure Debt sale, impairments, leadership changes) and uncertainty from ongoing operating model change.

Considering the commitment and contributions of employees facing into these challenges the Board exercised discretion and determined an incentive pool of 70% (excluding AMP Capital). The incentive pool for Executive KMP is 50%. This reflects the need to balance the reward, retention and motivation of employees whilst recognising and aligning to shareholder experience. The Board especially considered progress on:

- Managing changing priorities and the move to demerge a new and invigorated AMP and Private Markets with continued delivery of BAU
- Improving risk management and customer satisfaction, notwithstanding the substantial number of projects
- Divesting non-core businesses – remaining stake in Resolution Life, global equities, fixed income and infrastructure debt
- Improving employee engagement to the highest year-end level in four years
- Simplifying and modernising the core bank, aligning advice network, investing in the North Platform, and repricing the Master Trust and MySuper products while delivering ~\$130 million in cost reductions
- Improving reputation to a pre-Royal Commission level.

SCORECARD RESULT

61.5%

EMPLOYEES

70%

EXECUTIVE KMP

50%

3.3 ADJUSTMENT PRINCIPLES

The Board may, in its absolute discretion, adjust outcomes where an event occurs that means the targets of the relevant scorecard are no longer appropriate. Situations where this discretion can be applied include:

- Material change to the strategic business plan
- Material regulatory or legislative change
- Material changes in external market or natural disasters
- Significant out of plan business development such as acquisitions and divestments.

Adjustments should reflect the holistic contribution of employees / Executive KMP and exclude significant cost or gains that were unforeseen, were not in the ordinary course of business or were not the direct result of Executive KMP efforts. During 2021, a number of adjustments to the NPAT (statutory) measure was considered but did not change the outcome for that component, which remained at zero.

3.4 EXECUTIVE AND EMPLOYEE PERFORMANCE AND CONTRIBUTION

For Executive KMP, contribution is aligned to the scorecard outcomes through the cascade of the company's overall objectives to respective portfolios of accountability. In this way, an executive's performance is aligned to both company and their individual business unit performance. Their individual performance, conduct and behaviour is also considered when determining the individual STI outcome.

For all other employees, their performance assessment reflects achievement against agreed objectives combined with consideration of risk management, behaviour and conduct in line with the performance management process. Individual incentive opportunities and performance ratings determine the portion of the incentive pool allocated to an individual.

3.5 SHORT TERM INCENTIVES AWARDED

The following table shows the STI awarded to current and former Executive KMP for the 2021 performance year. It differs from the statutory table in Section 7.1 which is prepared according to Australian Accounting Standards.

	Fixed remuneration (FR) \$	Pro rated target STI opportunity ¹ \$	STI outcome awarded ² \$	Cash portion (40%) ³ \$	Deferred portion (60%) ³ \$	STI awarded as % of pro rated target STI opportunity ⁴ %	STI awarded as % of pro rated max STI opportunity ⁴ %
Executive KMP							
Alexis George	1,715,000	714,192	430,000	172,000	258,000	60%	30%
David Cullen	750,000	750,000	450,000	180,000	270,000	60%	30%
James Georgeson	750,000	750,000	465,000	186,000	279,000	62%	31%
Scott Hartley	900,000	875,342	515,000	206,000	309,000	59%	29%
Shawn Johnson ⁵	950,000	n/a	685,000	274,000	411,000	n/a	n/a
Rebecca Nash ⁶	700,000	442,021	286,000	114,400	171,600	65%	32%
Sean O'Malley ⁶	600,000	420,247	279,000	111,600	167,400	66%	33%
Phil Pakes ⁷	700,000	n/a	tbd	–	–	–	–
Former Executive KMP							
Francesco De Ferrari ⁸	2,200,000	2,163,836	–	–	–	0%	0%
Helen Livesey ⁹	850,000	850,000	300,000	300,000	–	35%	18%
Total STI awarded¹⁰		6,965,638	2,725,000			39%	19.5%

1 The pro rated STI opportunity reflects the time in role during 2021.

2 The STI outcome awarded reflects an STI based on performance during 2021.

3 Of the STI awarded, 40% is delivered in cash and paid in April 2022. The remaining 60% is delivered in share rights that will be granted in April 2022.

4 Represents the STI award as a percentage of the pro rated target and max STI opportunity (which is 200% of target).

5 Shawn Johnson is eligible for 1.2% of AMP Capital modified profit pro rated for time in role and does not represent a percentage of a STI opportunity. It is not included in the STI outcome awarded total. The deferred portion will be delivered in share rights in Private Markets after listing.

6 The pro rated STI opportunity for Rebecca Nash and Sean O'Malley reflects their pro rated FR and incentive opportunities in their current KMP and prior non-KMP roles.

7 The STI amount is to be determined but will be within the range of zero to a cap of 58% of his target STI opportunity of \$490,000.

8 The former CEO, Francesco De Ferrari did not receive a STI award for 2021.

9 The STI awarded to former Executive KMP, Helen Livesey, is paid in cash.

10 The STI outcome awarded as a percentage of the pro rated STI opportunity, excluding Shawn Johnson and Phil Pakes, is 39% and less than the pool funding at 50%.

Remuneration Report

4

SECTION

REMUNERATION GOVERNANCE

4.1

GOVERNANCE FRAMEWORK

There are a number of remuneration governance and oversight processes in place at AMP, primarily exercised through the AMP Limited Board, subsidiary boards and the Remuneration Committee. The Remuneration Committee assists the various boards to fulfil their remuneration obligations by developing, monitoring and assessing remuneration strategy, policies and practices across AMP.

Members of the Remuneration Committee are independent non-executive directors. More information on the role of the Remuneration Committee can be found in the corporate governance section of AMP's website. The Board believes that, to make prudent remuneration decisions, it needs both a robust framework and the ability to exercise judgement. Therefore, the Board retains discretion to determine the appropriate remuneration outcomes.

From time to time the Remuneration Committee may seek external guidance from independent remuneration advisors. Any advice provided by external advisors is used as a guide and is not a substitute for consideration of all the issues by each Non-Executive Director of the Remuneration Committee.

During the 2021 year, the Remuneration Committee engaged PwC as independent remuneration advisors to provide guidance on remuneration for executives. No remuneration recommendations, as defined in the Corporations Act, were made by PwC.

The following diagram outlines AMP's remuneration governance framework.

REMUNERATION GOVERNANCE FRAMEWORK

AMP LIMITED BOARD

AMP SUBSIDIARY BOARDS



Risk Committee

Assists the Board with oversight of the implementation and operation of AMP's risk management framework.

Makes recommendations to the Remuneration Committee on:

- risk-related adjustments for the incentive pool; and
- risk-related matters that may require the application of malus or clawback or in-year reduction to incentives.



Remuneration Committee

Advises the AMP Board and the boards of AMP subsidiaries in setting and overseeing AMP's remuneration policy and practices. Key responsibilities include:

- reviewing AMP's remuneration policy including effectiveness and compliance with regulatory requirements;
- reviewing the remuneration arrangements, performance objectives, measures and outcomes for executives and senior management;
- reviewing the remuneration arrangements for non-executive directors;
- reviewing AMP's remuneration disclosures;
- overseeing all incentive plans; and
- reviewing and making recommendations in relation to equity awards, including malus and clawback.



Management

The CEO makes recommendations to the Remuneration Committee on the performance and remuneration outcomes for her direct reports.

Management advises the Remuneration Committee and provides information on remuneration related matters.



Independent remuneration advisors

The Remuneration Committee engages remuneration advisors when it needs additional information to assist the AMP Board in making remuneration decisions.

4.2 RISK MANAGEMENT IN REMUNERATION

The Board has a range of mechanisms available to adjust remuneration and incentive outcomes to reflect behavioural, risk or compliance outcomes. The table below summarises the range of mechanisms available and their intended operation.

Risk assessment	Risk and conduct outcomes	Malus and clawback provisions	Board discretion
Enterprise and business unit levels	All employees	All incentive plans	
The Chief Risk Officer reports the overall assessment of risk management as an input to the determination of the incentive pool.	<p>Employees' risk management behaviour and conduct is specifically considered as part of their performance assessment and in the determination of remuneration outcomes.</p> <p>The consequence management framework ensures that behaviour which does not meet expectations is actively and consistently managed, including adjustments to remuneration.</p>	<p>Allows the Board to adjust or lapse (malus) unvested equity awards or reclaim (clawback) vested incentives in certain circumstances.</p> <p>All deferred incentives are subject to a conduct and risk review before vesting.</p> <p>This applies to current and former employees.</p>	The Board may apply its discretion to adjust vesting outcomes, subject to the equity incentive plan rules governing the plan and in compliance with the relevant policies.

The Board exercises discretion to apply remuneration consequences to executives with overall accountability for matters arising in their business units with adverse risk, client and/or reputational impacts. There is a standing agenda item at the Remuneration Committee meetings in July, November and January for the CRO to present any risk related information the Committee should consider when making remuneration decisions. The Committee considers both the achievement of the risk metrics as well as a risk overlay when determining the incentive pool. Before every equity vesting event management provides a report to the Committee to highlight if there is any reason including risk considerations, why the Committee should exercise its discretion to lapse the unvested equity award.

AMP's consequence management framework was further strengthened in 2021. During the year there were a number of conduct matters that were substantiated and resulted in the application of formal consequences. At the time of this report, the annual remuneration review process is about to commence for employees (not including the Executive KMP) where conduct performance will be factored into any remuneration decisions.

While 2021 presented many challenges from a people perspective, conduct cases involving interpersonal behavioural issues have remained relatively low. This is a positive outcome, with the work environment risks mitigated by a significant range of mental health and other support services provided to employees during the year.

Remuneration Report

5

SECTION

EXECUTIVE SHAREHOLDINGS AND CONTRACTS

5.1

EXECUTIVE SHAREHOLDING REQUIREMENTS

The relevant amount of AMP equity required to be held under minimum shareholding policy and the time to comply is as follows:

Category	Fixed pay	Timeframe	Securities included to meet requirement
CEO	200%	Executives are expected to achieve the minimum shareholding requirement within a five-year period from commencement in their role	AMP Limited shares: ordinary AMP Limited shares registered in the Executive KMP's name or a related party AMP share rights: granted to executives through AMP's employee share plans
Executive KMP	100%		

Share rights allocated to Executive KMP are included to meet their minimum holding requirement only where future vesting is not subject to any further performance condition (other than a continued service condition). AMP Limited shares and/or share rights cannot be hedged.

Executive KMP are not expected to purchase shares to meet the requirement. Rather, it is expected that they would not sell any shares held (other than to cover arising tax liabilities) and that they will retain vested shares and share rights until the minimum requirement is reached.

5.2

MINIMUM SHAREHOLDING

We assess compliance with our minimum shareholding requirement each year. The table below summaries the position of each executive against the requirement on 31 December 2021.

Executive KMP	Fixed pay ¹ \$	Unit balance #	Value of holding ² \$	Target date to meet requirement
Alexis George	1,715,000	1,657,232	1,673,804	1 August 2026
David Cullen	750,000	562,437	568,061	23 May 2023
James Georgeson	750,000	456,808	461,376	1 February 2025
Scott Hartley	900,000	5,180	5,232	10 January 2026
Rebecca Nash	700,000	115,740	116,897	14 November 2026
Sean O'Malley	600,000	285,188	288,040	14 November 2026
Phil Pakes	700,000	183,685	185,522	2 April 2025

1 Fixed pay includes cash salary plus superannuation and has been captured as an annualised amount in Australian dollars on 31 December 2021 to calculate the shareholding value.

2 The total value of each holding was calculated on 31 December 2021 using a closing price of \$1.01.

Shawn Johnson is not included in the table above. He does not participate in AMP Limited incentive schemes and holds no equity awards in AMP's Equity Incentive Plan (EIP). He is eligible to participate in an equity plan in Private Markets after listing.

5.3 EXECUTIVE EMPLOYMENT CONTRACTS

Contract term	CEO	Executive KMP
Length of contract	Open-ended	Open-ended
Notice period	6 months by AMP or by Alexis George	6 months by AMP or the executive
Entitlements on termination	<ul style="list-style-type: none"> – Accrued fixed pay, superannuation and other statutory requirements. – Executives eligible for incentives may be awarded on a pro rata basis for the current period in the case of death, disablement, redundancy, retirement or notice without cause, subject to the original performance periods and hurdle. – Unvested rights will lapse if an executive resigns or is summarily dismissed before the vesting date. Should an executive cease employment for any other reason, any unvested rights will be retained and vest in the ordinary course subject to the original terms and performance conditions, if applicable. – Vested rights will be retained but are subject to clawback for example in the case of serious misconduct. – In the case of redundancy, the AMP Redundancy, Redeployment and Retrenchment Policy in place at the time will be applied. This is the same policy that applies to all employees at AMP. 	
Restrictions on termination benefits	AMP will not make payments on termination that require shareholder approval or breach the Corporations Act.	
Post-employment restraint	6-month restraint on entering employment with a competitor and 12-month restraint on solicitation of AMP clients and employees.	

Remuneration Report

6 SECTION

NON-EXECUTIVE DIRECTOR FEES AND SHAREHOLDING REQUIREMENTS

6.1 NON-EXECUTIVE DIRECTOR FEES

The Remuneration Committee is responsible for reviewing NED fees for AMP Limited and its main subsidiaries. In reviewing these fees, the Remuneration Committee has regard to a range of factors, including: the complexity of AMP's operations and those of its main subsidiaries; fees paid to board members of other Australian corporations of a similar size and complexity; and the responsibilities and workload requirements of each board and committee.

The Remuneration Committee obtains market data and recommends any proposed fee changes to the AMP Limited Board for approval.

The total amount of NED fees paid is capped at a maximum aggregate fee pool approved by shareholders. The current fee pool is \$4,620,000, which was approved by shareholders at the 2015 Annual General Meeting (AGM).

In 2021, the Board reviewed the Chair and NED fees and determined that there would be a 15% reduction to all fees effective 1 August 2021 given the reduction in size of AMP Limited due to the sale of AMP Life. Despite the heavy workload and the number of meetings increasing as a result of the demerger and transformation work in 2021, the Chair fees were reduced from \$660,000 to \$561,000 and NEDs' base fees were reduced from \$240,000 to \$204,000 per annum (inclusive of superannuation contributions). Non-Executive Director fees will be reviewed again following the completion of the demerger.

The total remuneration paid to AMP Limited NEDs during 2021 was \$2,607,253, which represents 56% of the annual fee pool compared with 74% paid in 2020. This represents an overall 23.7% cost reduction in aggregate NED fee spend year on year.

The following table shows the annual NED fees for the Board and permanent committees of AMP Limited and its main subsidiaries for 2021.

	Chair base fee ¹		Member base fee ²	
	1 Jan 2021 \$	1 Aug 2021 ³ \$	1 Jan 2021 \$	1 Aug 2021 ³ \$
AMP Limited				
Board	660,000	561,000	240,000	204,000
Audit Committee	55,000	46,750	25,400	21,590
Risk Committee	55,000	46,750	25,400	21,590
Remuneration Committee	55,000	46,750	25,400	21,590
Nomination Committee	nil	nil	nil	nil
Demerger Due Diligence Committee	nil	475/hr	nil	337.50/hr
AMP Bank				
Board	nil	nil	nil	nil
Audit Committee	nil	nil	nil	nil
Risk Committee	nil	nil	nil	nil
AMP Capital Holdings				
Board	124,000	124,000	nil	nil

1 The Chair of AMP Limited does not receive separate committee fees.

2 No additional fees are paid to NEDs for their membership or for chairing the AMP Bank Limited Board.

3 The NED fee structure was revised 1 August 2021 with a 15% reduction to all fees and will continue to apply for 2022.

6.2 NON-EXECUTIVE DIRECTOR MINIMUM SHAREHOLDING

The minimum shareholding requirement (MSR) for NEDs is set out in AMP's minimum shareholding policy. Under this policy NEDs are required to accumulate and hold a minimum value of AMP shares to ensure their interests are closely aligned with the long term interests of AMP shareholders. As at the date of this report, these minimum values are:

- **AMP Limited Chair:** \$561,000 – the equivalent of the AMP Limited Chair base fee
- **Other AMP Limited NEDs:** \$204,000 – the equivalent of the AMP Limited NED base fee.

NEDs are ordinarily expected to achieve these levels within four years of their appointment, see Section 7.6. The policy expects NEDs to apply at least 25% of their base fee each year to acquire AMP shares until the MSR has been met. NEDs are also encouraged to increase their ownership over their tenure. Any such acquisition of AMP shares may only occur when permitted to do so in accordance with AMP's Trading Policy.

7
SECTION

STATUTORY TABLES

The following disclosures provide additional information and/or are required under the Corporations Act. This includes the 2021 Executive KMP remuneration that is prepared according to Australian Accounting Standards.

7.1 STATUTORY REMUNERATION DISCLOSURE

Statutory remuneration represents the accounting expense of remuneration in the financial year. It includes fixed remuneration, cash STI, the fair value amortisation expense of equity awards granted, long service leave entitlements and insurance.

Year	Short term employee benefits			Post-employment benefits	Share-based payments ⁵		Long term benefits		Total ⁸ \$'000	
	Cash salary ¹ \$'000	Cash STI ^{2,3} \$'000	Other short term benefits ⁴ \$'000	Super-annuation benefits \$'000	Rights and options \$'000	Restricted shares \$'000	Other ⁶ \$'000	Termination payments ⁷ \$'000		
Executive KMP										
Alexis George	2021	711	172	799	13	1,277	–	2	–	2,974
	2020	–	–	–	–	–	–	–	–	–
David Cullen	2021	717	180	410	25	1,156	–	19	–	2,507
	2020	705	–	53	25	846	–	80	–	1,709
James Georgeson	2021	725	186	403	25	1,040	–	134	–	2,513
	2020	720	–	59	25	609	–	174	–	1,587
Scott Hartley	2021	836	206	115	54	271	–	2	–	1,484
	2020	–	–	–	–	–	–	–	–	–
Shawn Johnson	2021	472	274	69	16	286	–	–	–	1,117
	2020	–	–	–	–	–	–	–	–	–
Rebecca Nash	2021	87	15	14	3	39	–	–	–	158
	2020	–	–	–	–	–	–	–	–	–
Sean O'Malley	2021	73	14	(31)	3	54	–	2	–	115
	2020	–	–	–	–	–	–	–	–	–
Phil Pakes	2021	663	tbd⁹	426	25	784	–	4	–	1,902
	2020	483	–	59	18	323	–	2	–	885
Former Executive KMP										
Francesco De Ferrari	2021	1,082	–	84	12	3,936	696	(15)	1,810	7,605
	2020	2,177	–	17	23	3,613	910	9	–	6,749
Helen Livesey	2021	723	300	490	22	2,408	–	69	967	4,979
	2020	827	–	93	23	1,072	–	22	–	2,037
Total	2021	6,089	1,347	2,779	198	11,251	696	217	2,777	25,354
	2020	4,912	–	281	114	6,463	910	287	–	12,967

Remuneration Report

7.1 STATUTORY REMUNERATION DISCLOSURE *continued*

- 1 Cash salary is inclusive of base salary and short term compensated absences.
- 2 Cash STI for 2021 reflects 40% of STI award outcome for the performance year for Executive KMP.
- 3 Cash STI for 2021 reflects 100% of STI award outcome for the performance year for Helen Livesey, see Sections 1.6 and 3.5.
- 4 Other short term benefits include cash sign-on awards, non-monetary benefits and any related FBT, for example, short term allowances, insurances and the net change in annual leave accrued. In addition, it reflects the pro rata expense in relation to cash retention awards.
- 5 The values in the table reflect the current year expense for all Restricted Shares, Share Rights and Performance Rights outstanding at any point during the year. The fair value of each award takes into consideration a number of factors, including the likelihood of achieving market-based vesting conditions such as total shareholder return (market conditions). The cost of the award is amortised over the vesting period and updated at each reporting period for changes in the number of instruments that are expected to vest.
- 6 Other long term benefits represent the net change in long service leave accrued.
- 7 The termination payment for Francesco De Ferrari includes payment for additional work performed for AMP Capital during the year, relocation, tax and legal costs and six months notice in lieu; the termination payment for Helen Livesey includes balance of twelve months notice in lieu and redundancy payment; see Section 1.6.
- 8 The total in the table for 2020 of \$12.967 million is different to the total for 2020 in the 2020 Remuneration Report as it does not include \$650,000 for Blair Vernon (former Acting Chief Executive, AMP Australia), \$1.085 million for Megan Beer (former Chief Executive, AMP Life), \$1.675 million for Jenny Fagg (former Chief Risk Officer), \$376,000 for Boe Pahari (former Chief Executive, AMP Capital), \$3.016 million for Craig Ryman (former Chief Operating Officer), \$3.088 million for Adam Tindall (former Chief Executive, AMP Capital) and \$533,000 for Alex Wade (former Chief Executive, AMP Australia), reported in the 2020 Remuneration Report.
- 9 The STI amount is to be determined but will be within the range of zero to a cap of 58% of his target STI opportunity of \$490,000.

7.2 LOANS AND OTHER TRANSACTIONS

AMP provides home loans to Australians to help them buy, build or renovate properties. The table below includes loans offered to executives in the ordinary course of business. These loans are on equivalent terms to those offered to other employees and shareholders.

The following table shows loan balances that exceed \$100,000 held by current and former Executive KMP during the reporting year. No Executive KMP held a loan balance of less than \$100,000.

KMP	Balance on 1 Jan 2021 \$'000	Written off \$'000	Net advances (repayments) \$'000	Balance on 31 Dec 2021 \$'000	Interest		Highest indebtedness during year \$'000
					charged \$'000	not charged \$'000	
Executive KMP							
James Georgeson	953	–	(37)	916	14	–	953
Scott Hartley	–	–	1,067	1,067	4	–	1,474
Sean O'Malley	1,078	–	544	1,622	35	–	1,630
Former Executive KMP							
Helen Livesey	1,720	–	(100)	1,620	16	–	1,720
Total (incl. related parties)¹	3,751	–	1,474	5,225	69	–	5,777

1 Four Executive KMP hold loans.

Other transactions

Executive KMP and their related parties may have access to AMP products and these products are provided to executives within normal employee terms and conditions. The products may include:

- personal banking with AMP Bank
- the purchase of AMP insurance and investment products
- financial investment services.

7.3 EXECUTIVE SHARES AND SHARE RIGHTS HOLDING

The following table shows the number of shares and share rights held by Executive KMP or their related parties during 2021. A related party is typically a family member of the executive and/or is an entity in which the executive has direct or indirect control. The definition of units includes AMP Limited shares and share rights which are not subject to performance conditions.

Name	Type ¹	Balance at 1 Jan 2021	Granted	Exercised/ Released	Forfeited/ lapsed	Other transactions ²	Balance on 31 Dec 2021
Executive KMP							
Alexis George ³	Shares	3,258	–	507,243	–	–	510,501
	Share Rights	–	1,015,806	(507,243)	–	–	508,563
David Cullen	Shares	205,520	–	130,863	–	–	336,383
	Share Rights	356,917	–	(130,863)	–	–	226,054
James Georgeson	Shares	202,754	–	24,000	–	–	226,754
	Share Rights	254,054	–	(24,000)	–	–	230,054
Scott Hartley	Shares	–	–	–	–	5,180	5,180
	Share Rights	–	–	–	–	–	–
Rebecca Nash ⁴	Shares	–	–	–	–	–	–
	Share Rights	115,740	–	–	–	–	115,740
Sean O'Malley ⁴	Shares	88,573	–	–	–	951	89,524
	Share Rights	195,664	–	–	–	–	195,664
Phil Pakes	Shares	3,864	–	–	–	6,171	10,035
	Share Rights	173,650	–	–	–	–	173,650
Former Executive KMP⁵							
Francesco De Ferrari	Shares	1,836,736	–	612,244	–	–	2,448,980
	Share Rights	1,284,408	–	(612,244)	–	–	672,164
Helen Livesey ⁶	Shares	233,648	–	106,383	–	(279,036)	60,995
	Share Rights	359,644	–	(106,383)	–	–	253,261

1 Unless otherwise stated, share rights which vested and were exercised during 2021 relate to awards granted to executives in prior years.

2 Other market transactions are a result of executives or their related parties trading AMP Limited shares on the open market or may include shares awarded as part of the executive's participation in the AMP Share Purchase Plan (SPP) allotment at a market value of \$1.45.

3 Share rights were granted to the CEO Alexis George as part of her sign-on award on 2 August 2021. Tranche 1 of the award vested and was exercised to AMP Limited shares on 22 November 2021 at a market price of \$1.15 per share.

4 The opening balances shown for Rebecca Nash and Sean O'Malley are reflective of their holdings on the respective dates they became KMP.

5 Former executives' opening and closing balances are reflective of their respective holdings for the time they were KMP.

6 Helen Livesey sold shares on 25 May 2021 at a market price of \$1.11 per share.

Shawn Johnson is not included in the table above. Shawn does not participate in AMP Limited incentive schemes and holds no equity awards in AMP's Equity Incentive Plan (EIP). He is eligible to participate in an equity plan in Private Markets after listing.

Remuneration Report

7.4 EXECUTIVE PERFORMANCE RIGHTS HOLDINGS

The following table shows the performance rights which were granted, exercised or lapsed during 2021.

	Grant date	Performance measure	Fair Value per right	Holding at 1 Jan 2021	Granted	Vested	Lapsed/cancelled	Held on 31 Dec 2021	Rights exercised to AMP Limited shares
Executive KMP									
Alexis George ¹	09-Aug-21	aTSR	0.62	–	701,740	(190,038)	–	511,702	190,038
	09-Aug-21	rTSR	0.61	–	2,105,298	(448,130)	(122,010)	1,535,158	448,130
Total				–	2,807,038	(638,168)	(122,010)	2,046,860	638,168
David Cullen	12-Sep-19	CAGR of TSR	1.21	1,933,701	–	–	–	1,933,701	–
	01-Jan-21	TSR	0.81	–	454,821	–	–	454,821	–
Total				1,933,701	454,821	–	–	2,388,522	–
James Georgeson	12-Sep-19	CAGR of TSR	1.21	1,657,458	–	–	–	1,657,458	–
	01-Jan-21	TSR	0.81	–	454,821	–	–	454,821	–
Total				1,657,458	454,821	–	–	2,112,279	–
Scott Hartley ²	01-Jan-21	TSR	0.81	–	545,785	–	–	545,785	–
Total				–	545,785	–	–	545,785	–
Rebecca Nash ²	12-Sep-19	CAGR of TSR	1.21	690,607	–	–	–	690,607	–
Total				690,607	–	–	–	690,607	–
Sean O'Malley ²	12-Sep-19	CAGR of TSR	1.21	552,486	–	–	–	552,486	–
Total				552,486	–	–	–	552,486	–
Phil Pakes	12-Sep-19	CAGR of TSR	1.21	1,381,215	–	–	–	1,381,215	–
	01-Jan-21	TSR	0.81	–	424,499	–	–	424,499	–
Total				1,381,215	424,499	–	–	1,805,714	–
Former Executive KMP									
Francesco De Ferrari ³	12-Sep-19	Share Price Target	0.62	2,500,000	–	–	–	2,500,000	–
	12-Sep-19	CAGR of TSR	1.21	3,867,402	–	–	(1,245,334)	2,622,068	–
Total				6,367,402	–	–	(1,245,334)	5,122,068	–
Helen Livesey ⁴	12-Sep-19	CAGR of TSR	1.21	2,348,066	–	–	–	2,348,066	–
	01-Jan-21	TSR	0.81	–	515,463	–	–	515,463	–
Total				2,348,066	515,463	–	–	2,863,529	–

1 Performance rights were granted to the CEO Alexis George as part of her sign-on award on 2 August 2021. Tranche 1 of the absolute TSR hurdle award vested in full and tranche 1 of the relative TSR hurdle award partially vested and the balance was lapsed. The performance rights were exercised to AMP Limited shares on 14 December 2021.

2 The balances shown for Scott Hartley, Rebecca Nash and Sean O'Malley in the Holding at 1 January 2021 column reflect their respective holdings on the date they were appointed to KMP. Scott Hartley was appointed to KMP on 11 January and Rebecca Nash and Sean O'Malley were both appointed to KMP on 15 November 2021.

3 Performance rights granted to Francesco De Ferrari as part of the 2019 Contracted LTI and 2019 Transformation Incentive awards were partially lapsed upon cessation of his employment and the remaining balance will be held on foot until the vesting date is reached, and performance hurdle tested.

4 Performance rights granted to Helen Livesey as part of the 2019 Transformation Incentive award will partially lapse in the amount of 743,403 units upon cessation of employment and the remaining balance in the amount of 1,604,663 units will be held on foot until the vesting date is reached, and performance hurdle tested.

Shawn Johnson is not included in the table above. He does not participate in AMP Limited incentive schemes and holds no equity awards in AMP's Equity Incentive Plan (EIP). He is eligible to participate in an equity plan in Private Markets after listing.

7.5 NON-EXECUTIVE DIRECTOR REMUNERATION

The following table shows the remuneration earned by AMP Limited NEDs for 2021.

NED	Year	Short term benefits			Post-employment benefits		Total \$'000
		AMP Limited Board and committee fees \$'000	Fees for other group boards \$'000	Additional board duties ¹ \$'000	Superannuation ² \$'000		
Debra Hazelton	2021	596	–	–	23	619	
	2020	420	43	–	18	481	
Rahoul Chowdry	2021	302	–	14	22	338	
	2020	312	–	14	24	350	
Mike Hirst	2021	136	–	–	2	138	
	2020	–	–	–	–	–	
Kathryn McKenzie	2021	274	–	–	22	296	
	2020	33	–	–	5	38	
John O'Sullivan	2021	274	–	98	22	394	
	2020	294	–	43	22	359	
Michael Sammells	2021	298	124	21	26	469	
	2020	254	68	14	20	356	
Andrea Slattery	2021	300	13	6	24	343	
	2020	325	33	–	21	379	
Total	2021	2,180	137	139	141	2,597	
	2020	1,638	144	71	110	1,963	

1. Additional work for special committees and projects including per diem fees on actual time spent for the Demerger Due Diligence Committee.

2. Superannuation contributions have been disclosed separately in this table but are included in the base NED fees disclosed elsewhere in this report.

Remuneration Report

7.6 SECURITIES HELD BY NON-EXECUTIVE DIRECTORS

The following table details the shareholdings and movements in those shareholdings in AMP Limited held directly, indirectly or beneficially by NEDs or their related parties during the year and as at 31 December 2021. For this purpose, a NED's related parties are their close family members (as defined in the applicable accounting standard) and any entities over which the NED (or a close family member) has control, joint control or significant influence (whether direct or indirect).

NED	Balance on 1 Jan 2021 #	Shares acquired during the year #	Shares disposed during the year #	Balance on 31 Dec 2021 ¹ #	Value on 31 Dec 2021 ² \$	Progress against MSR
Debra Hazelton ³	130,977	143,585	–	274,562	277,308	14 June 2023
Rahoul Chowdry	100,000	–	–	100,000	101,000	31 December 2023
Michael Hirst	–	–	–	–	–	30 June 2025
Kathryn McKenzie ⁴	–	120,000	–	120,000	121,200	17 November 2024
John O'Sullivan	88,194	–	–	88,194	89,076	19 June 2022
Michael Sammells ⁵	30,000	40,000	–	70,000	70,700	29 February 2024
Andrea Slattery ⁶	85,475	54,500	–	139,975	141,375	14 February 2023

1 As at the date of this report, each of the current NEDs held a 'relevant interest' (as defined in the *Corporations Act 2001*) in the number of AMP shares disclosed above for that NED. Mike Hirst holds no shares in AMP.

2 The total value of each holding was calculated as at 31 December 2021 using a closing price of \$1.01.

3 Debra Hazelton purchased 89,286 AMP Limited shares on 1 June 2021 at a market price of \$1.20 per share and 54,299 shares on 31 August 2021 at a market price of \$1.105 per share.

4 Kathryn McKenzie purchased 60,000 AMP Limited shares on 7 May 2021 at a market price of \$1.08 per share and 60,000 shares on 18 August 2021 at a market price of \$1.07 per share.

5 Michael Sammells purchased 40,000 AMP Limited shares on 25 August 2021 at a market price of \$1.103 per share.

6 Andrea Slattery purchased 27,000 AMP Limited shares on 10 May 2021 at a market value of \$1.095 per share and 27,500 shares on 24 August 2021 at a market value of \$1.083 per share.

Signed in accordance with a resolution of the directors.

Directors' report

for the year ended 31 December 2021

ROUNDING

In accordance with the Australian Securities and Investments Commission Corporations Instrument 2016/191, amounts in this directors' report and the accompanying financial report have been rounded off to the nearest million Australian dollars, unless stated otherwise.

NON-AUDIT SERVICES

The Audit Committee has reviewed details of the amounts paid or payable to the auditor for non-audit services provided to the AMP group during the year ended 31 December 2021, by the company's auditors, EY.

The directors are satisfied that the provision of those non-audit services by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit assignments were approved by the CFO, or his nominated delegate, or the Chair of the Audit Committee;
- no non-audit assignments were carried out which were specifically excluded by the AMP Charter of Audit Independence; and
- the proportion of non-audit fees to audit fees paid to EY of 21% (2020: 7%), as disclosed in note 6.5 to the financial report is not considered significant enough to compromise EY's independence or cause a perception of compromise.

Signed in accordance with a resolution of the directors.



Debra Hazelton
Chair



Alexis George
Chief Executive Officer and Managing Director

Sydney, 10 February 2022

Auditor's independence declaration



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Auditor's independence declaration to the directors of AMP Limited

As lead auditor for the audit of the financial report of AMP Limited for the financial year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AMP Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'APR', written over a faint horizontal line.

Andrew Price
Partner

10 February 2022

Financial Report

for the year ended 31 December 2021

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Consolidated income statement

for the year ended 31 December 2021

	Note	2021 \$m	2020 \$m
Fee revenue	1.1(b)	2,208	2,407
Interest income using the effective interest method		608	721
Other investment gains		45	32
Share of profit or loss from associates	5.2	150	81
Movement in guarantee liabilities		66	(30)
Other income		220	186
Total revenue		3,297	3,397
Fee and commission expenses		(769)	(851)
Staff and related expenses		(1,215)	(1,211)
Finance costs		(347)	(424)
Other operating expenses	1.2	(1,292)	(860)
Total expenses		(3,623)	(3,346)
(Loss)/Profit before tax		(326)	51
Income tax credit	1.4	72	19
(Loss)/Profit after tax from continuing operations		(254)	70
Profit from discontinued operations		–	124
(Loss)/Profit for the year		(254)	194
(Loss)/Profit attributable to:			
Shareholders of AMP Limited ¹		(252)	177
Non-controlling interests		(2)	17
(Loss)/Profit for the year		(254)	194
(Loss)/Earnings per share		cents	cents
Basic	1.3	(7.6)	5.2
Diluted	1.3	(7.6)	5.1
(Loss)/Earnings per share from continuing operations			
Basic	1.3	(7.6)	1.6
Diluted	1.3	(7.6)	1.5

1 (Loss)/Profit attributable to shareholders of AMP Limited is comprised of \$252m Loss (FY20: \$53m Profit) from continuing operations and \$nil (FY20: \$124m Profit) from discontinued operations.

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Note	2021 \$m	2020 \$m
(Loss)/Profit for the year from continuing operations		(254)	70
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve			
– net (loss)/gain on fair value asset reserve		(70)	40
– tax effect on fair value asset reserve gain/(loss)		21	(12)
– net amount transferred to profit or loss for the year		(4)	–
– tax effect on amount transferred to profit or loss for the year		1	–
		(52)	28
Cash flow hedges			
– net gain/(loss) on cash flow hedges		81	(40)
– tax effect on cash flow hedge (loss)/gain		(24)	13
– net amount transferred to profit or loss for the year		36	24
– tax effect on amount transferred to profit or loss for the year		(11)	(7)
		82	(10)
Translation of foreign operations and revaluation of hedge of net investments		36	(44)
		36	(44)
Items that will not be reclassified subsequently to profit or loss			
Fair value reserve		(1)	(1)
		(1)	(1)
Defined benefit plans			
– actuarial gains	4.1	101	5
– tax effect on actuarial gains		(30)	(1)
		71	4
Other comprehensive income/(loss) for the year from continuing operations		136	(23)
Total comprehensive (loss)/income for the year from continuing operations		(118)	47
Profit for the year from discontinued operations		–	124
Other comprehensive loss for the year from discontinued operations		–	(96)
Total comprehensive (loss)/income for the year		(118)	75
Total comprehensive (loss)/income attributable to shareholders of AMP Limited		(116)	58
Total comprehensive (loss)/income attributable to non-controlling interests		(2)	17
Total comprehensive (loss)/income for the year		(118)	75

Consolidated statement of financial position

as at 31 December 2021

	Note	2021 \$m	2020 ¹ \$m
Assets			
Cash and cash equivalents		2,916	2,428
Receivables	2.5	572	702
Investments in other financial assets	2.2	3,684	5,087
Current tax assets		221	160
Assets held for sale ²		575	–
Loans and advances	2.1	22,047	20,526
Investments in associates	5.2	1,090	1,442
Right of use assets	6.3	96	174
Deferred tax assets	1.4	655	828
Intangibles	2.3	330	629
Other assets	2.4	150	177
Defined benefit plan asset	4.1	3	–
Total assets		32,339	32,153
Liabilities			
Payables	2.6	349	291
Current tax liabilities		67	70
Employee benefits		412	357
Other financial liabilities	2.2	293	503
Liabilities held for sale ²		174	–
Provisions	6.4	588	1,056
Interest-bearing liabilities	3.2	26,117	24,916
Lease liabilities	6.3	135	211
Deferred tax liabilities	1.4	136	226
Guarantee liabilities		85	151
Defined benefit plan liabilities	4.1	–	98
Total liabilities		28,356	27,879
Net assets		3,983	4,274
Equity			
Contributed equity	3.1	10,153	10,349
Reserves		(2,327)	(2,404)
Retained earnings		(3,846)	(3,679)
Total equity of shareholders of AMP Limited		3,980	4,266
Non-controlling interests		3	8
Total equity of shareholders of AMP Limited and non-controlling interests		3,983	4,274

1 Due to a change in accounting policy, comparative information has been restated. Refer to note 2.3.

2 Assets and liabilities held for sale includes balances relating to AMP Capital's Global Equities and Fixed Income (GEFI) and Infrastructure Debt businesses as well as AMP's interest in Resolution Life NOHC.

Consolidated statement of changes in equity

for the year ended 31 December 2021

Equity attributable to shareholders of AMP Limited												
	Contributed equity	Demerger reserve ¹	Share-based payment reserve ²	Capital profits reserve ³	Fair value reserve	Cash flow hedge reserve	Foreign currency translation and hedge investments reserves	Total reserves	Retained earnings	Total shareholder equity	Non-controlling interest	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2021												
Balance at the beginning of the year	10,349	(2,566)	118	(39)	99	(44)	28	(2,404)	(3,679)	4,266	8	4,274
Loss	-	-	-	-	-	-	-	-	(252)	(252)	(2)	(254)
Other comprehensive income	-	-	-	-	(53)	82	36	65	71	136	-	136
Total comprehensive (loss)/income	-	-	-	-	(53)	82	36	65	(181)	(116)	(2)	(118)
Share-based payment expense	-	-	17	-	-	-	-	17	-	17	-	17
Share purchases	(196)	-	(3)	-	-	-	-	(3)	-	(199)	-	(199)
Sales and acquisitions of non-controlling interests	-	-	-	12	-	-	-	12	-	12	(3)	9
Transfer of realised gains ⁴	-	-	-	-	(14)	-	-	(14)	14	-	-	-
Balance at the end of the year	10,153	(2,566)	132	(27)	32	38	64	(2,327)	(3,846)	3,980	3	3,983

1 Reserve to recognise the additional loss and subsequent transfer from shareholders' retained earnings on the demerger of AMP's UK operations in December 2003. The loss was the difference between the pro-forma loss on demerger and the market-based fair value of the UK operations.

2 The Share-based payment reserve represents the cumulative expense recognised in relation to equity-settled share-based payments less the cost of shares purchased on market in respect of entitlements.

3 The Capital profits reserve represents gains and losses attributable to shareholders of AMP on the sale or acquisition of minority interests in controlled entities to or from entities outside the AMP group.

4 Represents realised gains and losses on equity securities measured at fair value through other comprehensive income.

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Equity attributable to shareholders of AMP Limited											
	Contributed equity	Demerger reserve ¹	Share-based payment reserve ²	Capital profits reserve ³	Fair value reserve	Cash flow hedge reserve	Foreign currency translation and hedge investments reserves	Total reserves	Retained earnings	Total shareholder equity	Non-controlling interest	Total equity
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2020												
Balance as at 1 January 2020	10,299	(2,566)	109	321	72	(34)	168	(1,930)	(3,509)	4,860	118	4,978
Impact of changes in accounting policies ⁴	–	–	–	–	–	–	–	–	(8)	(8)	–	(8)
Balance at the beginning of the year - restated	10,299	(2,566)	109	321	72	(34)	168	(1,930)	(3,517)	4,852	118	4,970
Profit from continuing operations	–	–	–	–	–	–	–	–	53	53	17	70
Profit from discontinued operations ⁵	–	–	–	–	–	–	–	–	124	124	–	124
Other comprehensive income/(loss) from continuing operations	–	–	–	–	27	(10)	(44)	(27)	4	(23)	–	(23)
Foreign currency translation reserve recycled ⁵	–	–	–	–	–	–	(96)	(96)	–	(96)	–	(96)
Total comprehensive income/(loss)	–	–	–	–	27	(10)	(140)	(123)	181	58	17	75
Share-based payment expense	–	–	21	–	–	–	–	21	–	21	1	22
Share purchases	–	–	(12)	–	–	–	–	(12)	–	(12)	(1)	(13)
Deconsolidation of treasury shares ⁵	50	–	–	–	–	–	–	–	–	50	–	50
Dividends paid ⁶	–	–	–	–	–	–	–	–	(343)	(343)	(17)	(360)
Sales and acquisitions of non-controlling interests	–	–	–	(360)	–	–	–	(360)	–	(360)	(110)	(470)
Balance at the end of the year	10,349	(2,566)	118	(39)	99	(44)	28	(2,404)	(3,679)	4,266	8	4,274

1 Reserve to recognise the additional loss and subsequent transfer from shareholders' retained earnings on the demerger of AMP's UK operations in December 2003. The loss was the difference between the pro-forma loss on demerger and the market-based fair value of the UK operations.

2 The Share-based payment reserve represents the cumulative expense recognised in relation to equity-settled share-based payments less the cost of shares purchased on market in respect of entitlements.

3 The Capital profits reserve represents gains and losses attributable to shareholders of AMP on the sale or acquisition of minority interests in controlled entities to or from entities outside the AMP group. On 1 September 2020, AMP repurchased Mitsubishi UFJ Trust and Banking Corporation's 15 per cent shareholding in AMP Capital, resulting in a \$360m reduction in Capital profits reserve.

4 Relates to the change in accounting policy with respect to Software as a Service (SaaS) arrangements. Refer to note 2.3.

5 Relates to the deconsolidation of WP and mature businesses.

6 Dividends paid include dividends paid on treasury shares. Dividends paid on treasury shares are required to be excluded from the consolidated financial statements by adjusting retained earnings.

Consolidated statement of cash flows

for the year ended 31 December 2021

	Note	2021 \$m	2020 ¹ \$m
Cash flows from operating activities¹			
Cash receipts in the course of operations		2,564	6,536
Interest received		690	1,191
Dividends and distributions received ²		130	671
Cash payments in the course of operations		(3,171)	(12,165)
Net movement in deposits from customers		1,662	1,892
Finance costs		(302)	(450)
Income tax received/(paid)		116	(417)
Net cash provided by/(used in) operating activities	6.1	1,689	(2,742)
Cash flows from investing activities¹			
Net proceeds from sale of (payments to acquire):			
– investments in financial assets ³		(503)	1,496
– operating and intangible assets		(49)	(83)
– operating controlled entities and investments in associates accounted for using the equity method		(13)	(89)
– AMP Capital minority interest		–	(451)
Proceeds from sale of the WP and mature businesses		–	2,341
Net cash (used in)/provided by investing activities		(565)	3,214
Cash flows from financing activities			
Proceeds from borrowings – non-banking operations ¹		–	265
Repayment of borrowings – non-banking operations ¹		(398)	(507)
Net movement in borrowings – banking operations		188	(1,048)
Payments for buy-back of shares		(196)	–
Repayment of subordinated debt		(267)	(275)
Lease payments		(60)	(63)
Dividends paid ⁴		–	(360)
Net cash used in financing activities		(733)	(1,988)
Net increase/(decrease) in cash and cash equivalents		391	(1,516)
Cash and cash equivalents at the beginning of the year		2,653	8,069
Effect of exchange rate changes on cash and cash equivalents		–	(4)
Cash and cash equivalents prior to the deconsolidation of WP and mature businesses		3,044	6,549
Cash and cash equivalents deconsolidated ¹		–	(3,896)
Cash and cash equivalents at the end of the year	6.1	3,044	2,653

1 Cash flows for the year ended 31 December 2020 include amounts attributable to shareholders' interests, policyholders' interests in the WP and mature business' statutory funds and controlled entities of those statutory funds. The sale of the WP and mature businesses was completed on 30 June 2020, resulting in the deconsolidation of cash and cash equivalents held by these businesses as at 30 June 2020.

2 Dividends and distributions received in the year ended 31 December 2020 are amounts of cash received mainly from investments held by AMP life insurance entities' statutory funds and controlled entities of the statutory funds. Dividends and distributions reinvested have been treated as non-cash items.

3 Net proceeds from sale of (payments to acquire) investments in financial assets also includes loans and advances made (net of payments) and purchases of financial assets (net of maturities) during the period by AMP Bank.

4 Dividends paid includes dividends paid to minority interest holders and is presented net of dividends on treasury shares.

Notes to the financial statements

for the year ended 31 December 2021

ABOUT THIS REPORT

This section outlines the structure of the AMP group, information useful to understanding the AMP group's financial report and the basis on which the financial report has been prepared.

(a) Understanding the AMP financial report

The AMP group (AMP) is comprised of AMP Limited (the parent), a holding company incorporated and domiciled in Australia, and the entities it controls (subsidiaries or controlled entities). The consolidated financial statements of AMP Limited include the financial information of its controlled entities.

The consolidated financial report:

- is a general purpose financial report;
- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board;
- is presented in Australian dollars with all values rounded to the nearest million dollars (\$m), unless otherwise stated;
- has been prepared on a going concern basis generally using a historical cost basis; however where permitted under accounting standards a different basis may be used, including the fair value basis;
- presents assets and liabilities on the face of the Consolidated statement of financial position in decreasing order of liquidity and therefore does not distinguish between current and non-current items;
- presents reclassified comparative information where required for consistency with the current year's presentation within the annual report; and
- includes restated comparative information to reflect the impact of a change in accounting policy as detailed in note 2.3.

AMP Limited is a for-profit entity and is limited by shares.

The financial statements for the year ended 31 December 2021 were authorised for issue on 10 February 2022 in accordance with a resolution of the directors.

Assets and liabilities held for sale

SALE OF AMP CAPITAL'S GLOBAL EQUITIES AND FIXED INCOME BUSINESS

On 8 July 2021, AMP announced an agreement to sell AMP Capital's Global Equities and Fixed Income (GEFI) business to Macquarie Asset Management for up to \$185m. The sale is subject to customary closing conditions and is expected to complete in the first quarter of 2022.

Consideration at completion will comprise an upfront cash payment of up to \$110m and deferred consideration of up to \$75m. The aggregate consideration is subject to meeting certain conditions, including revenue targets, with the upfront cash component expected to be approximately \$80 million. The deferred consideration will be fair valued by AMP at completion and, together with the cash proceeds, will be treated as the accounting purchase price.

GEFI was controlled by AMP throughout the reporting period and as a result, the income and expenses, assets and liabilities and cash flows of this business are consolidated within the financial report. In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* (AASB 5), the assets and liabilities of this business have been separately classified as held for sale in the Consolidated statement of financial position.

DIVESTMENT OF EQUITY INTEREST IN RESOLUTION LIFE AUSTRALASIA

On 3 November 2021, AMP announced an agreement to divest its 19.13% equity interest in Resolution Life NOHC Pty Ltd (RLA) for consideration of \$524m to Resolution Life Group, less the amount of any dividends, distributions or capital returns that are paid from RLA to AMP. The sale is subject to Regulatory approval and is expected to complete in the first half of 2022.

Subsequent to the agreement to divest, AMP received dividends and capital returns from RLA of \$15m, reducing the consideration payable at completion to \$509m. In accordance with AASB 5, the carrying value of AMP's equity interest in RLA has been adjusted to \$509m as at 31 December 2021 and has been separately classified as held for sale in the Consolidated statement of financial position.

As part of the divestment agreement, AMP and RLA have also agreed to settle a number of post-completion adjustments and certain claims between the parties, subject to various limitations and exclusions, which results in a payment of \$141m from AMP to RLA at completion. This balance has been separately classified as held for sale in the Consolidated statement of financial position.

DIVESTMENT OF INFRASTRUCTURE DEBT PLATFORM

On 24 December 2021, AMP announced an agreement to sell its Infrastructure Debt platform to Ares Holdings LP for consideration of up to \$428m. The sale is subject to a number of conditions precedent and is expected to complete in the first quarter of 2022. AMP's Infrastructure Debt platform was controlled by AMP throughout the reporting period and as a result, the income and expenses, assets and liabilities and cash flows of the platform are consolidated within the financial report. As at 31 December 2021, the assets and liabilities of this business have been separately classified as held for sale in the Consolidated statement of financial position.

COVID-19 impacts

The COVID-19 pandemic has resulted in significant disruptions to the global economy during the year ended 31 December 2021 and there remains substantial uncertainty over the ultimate duration and extent of the pandemic as well as the corresponding economic impacts. These uncertainties have been incorporated into the judgements and estimates used by management in the preparation of this report, including the carrying values of the assets and liabilities.

(b) Basis of consolidation

Entities are fully consolidated from the date of acquisition, being the date on which the AMP group obtains control, and continue to be consolidated until the date that control ceases. Control exists where the AMP group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income, expenses, assets, liabilities and cash flows of controlled entities are consolidated into the AMP group financial statements, along with those attributable to the shareholders of the parent entity. All inter-company transactions are eliminated in full, including unrealised profits arising from intra-group transactions.

The share of the net assets of controlled entities attributable to non-controlling interests is disclosed as a separate line item on the Consolidated statement of financial position.

Materiality

Information has only been included in the financial report to the extent that it has been considered material and relevant to the understanding of the financial statements. A disclosure is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the AMP group;
- it helps explain the impact of significant changes in the AMP group; and/or
- it relates to an aspect of the AMP group's operations that is important to its future performance.

(c) Significant accounting policies

The significant accounting policies adopted in the preparation of the financial report are contained in the notes to the financial statements to which they relate. All accounting policies have been consistently applied to the current year and comparative period, unless otherwise stated. Where an accounting policy relates to more than one note or where no note is provided, the accounting policies are set out below.

Interest, dividends and distributions income

Interest income measured at amortised cost is recognised in the Consolidated income statement using the effective interest method. Revenue from dividends and distributions is recognised when the AMP group's right to receive payment is established.

Foreign currency transactions

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars (the functional currency) using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities carried at fair value	Date fair value is determined

Foreign exchange gains and losses resulting from translation of foreign exchange transactions are recognised in the Consolidated income statement, except for qualifying cash flow hedges, which are deferred to equity.

On consolidation the assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average exchange rate
Assets and liabilities	Reporting date
Equity	Historical date
Reserves	Reporting date

Foreign exchange differences resulting from translation of foreign operations are initially recognised in the foreign currency translation reserve and subsequently transferred to the Consolidated income statement on disposal of the foreign operation.

Notes to the financial statements

for the year ended 31 December 2021

(d) Critical judgements and estimates

Preparation of the financial statements requires management to make judgements, estimates and assumptions about future events. Information on critical judgements and estimates considered when applying the accounting policies can be found above and in the following notes:

Accounting judgements and estimates	Note		Page
Tax	1.4	Taxes	60
Impairment of financial assets	2.1	Expected credit losses (ECLs)	64
Fair value of financial assets	2.2	Investments in other financial assets and liabilities	68
Goodwill and acquired intangible assets	2.3	Intangibles	70
Defined benefit plan	4.1	Defined benefit asset/liability	96
Right of use assets and lease liabilities	6.3	Right of use asset and lease liabilities	119
Provisions and contingent liabilities	6.4	Provisions and contingent liabilities	121

1

SECTION

RESULTS FOR THE YEAR

This section provides insights into how the AMP group has performed in the current year and provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the AMP group.

Statutory measures of performance disclosed in this report are:

- Statutory earnings per share (EPS) – basic and diluted
- Profit (loss) after tax attributable to the shareholders of AMP

NPAT (underlying) is AMP's key measure of business performance. This performance measure is disclosed for each AMP operating segment within Segment performance.

- 1.1 Segment performance
- 1.2 Other operating expenses
- 1.3 Earnings per share
- 1.4 Taxes
- 1.5 Dividends

1.1 SEGMENT PERFORMANCE

The AMP group identifies its operating segments based on separate financial information that is regularly reviewed by the Chief Executive Officer and his executive team in assessing performance and determining the allocation of resources. The operating segments are identified according to the nature of profit generated and services provided, and their performance is evaluated based on a post-tax operating earnings basis.

Reportable segment	Segment description
Australian wealth management (AWM)	AWM comprises of three different business components providing advice, retirement income and managed investments products through: <ul style="list-style-type: none"> – Platforms provides a Wrap Platform which includes superannuation, retirement and investment solutions. – Master Trust provides a whole of wealth solutions for members both retail and corporate. – Advice provides financial advice services and equity investments in practices.
AMP Bank	AMP Bank offers residential mortgages, deposits and transaction banking. The Bank continues to focus on growth through investing in technology to streamline the origination process, improving the experience for both customers and intermediaries.
AMP Capital	AMP Capital is a diversified investment manager across major asset classes including infrastructure, real estate, equities, fixed interest, diversified and multi-manager and multi-asset funds. On 23 April 2021, AMP announced the intention to demerge AMP Capital's Private Markets business, consisting of infrastructure equity, infrastructure debt and real estate. Subsequently, on 24 December 2021, AMP announced the further simplification of Private Markets with the sale of infrastructure debt, expected to complete in the first quarter of 2022. As part of the demerger preparations, on 8 July 2021, AMP announced the sale of its global equities and fixed income business (GEFI), which is expected to complete by 30 June 2022. The remaining AMP Capital public market business, the Multi-Asset Group, which is responsible for asset allocation on behalf of AMP's superannuation clients, will complete its transition over to Australian wealth management prior to demerger, creating an end-to-end superannuation and investment platform business.
New Zealand wealth management (NZ WM)	Encompasses the wealth management and financial advice and distribution business in New Zealand. It provides clients with a variety of wealth management solutions including KiwiSaver, corporate superannuation, retail investments and a wrap investment management platform.

Segment information is not reported for activities of the AMP group office companies as it is not the function of these departments to earn revenue and any revenues earned are incidental to the activities of the AMP group.

Notes to the financial statements

for the year ended 31 December 2021

1.1 SEGMENT PERFORMANCE *CONTINUED*

(a) Segment profit

	AMP Bank \$m	WM \$m	NZ WM \$m	AMP Capital ¹ \$m	Total \$m
2021					
Segment profit after income tax	153	48	39	154	394
External customer revenue	413	948	150	511	2,022
Intersegment revenue ²	–	3	–	216	219
Segment revenue	413	951	150	727	2,241
Other segment information					
Income tax expense	66	20	16	49	151
Depreciation and amortisation	16	28	4	25	73
2020					
Segment profit after income tax³	111	64	35	131	341
External customer revenue	401	1,055	151	510	2,117
Intersegment revenue ²	–	7	–	207	214
Segment revenue	401	1,062	151	717	2,331
Other segment information					
Income tax expense	48	25	14	35	122
Depreciation and amortisation	7	38	5	33	83

1 AMP Capital segment revenue is reported net of external investment manager fees.

2 Intersegment revenue represents operating revenue between segments priced on a market related basis and is eliminated on consolidation.

3 FY 20 segment profit after income tax has been restated to reflect additional Group Office allocations to business units from FY 21 and show investment income on an actual basis with the removal of the market adjustment methodology.

1.1 SEGMENT PERFORMANCE *CONTINUED*

(b) The following table allocates the disaggregated segment revenue from contracts with customers to the group's operating segments (see note 1.1(a)):

	AMP Bank \$m	WM \$m	NZ WM \$m	AMP Capital \$m	Total \$m
2021					
Investment related	–	858	116	545	1,519
Management fees	–	–	–	90	90
Performance and transaction fees	–	–	–	74	74
Net interest income	399	–	–	–	399
Other revenue	14	93	34	18	159
Total segment revenue per segment note	413	951	150	727	2,241
Presentation adjustments ¹					187
Total statutory revenue from contracts with customers					2,428

2020					
Investment related	–	907	115	564	1,586
Management fees	–	–	–	96	96
Performance and transaction fees	–	–	–	51	51
Net interest income	391	–	–	–	391
Other revenue	10	155	36	6	207
Total segment revenue per segment note	401	1,062	151	717	2,331
Presentation adjustments ¹					254
Total statutory revenue from contracts with customers					2,585

	2021 \$m	2020 \$m
Statutory revenue from contracts with customers		
Fee revenue		
– Investment management and related fees	1,597	1,696
– Financial advisory fees ²	611	711
	2,208	2,407
Other revenue	220	178
Total statutory revenue from contracts with customers	2,428	2,585

1 Presentation adjustments primarily reflect the difference between total segment revenue and statutory revenue from contracts with customers, as required by AASB 15 *Revenue from Contracts with Customers*. These adjustments include revenue from sources other than contracts with customers and expense items which are presented net in the segment results, but presented gross in the Consolidated income statement.

2 A substantial majority of the financial advisory fees received are paid to advisers. For statutory reporting, financial advisory fees are presented gross of the related cost which is presented in Fee and commission expenses in the Consolidated income statement.

Notes to the financial statements

for the year ended 31 December 2021

1.1 SEGMENT PERFORMANCE *CONTINUED*

(c) Reconciliations

Segment profit after income tax differs from profit (loss) attributable to shareholders of AMP Limited due to the exclusion of the following items:

	2021 \$m	2020 \$m
Segment profit after income tax¹	394	341
Net group office	(38)	(108)
Total operating earnings	356	233
NPAT (underlying)²	356	233
Gain on sale of AMP Life	–	299
AMP Life separation costs	–	(208)
Client remediation and related costs	(78)	(73)
Risk management, governance and controls	–	(29)
Transformation cost out	(133)	(51)
Impairments	(312)	(32)
Demerger costs	(75)	–
Other items ³	11	(33)
Amortisation of acquired intangible assets	(21)	(58)
NPAT	(252)	48
AMP Life earnings ⁴	–	129
(Loss)/Profit attributable to shareholders of AMP Limited	(252)	177
(Loss)/Profit attributable to non-controlling interests	(2)	17
(Loss)/Profit for the year	(254)	194

1 FY20 segment profit after income tax has been re-presented to reflect actual investment income following the removal of 'market adjustment' which normalised investment income to 2.5%, this has previously been disclosed outside of Segment profit after income tax.

2 NPAT (underlying), represents shareholder attributable net profit or loss after tax excluding accounting mismatches and non-recurring revenue and expenses.

3 Other items largely comprise the net of one-off and non-recurring revenues and costs, including the cost of implementing significant regulatory changes.

4 Includes AMP Life earnings through to 30 June 2020.

1.1 SEGMENT PERFORMANCE *CONTINUED*

(c) Reconciliations *continued*

Total segment revenue differs from Total revenue as follows:

	2021 \$m	2020 \$m
Total segment revenue	2,241	2,331
Add revenue excluded from segment revenue		
– Investment gains and losses (excluding AMP Bank interest revenue)	45	32
– Other revenue	220	186
Add back expenses netted against segment revenue		
– Interest expense related to AMP Bank	276	377
– External investment manager and adviser fees paid in respect of certain assets under management	668	715
Movement in guarantee liabilities	66	(30)
Remove intersegment revenue	(219)	(214)
Total revenue	3,297	3,397

(d) Segment assets

Segment asset information has not been disclosed because the balances are not used by the Chief Executive Officer or the executive team for evaluating segment performance, or in allocating resources to segments.

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Revenue from contracts with customers

For AMP, revenue from contracts with customers arises primarily from the provision of investment management and financial advisory services. Revenue is recognised when control of services is transferred to the customer at an amount that reflects the consideration which AMP is entitled to in exchange for the services provided. As the customer simultaneously receives and consumes the benefits as the service is provided, control is transferred over time. Accordingly, revenue is recognised over time.

Fee rebates provided to customers are recognised as a reduction in fee revenue.

Investment management and related fees

Fees are charged to customers in connection with the provision of investment management and other related services. These performance obligations are satisfied on an ongoing basis, usually daily, and revenue is recognised as the service is provided.

Financial advisory fees

Financial advisory fees consist of fee-for-service revenue and commission income which are earned for providing customers with financial advice and performing related advisory services. These performance obligations are satisfied over time. Accordingly, revenue is recognised over time.

A substantial majority of the financial advisory fees received are paid to advisers. Financial advisory fees are presented gross of the related cost which is presented in Fees and commission expenses in the Consolidated income statement.

Notes to the financial statements

for the year ended 31 December 2021

1.2 OTHER OPERATING EXPENSES

	2021 \$m	2020 \$m
Impairment of intangibles	(25)	(5)
Movement in expected credit losses	(25)	(7)
Information technology and communication	(227)	(243)
Onerous lease contracts	(118)	–
Professional and consulting fees	(247)	(288)
Amortisation of intangibles	(202)	(122)
Depreciation of property, plant and equipment	(62)	(74)
Other expenses	(386)	(121)
Total other operating expenses	(1,292)	(860)

1.3 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated based on profit attributable to shareholders of AMP and the weighted average number of ordinary shares outstanding.

Diluted earnings per share

Diluted earnings per share is based on profit attributable to shareholders of AMP and the weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares, such as options and performance rights.

	2021 \$m	2020 \$m
(Loss)/Profit attributable to shareholders of AMP		
Continuing operations	(252)	53
Discontinued operations	–	124
(Loss)/Profit attributable to shareholders of AMP	(252)	177

	2021 \$m	2020 \$m
Weighted average number of ordinary shares for basic EPS ¹	3,335	3,428
Add: potential ordinary shares considered dilutive ²	–	56
Weighted average number of ordinary shares used in the calculation of dilutive (loss)/earnings per share	3,335	3,484

	2021 cents	2020 cents
(Loss)/Earnings per share		
Basic	(7.6)	5.2
Diluted	(7.6)	5.1
(Loss)/Earnings per share for continuing operations		
Basic	(7.6)	1.6
Diluted	(7.6)	1.5

1 The weighted average number of ordinary shares outstanding is calculated after deducting the weighted average number of treasury shares held during the period.

2 Weighted average number of shares used in the basic and diluted Earnings Per Share calculation is the same for the year ended 31 December 2021 as the effect of share rights expected to vest are anti-dilutive and excluded from the calculation (2020: Performance rights have been determined to be dilutive, however, if these instruments vest and are exercised, it is AMP's policy to buy AMP shares on market so there will be no dilutive effect on the value of AMP shares).

Earnings per share for discontinuing operations

Basic	n/a	3.6
Diluted	n/a	3.6

Notes to the financial statements

for the year ended 31 December 2021

1.4 TAXES

OUR TAXES

This sub-section outlines the impact of income taxes on the results and financial position of AMP. In particular:

- the impact of tax on the reported result;
- amounts owed to/receivable from the tax authorities; and
- deferred tax balances that arise due to differences in the tax and accounting treatment of balances recorded in the financial report.

These financial statements include the disclosures relating to tax required under accounting standards. Further information on AMP's tax matters can be found in the AMP Tax Report at amp.com.au/shares.

(a) Income tax credit

The following table provides a reconciliation of differences between prima facie tax calculated as 30% of the profit or loss before income tax for the year and the income tax expense or credit recognised in the Consolidated income statement for the year.

	2021 \$m	2020 \$m
(Loss)/Profit before income tax	(326)	51
Tax at the Australian tax rate of 30% (2020: 30%)	98	(15)
Tax concessions including research and development and offshore banking unit	1	1
Non-deductible expenses	(160)	(25)
Non-taxable income	61	14
Other items	(30)	25
Over provided in previous years	95	3
Differences in overseas tax rates	7	16
Income tax credit per Consolidated income statement	72	19

(b) Analysis of income tax credit

Current tax credit/(expense)	109	(7)
(Decrease)/Increase in deferred tax assets	(130)	57
Decrease/(Increase) in deferred tax liabilities	93	(31)
Income tax credit	72	19

1.4 TAXES CONTINUED

(c) Analysis of deferred tax balances

	2021 \$m	2020 \$m
Analysis of deferred tax assets		
Expenses deductible in the future years	277	499
Unrealised movements on borrowings and derivatives	32	54
Unrealised investment losses	11	43
Losses available for offset against future taxable income	177	43
Lease Liability	29	50
Capitalised software expenses	131	129
Transferred to assets held for sale	(6)	–
Other	4	10
Total deferred tax assets	655	828
Analysis of deferred tax liabilities		
Unrealised investment gains	30	43
Right of use assets	20	41
Intangible asset	35	115
Unearned revenue	28	–
Other	23	27
Total deferred tax liabilities	136	226

(d) Amounts recognised directly in equity

	2021 \$m	2020 \$m
Deferred income tax expense related to items taken directly to equity during the year	(43)	(7)

(e) Unused tax losses and deductible temporary differences not recognised

	2021 \$m	2020 \$m
Revenue losses	155	112
Deductible temporary differences	57	–
Capital losses	1,053	741

Notes to the financial statements

for the year ended 31 December 2021

1.4 TAXES CONTINUED

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Income tax expense

Income tax expense is the tax payable on taxable income for the current period based on the income tax rate for each jurisdiction and adjusted for changes in deferred tax assets and liabilities. These changes are attributable to:

- temporary differences between the tax bases of assets and liabilities and their Consolidated statement of financial position carrying amounts;
- unused tax losses; and
- the impact of changes in the amounts of deferred tax assets and liabilities arising from changes in tax rates or in the manner in which these balances are expected to be realised.

Adjustments to income tax expense are also made for any differences between the amounts paid, or expected to be paid, in relation to prior periods and the amounts provided for these periods at the start of the current period.

Any tax impact on income and expense items that are recognised directly in equity is also recognised directly in equity.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences and are measured at the tax rates which are expected to apply when the assets are recovered or liabilities are settled, based on tax rates that have been enacted or substantively enacted for each jurisdiction at the reporting date. Deferred tax assets and liabilities are not discounted to present value.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Tax consolidation

AMP Limited and its wholly owned Australian controlled entities are part of a tax-consolidated group, with AMP Limited being the head entity (the company). A tax funding agreement has been entered into by the head entity and the controlled entities in the tax-consolidated group and requires entities to fully compensate the company for current tax liabilities and to be fully compensated by the company for any current or deferred tax assets in respect of tax losses arising from external transactions occurring after 30 June 2003, the implementation date of the tax-consolidated group.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The AMP group is subject to taxes in Australia and other jurisdictions where it has operations. The application of tax law to the specific circumstances and transactions of the AMP group requires the exercise of judgement by management. The tax treatments adopted by management in preparing the financial statements may be impacted by changes in legislation and interpretations or be subject to challenge by tax authorities.

Judgement is also applied by management in determining the extent to which the recovery of carried forward tax losses and deductible temporary differences are probable for the purpose of meeting the criteria for recognition as deferred tax assets.

1.5 DIVIDENDS

Dividends paid and proposed during the year are shown in the table below:

	2021 Final	2021 Interim	2020 Final	2020 Special dividend
Dividend per share (cents)	–	–	–	10.0
Franking percentage	–	–	–	100%
Dividend amount (\$m)	–	–	–	343
Payment date	–	–	–	1 October 2020

	2021 \$m	2020 \$m
Dividends paid		
Previous year final dividend on ordinary shares	–	–
Special dividend on ordinary shares	–	343
Total dividends paid¹	–	343

1 Total dividends paid includes dividends paid on Treasury shares \$nil (2020: \$nil).

Dividend franking credits

Franking credits available to shareholders are \$67m (2020: \$76m), based on a tax rate of 30%. This amount is calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the settlement, after the end of the reporting date, of liabilities for income tax and receivables for dividends.

The company's ability to utilise the franking account credits depends on meeting *Corporations Act 2001* (Cth) requirements to declare dividends.

Franked dividends are franked at a tax rate of 30%.

Notes to the financial statements

for the year ended 31 December 2021

2 SECTION

LOANS AND ADVANCES, INVESTMENTS, INTANGIBLES AND WORKING CAPITAL

This section highlights the AMP group's assets and working capital used to support the AMP group's activities.

- 2.1 Loans and advances
- 2.2 Investments in other financial assets and liabilities
- 2.3 Intangibles
- 2.4 Other assets
- 2.5 Receivables
- 2.6 Payables
- 2.7 Fair value information

2.1 LOANS AND ADVANCES

(a) Loans and advances

	2021 \$m	2020 \$m
Housing loans ¹	21,847	20,289
Practice finance loans	316	391
Total loans and advances²	22,163	20,680
Less: Provisions for impairment		
Individual provisions		
– Housing loans	(7)	(13)
– Practice finance loans	(83)	(94)
Collective provisions	(26)	(47)
Total provisions for impairment	(116)	(154)
Total net loans and advances	22,047	20,526
Movement in provisions:		
Individual provision		
Balance at the beginning of the year	107	112
Increase in provision – housing loans	1	4
Increase in provision – practice finance loans	–	1
Bad debts written off	(3)	(3)
Provision released	(15)	(7)
Balance at the end of the year	90	107
Collective provision		
Balance at the beginning of the year	47	20
(Decrease)/increase in provision	(21)	27
Balance at the end of the year	26	47

1 Total housing loans include net capitalised costs of \$87m (2020: \$76m).

2 Total loans and advances \$16,600m (2020: \$16,317m) is expected to be received more than 12 months after the reporting date.

2.1 LOANS AND ADVANCES *CONTINUED*

(b) Expected credit losses

The following table provides the changes to expected credit losses (ECLs) relating to loans and advances during the year. The movements in provisions during the period are inclusive of adjustments to macro-economic factors (including unemployment, property prices, ASX index and cash rate) that reflect the impacts in the economy as a result of the COVID-19 pandemic.

	Stage 1 collective \$m	Stage 2 collective \$m	Stage 3 \$m	Total \$m
2021				
Balance at the beginning of the year	31	16	107	154
Transferred to Stage 1 (12-months ECL – collective provision)	15	(8)	(7)	–
Transferred to Stage 2 (lifetime ECL credit impaired – collective provision)	–	2	(2)	–
Transferred to Stage 3 (lifetime ECL credit impaired – specific provision)	(1)	(1)	2	–
(Released)/increased provisions during the period (net of collective provision released)	(27)	(1)	1	(27)
Bad debt write-offs	–	–	(3)	(3)
Provision for practice finance loans	–	–	(8)	(8)
Balance at the end of the year	18	8	90	116

	Stage 1 collective \$m	Stage 2 collective \$m	Stage 3 \$m	Total \$m
2020				
Balance at the beginning of the year	11	9	112	132
Transferred to Stage 1 (12-months ECL – collective provision)	7	(2)	(5)	–
Transferred to Stage 2 (lifetime ECL credit impaired – collective provision)	–	1	(1)	–
Transferred to Stage 3 (lifetime ECL credit impaired – specific provision)	(1)	(1)	2	–
Increased provisions during the year (net of collective provision released)	14	9	6	29
Bad debt write-offs	–	–	(3)	(3)
Provision for practice finance loans	–	–	(4)	(4)
Balance at the end of the year	31	16	107	154

Notes to the financial statements

for the year ended 31 December 2021

2.1 LOANS AND ADVANCES *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Financial assets measured at amortised cost – loans and advances and debt securities

Loans and advances and debt securities are measured at amortised cost when both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. These assets are subsequently recognised at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Loans and advances are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when AMP Bank provides money directly to a customer, including loans and advances to advisers, and with no intention of trading the financial asset. Loans and advances are initially recognised at fair value including direct and incremental transaction costs relating to loan origination. They are subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

In 2020, as a resultant impact of COVID-19 AMP Bank introduced loan repayment deferral arrangements to mortgage customers. The repayment deferrals are considered a continuation of customers' existing loans and recognised as non-substantial loan modifications as they continue to accrue interest on deferred repayments. A request for repayment deferrals is not automatically treated as, but may result in, a significant increase in credit risk, subject to management assessment.

IMPAIRMENT OF FINANCIAL ASSETS

An allowance for expected credit losses (ECLs) is recognised for financial assets not held at fair value through profit or loss. ECLs are probability weighted estimates of credit losses and are measured as the present value of all cash shortfalls discounted at the effective interest rate of the financial instrument. The key elements in the measurement of ECLs are as follows:

- PD – the probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – the exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- LGD – loss given default is an estimate of the loss arising in the case where default occurs at a given time. It is based on the difference between cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive, including from the realisation of any collateral.

The group estimates these elements using appropriate credit risk models taking into consideration a number of factors including the internal and external credit ratings of the assets, nature and value of collateral and forward-looking macro-economic scenarios.

Other than ECL on trade receivables, where a simplified approach is taken, the group applies a three-stage approach to measure the ECLs as follows:

STAGE 1 (12-MONTH ECL)

The group collectively assesses and recognises a provision at an amount equal to 12-month ECL when financial assets are current and/or have had a good performance history and are of low credit risk. It includes financial assets where the credit risk has improved, and the financial assets have been reclassified from Stage 2 or even Stage 3 based on improved performance observed over a predefined period of time. A financial asset is considered to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

STAGE 2 (LIFETIME ECL – NOT CREDIT IMPAIRED)

The group collectively assesses and recognises a provision at an amount equal to lifetime ECL on financial assets where there has been a significant increase in credit risk since initial recognition but the financial assets are not credit impaired.

The quantitative criteria used to determine a significant increase in credit risk is a series of relative and absolute thresholds. Financial assets that were 30 days past due at least once over the last six months are deemed to have significant increase in credit risk since initial recognition. For loans and advances, other risk factors like hardship, loan to value ratio (LVR) and loan to income ratio (LTI) are also considered in order to determine a significant increase in credit risk.

STAGE 3 (LIFETIME ECL – CREDIT IMPAIRED)

The group measures loss allowances at an amount equal to lifetime ECL on financial assets that are determined to be credit impaired based on objective evidence of impairment. Financial assets are classified as impaired when payment is 90 days past due or when there is no longer reasonable assurance that principal or interest will be collected in their entirety on a timely basis.

2.1 LOANS AND ADVANCES *CONTINUED*

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Impairment

The impairment provisions (individual and collective) are outputs of ECL models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting estimates and judgements include:

- the AMP group's internal grading which assigns PDs to the individual grades;
- the AMP group's estimates of LGDs arising in the event of default;
- the AMP group's criteria for assessing if there has been a significant increase in credit risk;
- development of ECL models, including the various formulas, choice of inputs and assumptions; and
- determination of associations between macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Future outcomes and macro-economic conditions which differ from management's assumptions and estimates could result in changes to the timing and amount of credit losses to be recognised.

Notes to the financial statements

for the year ended 31 December 2021

2.2 INVESTMENTS IN OTHER FINANCIAL ASSETS AND LIABILITIES

	2021 \$m	2020 \$m
Financial assets measured at fair value through profit or loss		
Equity securities and listed managed investment schemes	13	28
Debt securities	751	1,132
Unlisted managed investment schemes ¹	314	149
Derivative financial assets	334	369
Total financial assets measured at fair value through profit or loss	1,412	1,678
Financial assets measured at fair value through other comprehensive income		
Debt securities ²	2,184	2,768
Equity securities ¹	–	59
Total financial assets measured at fair value through other comprehensive income	2,184	2,827
Other financial assets measured at amortised cost		
Debt securities	88	582
Total other financial assets measured at amortised cost	88	582
Total other financial assets	3,684	5,087
Other financial liabilities		
Derivative financial liabilities	185	376
Collateral deposits held	108	127
Total other financial liabilities	293	503

1 \$70m of Unlisted managed investment schemes (FY20 \$59m of equity securities) are held by AMP Foundation for charitable purposes in accordance with the AMP Foundation Trust Deed.

2 Debt securities measured at fair value through other comprehensive income are assets of AMP Bank.

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Recognition and derecognition of financial assets and liabilities

Financial assets and financial liabilities are recognised at the date the AMP group becomes a party to the contractual provisions of the instrument. At initial recognition, financial assets are classified as subsequently measured at fair value through profit or loss, fair value through other comprehensive income (OCI), and amortised cost. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or are transferred. A transfer occurs when substantially all the risks and rewards of ownership of the financial asset are passed to an unrelated third party. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets measured at fair value through profit or loss

Financial assets measured on initial recognition as financial assets measured at fair value through profit or loss are initially recognised at fair value, determined as the purchase cost of the asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in profit or loss. Any realised and unrealised gains or losses arising from subsequent measurement at fair value are recognised in profit or loss in the period in which they arise.

2.2 INVESTMENTS IN OTHER FINANCIAL ASSETS AND LIABILITIES *CONTINUED*

Financial assets measured at fair value through profit or loss – debt securities

Debt securities can be irrevocably designated, at initial recognition, as measured at fair value through profit or loss where doing so would eliminate or significantly reduce a measurement or recognition inconsistency or otherwise results in more relevant information. Fair value on initial recognition is determined as the purchase cost of the asset, exclusive of any transaction costs. Transaction costs are expensed as incurred in profit or loss. Subsequent measurement is determined with reference to the bid price at the reporting date. Any realised and unrealised gains or losses arising from subsequent measurement at fair value are recognised in the Consolidated income statement in the period in which they arise.

Financial assets measured at fair value through OCI – debt securities

Debt securities are measured at fair value through OCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair value through OCI instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses and impairment losses or reversals are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. The accumulated gains or losses recognised in OCI are recycled to profit and loss upon derecognition of the assets.

The group classifies debt securities held by AMP Bank under this category.

Financial assets measured at fair value through OCI – equity securities

Upon initial recognition, the group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets measured at amortised cost – debt securities

Refer to note 2.1 for details.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Financial assets measured at fair value

Where available, quoted market prices for the same or similar instruments are used to determine fair value. Where there is no market price available for an instrument, a valuation technique is used. Management applies judgement in selecting valuation techniques and setting valuation assumptions and inputs. Further detail on the determination of fair value of financial instruments is set out in note 2.7.

Notes to the financial statements

for the year ended 31 December 2021

2.3 INTANGIBLES

	Goodwill \$m	Capitalised costs \$m	Value of in-force business \$m	Distribution networks \$m	Other intangibles \$m	Total \$m
2021						
Balance at the beginning of the year	157	228	114	119	11	629
Additions through separate acquisitions	–	–	–	49	–	49
Additions through internal development	–	51	–	–	–	51
Reductions through disposal	–	(40)	(24)	(96)	–	(160)
Transferred from inventories	–	–	–	2	–	2
Amortisation expense	–	(93)	(90)	(18)	(1)	(202)
Impairment loss	–	(19)	–	(6)	–	(25)
Transferred to assets held for sale	(8)	–	–	–	(6)	(14)
Balance at the end of the year	149	127	–	50	4	330

	Goodwill \$m	Capitalised costs \$m	Value of in-force business \$m	Distribution networks \$m	Other intangibles \$m	Total \$m
2020						
Balance as at 1 January 2020	172	223	341	127	14	877
Impact of changes in accounting policies ¹	–	(11)	–	–	–	(11)
Restated balance at the beginning of the year	172	212	341	127	14	866
Additions through acquisitions of controlled entities	–	–	–	8	–	8
Additions through separate acquisitions	–	–	–	83	–	83
Additions through internal development	–	93	–	–	–	93
Reductions through disposal	(15)	(12)	(177)	(66)	–	(270)
Transferred to inventories	–	–	–	(3)	–	(3)
Amortisation expense ²	–	(64)	(50)	(26)	(3)	(143)
Impairment loss	–	(1)	–	(4)	–	(5)
Balance at the end of the year	157	228	114	119	11	629

1 Relates to the change of the accounting policy of Software as a Service (SaaS) arrangements.

2 Amortisation expense includes amortization related to the WP and mature businesses of \$nil (2020: \$17m).

2.3 INTANGIBLES CONTINUED

CHANGE IN ACCOUNTING POLICIES

Software as a Service (SaaS) arrangements

Up until the IFRIC decision published in April 2021, generally accepted accounting practice was to capitalise costs associated with establishing a SaaS platform, such as configuration and customisation costs, on the basis that the benefits associated with such costs would be realised over multiple future financial periods. Pursuant to the IFRIC decision, the group's accounting policy for SaaS Cloud Platform costs is to expense costs related to configuration and customisation of SaaS Cloud platforms in the period in which such services are received unless identifiable and distinct intangible assets controlled by the group are created.

The change in policy has been applied retrospectively through opening retained earnings and comparatives have been restated.

The impact on the group's financial statements to reflect the write-off of previously capitalised costs is shown in the table below. A positive number indicates an increase in the relevant balance and a negative amount signifies a reduction.

\$m	Previously reported	Impact of change	Revised amount
Statement of financial position			
1 January 2020			
Retained earnings	(3,509)	(8)	(3,517)
31 December 2020			
Intangible assets	640	(11)	629
Total assets	32,164	(11)	32,153
Deferred tax liabilities	229	(3)	226
Total liabilities	27,882	(3)	27,879
Net assets	4,282	(8)	4,274
Retained earnings	(3,671)	(8)	(3,679)
Statement of comprehensive income			
For the year ended 31 December 2020			
Information technology and communication expenses	239	4	243
Amortisation of intangibles	126	(4)	122
Profit before tax, continuing operations	51	–	51
Income tax credit	19	–	19
Profit after tax, continuing operations	70	–	70

Notes to the financial statements

for the year ended 31 December 2021

2.3 INTANGIBLES *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Goodwill

Goodwill acquired in a business combination is recognised at cost and subsequently measured at cost less any accumulated impairment losses. The cost represents the excess of the cost of a business combination over the fair value of the identifiable assets acquired and liabilities assumed.

Capitalised costs

Costs are capitalised when the costs relate to the creation of an asset with expected future economic benefits which are capable of reliable measurement. Capitalised costs are amortised on a straight-line basis over the estimated useful life of the asset, commencing at the time the asset is first put into use or held ready for use, whichever is the earlier.

Value of in-force business

The value of in-force business represents the fair value of future business arising from existing contractual arrangements of a business acquired as part of a business combination. The value of in-force business is initially measured at fair value and is subsequently measured at fair value less amortisation and any accumulated impairment losses.

Distribution networks

Distribution networks such as customer lists, financial planner client servicing rights or other distribution-related rights, either acquired separately or through a business combination, are initially measured at fair value and subsequently measured at cost less amortisation and any accumulated impairment losses.

Amortisation

Intangible assets with finite useful lives are amortised on a straight-line basis over the useful life of the intangible asset. The estimated useful lives are generally:

Item	Useful life
Capitalised costs	Up to 10 years
Distribution networks	2 to 15 years

The useful life of each intangible asset is reviewed at the end of the period and, where necessary, adjusted to reflect current assessments.

Impairment testing

Goodwill and intangible assets that have indefinite useful lives are tested at least annually for impairment. Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). An impairment loss is recognised when the CGU's carrying amount exceeds the CGU's recoverable amount. When applicable, an impairment loss is first allocated to goodwill and any remainder is then allocated to the other assets on a pro-rata basis.

2.3 INTANGIBLES CONTINUED

Composition of goodwill

The goodwill of \$149m (2020: \$157m) arose from historical acquisitions where the AMP group was the acquirer. Goodwill attributable to the relevant CGUs is presented in the table below.

	2021 \$m	2020 \$m
New Zealand wealth management (NZ WM)	70	70
AMP Capital	79	87
	149	157

The annual impairment assessment for both NZ WM and AMP Capital resulted in significant headroom in both the CGUs. There was no reasonably possible change to a key assumption used in the impairment assessment that would result in an impairment at 31 December 2021.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Management applies judgement in selecting valuation techniques and setting valuation assumptions to determine the:

- acquisition date fair value and estimated useful life of acquired intangible assets;
- allocation of goodwill to CGUs and determining the recoverable amount of the CGUs; and
- assessment of whether there are any impairment indicators for acquired intangibles and internally generated intangibles, where required, in determining the recoverable amount.

Notes to the financial statements

for the year ended 31 December 2021

2.4 OTHER ASSETS

	2021 \$m	2020 \$m
Planner registers held for sale	11	28
Prepayments	66	59
Property, plant and equipment	73	90
Total other assets	150	177
<i>Current</i>	71	73
<i>Non-current</i>	79	104

2.5 RECEIVABLES

	2021 \$m	2020 \$m
Investment related receivables	13	3
Client register receivables	41	62
Collateral receivables	47	203
Trade debtors and other receivables	471	434
Total receivables¹	572	702
<i>Current</i>	571	651
<i>Non-current</i>	1	51

1. Receivables are presented net of ECL of \$34m (2020: \$11m).

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Receivables

Trade debtors, client register, collateral and other receivables are measured at amortised cost, less an allowance for ECLs. Investment related receivables are financial assets measured at fair value through profit or loss.

The group applies a simplified approach in calculating ECLs for receivables. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.6 PAYABLES

	2021 \$m	2020 \$m
Accrued expenses	177	158
Trade creditors and other payables	172	133
Total payables	349	291
<i>Current</i>	349	288
<i>Non-current</i>	-	3

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Payables

Payables are measured at the nominal amount payable. Given the short-term nature of most payables, the nominal amount payable approximates fair value.

Notes to the financial statements

for the year ended 31 December 2021

2.7 FAIR VALUE INFORMATION

The following table shows the carrying amount and estimated fair values of financial instruments including their levels in the fair value hierarchy.

2021	Carrying amount \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total fair value \$m
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	13	–	–	13	13
Debt securities	2,935	2,184	751	–	2,935
Unlisted managed investment schemes	314	27	236	51	314
Derivative financial assets	334	–	334	–	334
Total financial assets measured at fair value	3,596	2,211	1,321	64	3,596
Financial assets not measured at fair value					
Loans and advances	22,047	–	–	22,227	22,227
Debt securities	88	–	88	–	88
Total financial assets not measured at fair value	22,135	–	88	22,227	22,315
Financial liabilities measured at fair value					
Derivative financial liabilities	185	–	185	–	185
Collateral deposits held	108	–	108	–	108
Guarantee liabilities	85	–	–	85	85
Total financial liabilities measured at fair value	378	–	293	85	378
Financial liabilities not measured at fair value					
AMP Bank					
– Deposits	17,791	–	17,808	–	17,808
– Other	6,631	–	6,663	–	6,663
Corporate borrowings	1,695	–	1,716	–	1,716
Total financial liabilities not measured at fair value	26,117	–	26,187	–	26,187

2.7 FAIR VALUE INFORMATION CONTINUED

2020	Carrying amount \$m	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total fair value \$m
Financial assets measured at fair value					
Equity securities and listed managed investment schemes	87	80	–	7	87
Debt securities	3,900	2,413	1,487	–	3,900
Unlisted managed investment schemes	149	–	108	41	149
Derivative financial assets	369	–	369	–	369
Total financial assets measured at fair value	4,505	2,493	1,964	48	4,505
Financial assets not measured at fair value					
Loans and advances	20,526	–	–	20,649	20,649
Debt securities	582	–	582	–	582
Total financial assets not measured at fair value	21,108	–	582	20,649	21,231
Financial liabilities measured at fair value					
Derivative financial liabilities	376	–	376	–	376
Collateral deposits held	127	–	127	–	127
Guarantee liabilities	151	–	–	151	151
Total financial liabilities measured at fair value	654	–	503	151	654
Financial liabilities not measured at fair value					
AMP Bank					
– Deposits	16,129	–	16,129	–	16,129
– Other	6,443	–	6,503	–	6,503
Corporate borrowings	2,344	–	2,344	–	2,344
Total financial liabilities not measured at fair value	24,916	–	24,976	–	24,976

Notes to the financial statements

for the year ended 31 December 2021

2.7 FAIR VALUE INFORMATION CONTINUED

AMP's methodology and assumptions used to estimate the fair value of financial instruments are described below:

Equity securities and listed managed investment schemes	The fair value of listed equity securities traded in an active market and listed managed investment schemes reflects the quoted bid price at the reporting date. In the case of equity securities where there is no active market, fair value is established using valuation techniques including the use of recent arm's length transactions, references to other instruments that are substantially the same, discounted cash flow analysis and option pricing models.
Debt securities	The fair value of listed debt securities reflects the bid price at the reporting date. Listed debt securities that are not frequently traded are valued by discounting estimated recoverable amounts. The fair value of unlisted debt securities is estimated using interest rate yields obtainable on comparable listed investments. For debt securities with a maturity of less than 12 months, par value is considered a reasonable approximation of fair value.
Loans	The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received, based on the maturity profile of the loans. As the loans are unlisted, the discount rates applied are based on the yield curve appropriate to the remaining term of the loans. The loans may, from time to time, be measured at an amount in excess of fair value due to fluctuations on fixed rate loans. In these situations, as the fluctuations in fair value would not represent a permanent diminution and the carrying amounts of the loans are recorded at recoverable amounts after assessing impairment, it would not be appropriate to restate their carrying amount.
Unlisted managed investment schemes	The fair value of investments in unlisted managed investment schemes is determined on the basis of published redemption prices of those managed investment schemes at the reporting date.
Derivative financial assets and liabilities	The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices (current bid price or current offer price) at the reporting date. The fair value of financial instruments not traded in an active market (e.g. over-the-counter derivatives) is determined using valuation techniques. Valuation techniques include net present value techniques, option pricing models, discounted cash flow methods and comparison to quoted market prices or dealer quotes for similar instruments. The models use a number of inputs, including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies, interest rate curves and forward rate curves of the underlying instruments. Some derivatives contracts are significantly cash collateralised, thereby minimising both counterparty risk and the group's own non-performance risk.
Corporate borrowings	Borrowings comprise commercial paper, drawn liquidity facilities, various floating-rate and medium-term notes and subordinated debt. The estimated fair value of borrowings is determined with reference to quoted market prices. For borrowings where quoted market prices are not available, a discounted cash flow model is used, based on a current yield curve appropriate for the remaining term to maturity. For short-term borrowings, the par value is considered a reasonable approximation of the fair value.
AMP Bank deposits and other borrowings	The estimated fair value of deposits and other borrowings represents the discounted amount of estimated future cash flows expected to be paid based on the residual maturity of these liabilities. The discount rate applied is based on a current yield curve appropriate for similar types of deposits and borrowings at the reporting date.
Guarantee liabilities	The fair value of the guarantee liabilities is determined as the net present value of future cash flows discounted using market rates. The future cash flows are determined using risk neutral stochastic projections based on assumptions such as mortality rate, lapse rate and asset class allocation/correlation. The future cash flows comprise expected guarantee claims and hedging expenses net of expected fee revenue.

2.7 FAIR VALUE INFORMATION CONTINUED

The financial assets and liabilities measured at fair value are categorised using the fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

- Level 1: the fair value is valued by reference to quoted prices and active markets for identical assets or liabilities;
- Level 2: the fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There have been no significant transfers between Level 1 and Level 2 during the 2021 financial year. Transfers to and from Level 3 are shown in the Reconciliation of Level 3 values table later in this note.

Level 3 fair values

For financial assets measured at fair value on a recurring basis and categorised within Level 3 of the fair value hierarchy, the valuation processes applied in valuing such assets was governed by valuation policies adopted by the AMP group including the AMP Capital valuation policy. These policies outline the asset valuation methodologies and processes applied to measure non-exchange traded assets which have no regular market price, including investment property, infrastructure, private equity, alternative assets, and illiquid debt securities. All significant Level 3 assets were referred to the appropriate valuation committee who met at least every six months, or more frequently if required.

The following table shows the valuation techniques used in measuring Level 3 fair values of financial assets measured at fair value on a recurring basis, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs
Equity securities and listed managed investment schemes	Discounted cash flow approach utilising cost of equity as the discount rate	Discount rate Terminal value growth rate Cash flow forecasts
Unlisted managed investment schemes	Published redemption prices	Judgement made in determining unit prices
Guarantee liabilities	Discounted cash flow approach	Discount rate Hedging costs

Sensitivity

The following table illustrates the impacts to profit before tax and equity resulting from reasonably possible changes in key assumptions.

	2021		2020	
	(+) \$m	(-) \$m	(+) \$m	(-) \$m
Financial assets¹				
Equity securities and listed managed investment schemes	1	(1)	1	(1)
Unlisted managed investment schemes	5	(5)	4	(4)
Financial liabilities²				
Guarantee liabilities	(2)	(3)	1	(3)

1 Reasonably possible changes in price movements of 10% (2020: 10%) have been applied in determining the impact on profit after tax and equity.

2 Reasonably possible changes in equity market movements of 20% (2020: 20%) and bond yield movements of 50bps (2020: 50bps) have been applied in determining the impact on profit after tax and equity.

Notes to the financial statements

for the year ended 31 December 2021

2.7 FAIR VALUE INFORMATION CONTINUED

Reconciliation of Level 3 values

The following table shows movements in the fair values of financial instruments measured at fair value on a recurring basis and categorised as Level 3 in the fair value hierarchy:

	Balance at the beginning of the year	FX gains or losses	Total gains/losses	Purchases/deposits	Sales/withdrawals	Net transfers in/(out)	Balance at the end of the year	Total gains and losses on assets and liabilities held at reporting date
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2021								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	7	–	(1)	8	(1)	–	13	–
Unlisted managed investment schemes	41	1	3	7	–	–	51	3
Liabilities classified as Level 3								
Guarantee liabilities	151	–	(33)	–	(33)	–	85	(33)
2020								
Assets classified as Level 3								
Equity securities and listed managed investment schemes	2,515	–	(11)	63	(2,567)	7	7	–
Debt securities	127	–	–	–	(127)	–	–	–
Unlisted managed investment schemes	2,671	–	2	158	(2,831)	41	41	4
Investment properties	161	–	3	–	(164)	–	–	–
Liabilities classified as Level 3								
Guarantee liabilities	121	–	35	4	(9)	–	151	35
Investment contract liabilities	70,066	(7)	(6,201)	2,008	(65,866)	–	–	–

3

SECTION

CAPITAL STRUCTURE AND FINANCIAL RISK MANAGEMENT

This section provides information relating to:

- the AMP group's capital management and equity and debt structure; and
- exposure to financial risks – how the risks affect financial position and performance and how the risks are managed, including the use of derivative financial instruments

The capital structure of the AMP group consists of equity and debt. AMP determines the appropriate capital structure in order to finance the current and future activities of the AMP group and satisfy the requirements of the regulator. The directors review the group's capital structure and dividend policy regularly and do so in the context of the group's ability to satisfy minimum and target capital requirements.

- 3.1 Contributed equity
- 3.2 Interest-bearing liabilities
- 3.3 Financial risk management
- 3.4 Derivatives and hedge accounting
- 3.5 Capital management

3.1 CONTRIBUTED EQUITY

	2021 \$m	2020 \$m
Issued capital		
3,266,105,853 (2020: 3,436,599,241) ordinary shares fully paid	10,159	10,355
Treasury shares¹		
2,126,387 (2020: 2,126,387) treasury shares	(6)	(6)
Total contributed equity		
3,263,979,466 (2020: 3,434,472,854) ordinary shares fully paid	10,153	10,349
Issued capital		
Balance at the beginning of the year	10,355	10,402
170,493,388 (2020: nil) shares purchased on-market	(196)	–
Deconsolidation of discontinued operations	–	(47)
Balance at the end of the year	10,159	10,355
Treasury shares		
Balance at the beginning of the year	(6)	(103)
Decrease due to deconsolidation of discontinued operations	–	97
Balance at the end of the year	(6)	(6)

1 Held by AMP Foundation.

Holders of ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Fully paid ordinary shares carry the right to one vote per share. Ordinary shares have no par value.

Notes to the financial statements

for the year ended 31 December 2021

3.1 CONTRIBUTED EQUITY *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Issued capital

Issued capital in respect of ordinary shares is recognised as the fair value of consideration received by the AMP Limited entity. Incremental costs directly attributable to the issue of certain new shares are recognised in equity as a deduction, net of tax, from the proceeds.

Treasury shares

The AMP group is not permitted to recognise Treasury shares in the Consolidated statement of financial position. These shares, plus any corresponding Consolidated income statement fair value movement on the shares and dividend income, are eliminated on consolidation.

AMP Foundation also holds AMP Limited shares. These shares, plus any corresponding Consolidated income statement fair value movement on the shares and any dividend income, are eliminated on consolidation.

3.2 INTEREST-BEARING LIABILITIES

(a) Interest-bearing liabilities

	2021			2020		
	Current \$m	Non- current \$m	Total \$m	Current \$m	Non- current \$m	Total \$m
Interest-bearing liabilities						
AMP Bank						
– Deposits ¹	17,656	135	17,791	15,990	139	16,129
– Other	3,200	3,431	6,631	3,976	2,467	6,443
Corporate entity borrowings ²						
– 6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	60	–	60	–	63	63
– AMP Notes 3 (first call 2023, maturity 2028) ³	–	250	250	–	250	250
– AMP Subordinated Notes ³	250	–	250	–	250	250
– AMP Capital Notes	–	–	–	266	–	266
– AMP Capital Notes 2 ⁴	–	272	272	–	271	271
– USD Medium Term Notes	–	–	–	398	–	398
– CHF Medium Term Notes ⁵	238	625	863	–	846	846
Total interest-bearing liabilities	21,404	4,713	26,117	20,630	4,286	24,916

1 Deposits comprise at call customer deposits and customer term deposits at variable interest rates with the AMP Bank.

2 The current/non-current classification of corporate entity borrowings is based on the maturity of the underlying debt instrument and related principal repayment obligations. The carrying value of corporate entity borrowings includes interest payable of \$5m (2020: \$10m) which is expected to be settled within the next 12 months.

3 AMP Note 3 and AMP Subordinated Notes are floating rate subordinated unsecured notes. These were issued 15 November 2018 and 1 September 2017 respectively, and mature 15 November 2028 and 1 December 2027 respectively. Subject to APRA approval, AMP has the right but not the obligation, to redeem all or some of the Notes 15 November 2023 and 1 December 2022 respectively, or, subject to certain conditions, at a later date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.

4 AMP Capital Notes 2 (ASX:AMPPB) were issued 23 December 2019. Subject to APRA approval, AMP has the right, but not the obligation, to redeem all or some of the notes 16 December 2025, or, subject to certain conditions, at a later date. They are perpetual notes with no maturity date. In certain circumstances, AMP may be required to convert some or all of the Notes into AMP ordinary shares.

5 CHF 110m Senior Unsecured Fixed Rate Bond was issued 19 June 2018 and matures 19 December 2022. This Bond was subsequently increased by CHF 50m on 19 September 2018. CHF 140m Senior Unsecured Fixed Rate Bond was issued 18 April 2019 and matures 18 July 2023. This Bond was subsequently increased by CHF 100m on 3 December 2019. CHF 175m Senior Unsecured Fixed Rate Bond was issued 3 March 2020 and matures 3 June 2024.

3.2 INTEREST-BEARING LIABILITIES *CONTINUED*

(b) Financing arrangements

Loan facilities and note programs

Loan facilities and note programs comprise facilities arranged through bond and note issues, as well as financing facilities provided through bank loans under normal commercial terms and conditions.

	2021 \$m	2020 \$m
Available loan facilities ¹	1,950	1,450
Note program capacity	15,677	14,087
Used	(1,824)	(3,034)
Unused facilities and note programs at the end of the year	15,803	12,503

1 Available loan facilities include bilateral facilities of \$450m which mature on 30 April 2022.

(c) Changes in liabilities arising from operating and financing activities

	2021 \$m	2020 \$m
1 January	24,916	22,852
Cash flows	1,185	327
Deconsolidation of WP and mature businesses	–	1,795
Other	16	(58)
31 December	26,117	24,916

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Interest-bearing liabilities are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

It is AMP's policy to hedge currency and interest rate risk arising on issued bonds and subordinated debt. When fair value hedge accounting is applied, the carrying amounts of borrowings and subordinated debt are adjusted for changes in fair value related to the hedged risk for the period that the hedge relationship remains effective. Any changes in fair value for the period are recognised in the Consolidated income statement. In cash flow hedge relationships the borrowings are not revalued.

Finance costs include:

- (i) borrowing costs:
 - interest on bank overdrafts, borrowings and subordinated debt;
 - amortisation of discounts or premiums related to borrowings;
- (ii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs; and
- (iii) changes in the fair value of derivative hedges together with any change in the fair value of the hedged assets or liabilities that are designated and qualify as fair value hedges, foreign exchange gains and losses and other financing-related amounts. Changes in the fair value of derivatives in effective cash flow hedges are recognised in the cash flow hedge reserve. The accounting policy for derivatives is set out in note 3.4.

Finance costs are recognised as expenses when incurred.

Notes to the financial statements

for the year ended 31 December 2021

3.3 FINANCIAL RISK MANAGEMENT

The AMP Limited Board has overall responsibility for the risk management framework including the approval of AMP's strategic plan, risk management strategy and risk appetite. Specifically, financial risk arises from the holding of financial instruments and financial risk management (FRM) is an integral part of the AMP group's enterprise risk management framework.

This note discloses financial risk in accordance with the categories in AASB 7 *Financial Instruments: Disclosures*:

- market risk;
- liquidity and refinancing risk; and
- credit risk.

These risks are managed in accordance with the board-approved risk appetite statement and the individual policies for each risk category and business approved by the Chief Financial Officer (CFO) under delegation from the AMP Group Asset and Liability Committee (Group ALCO).

(a) Market risk

Market risk is the risk that the fair value of assets and liabilities, or future cash flows of a financial instrument, will fluctuate due to movements in the financial markets including interest rates, foreign exchange rates, equity prices, property prices, credit spreads, commodity prices, market volatilities and other financial market variables.

The following table provides information on significant market risk exposures for the AMP group, which could lead to an impact on the AMP group's profit after tax and equity, and the management of those exposures.

Market risk	Exposures	Management of exposures and use of derivatives
<p>Interest rate risk</p> <p>The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations in the fair value or future cash flows of financial instruments due to changes in market interest rates.</p> <p>Interest rate movements could result from changes in the absolute levels of interest rates, the shape of the yield curve, the margin between yield curves and the volatility of interest rates.</p>	<p>The AMP group's long-term borrowings and subordinated debt.</p> <hr/> <p>AMP Bank interest rate risk from mismatches in the repricing terms of assets and liabilities (term risk) and variable rate short-term repricing bases (basis risk).</p>	<p>Interest rate risk is managed by entering into interest rate swaps, which have the effect of converting borrowings from floating rate to fixed rate.</p> <hr/> <p>AMP Bank uses natural offsets, interest rate swaps and basis swaps to hedge the mismatches within exposure limits. Group Treasury manages the exposure in AMP Bank by maintaining a net interest rate risk position within the limits delegated and approved by the AMP Bank Board.</p>
<p>Currency risk</p> <p>The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations of the fair value of a financial asset, liability or commitment due to changes in foreign exchange rates.</p>	<p>Foreign currency denominated assets and liabilities.</p> <p>Foreign equity accounted associates and capital invested in overseas operations.</p> <p>Foreign exchange rate movements on specific cash flow transactions.</p>	<p>The AMP group uses swaps to hedge the interest rate risk and foreign currency risk on foreign currency denominated borrowings but does not hedge the capital invested in overseas operations.</p> <p>The AMP group hedges material foreign currency risk originated by receipts and payments once the value and timing of the expected cash flow is known.</p> <p>In addition, the AMP group will at times pre-hedge any future (but not expected) foreign currency receipts and payments, subject to market conditions.</p>
<p>Equity price risk</p> <p>The risk of an impact on the AMP group's profit after tax and equity arising from fluctuations in the fair value or future cash flows of a financial instrument due to changes in equity prices.</p>	<p>Exposure for shareholders includes listed and unlisted shares, guarantee liabilities and participation in equity unit trusts.</p>	<p>Group Treasury may, with Group ALCO approval, use equity exposures or equity futures or options to hedge other enterprise-wide equity exposures.</p>

3.3 FINANCIAL RISK MANAGEMENT CONTINUED

(a) Market risk *continued*

Sensitivity analysis

The table below includes sensitivity analysis showing how the profit after tax and equity would have been impacted by changes in market risk variables. The analysis:

- shows the direct impact of a reasonably possible change in market rates and is not intended to illustrate a remote, worst case stress test scenario;
- assumes that all underlying exposures and related hedges are included and the change in variable occurs at the reporting date; and
- does not include the impact of any mitigating management actions over the period to the subsequent reporting date.

The categories of risks faced and methods used for deriving sensitivity information did not change from previous periods.

Sensitivity analysis	Change in variables	2021		2020	
		Impact on profit after tax Increase (decrease) \$ m	Impact on equity ¹ Increase (decrease) \$ m	Impact on profit after tax Increase (decrease) \$ m	Impact on equity ¹ Increase (decrease) \$ m
Interest rate risk					
Impact of a 100 basis point (bp) change in Australian and international interest rates.	- 100bp	2.7	10.4	(0.4)	2.9
	+100bp	(4.0)	(10.9)	(0.5)	(3.7)
Currency risk					
Impact of a 10% movement of exchange rates against the Australian dollar on currency sensitive monetary assets and liabilities.	10% depreciation of AUD	0.1	99.1	0.2	86.7
	10% appreciation of AUD	(0.5)	(81.5)	(0.5)	(71.3)
Equity price risk					
Impact of a 10% movement in Australian and international equities. Any potential impact on fees from the AMP group's investment-linked business in is not included.	10% increase in:				
	Australian equities	0.1	0.1	0.6	0.6
	International equities	–	–	0.2	0.2
	10% decrease in:				
Australian equities	(0.7)	(0.7)	(0.4)	(0.4)	
International equities	(0.9)	(0.9)	(0.9)	(0.9)	

1 Included in the impact on equity is both the impact on profit after tax as well as the impact of amounts that would be taken directly to equity in respect of the portion of changes in the fair value of derivatives that qualify as cash flow hedges for hedge accounting.

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for the year ended 31 December 2021

3.3 FINANCIAL RISK MANAGEMENT *CONTINUED*

(b) Liquidity and refinancing risk

Risk	Exposures	Management of exposures
Liquidity risk		
The risk that the AMP group is not able to meet its obligations as they fall due because of an inability to liquidate assets or obtain adequate funding when required.	The AMP group corporate debt portfolio, AMP Bank and AMP Capital through various investment funds, entities or mandates that AMP manages or controls within the AMP group.	Group Treasury maintains a defined surplus of cash to mitigate refinancing risk, satisfy regulatory requirements and protect against liquidity shocks in accordance with the liquidity risk management policy approved by the Group ALCO.
Refinancing risk		
The risk that the AMP group is not able to refinance the full quantum of its ongoing debt requirements on appropriate terms and pricing.		

Maturity analysis

Below is a summary of the maturity profiles of AMP's undiscounted financial liabilities and off-balance sheet items at the reporting date, based on contractual undiscounted repayment obligations. Repayments that are subject to notice are treated as if notice were to be given immediately.

	Up to 1 year \$m	1 to 5 years \$m	Over 5 years \$m	Not specified \$m	Total \$m
2021					
Non-derivative financial liabilities					
Payables	349	–	–	–	349
Borrowings ¹	20,079	5,129	312	–	25,520
Lease liabilities	33	86	41	–	160
Subordinated debt	89	96	807	–	992
Guarantee liabilities	–	–	–	85	85
Derivative financial instruments					
Interest rate and cross-currency swaps	125	102	29	–	256
Off-balance sheet items					
Credit-related commitments – AMP Bank ²	3,702	–	–	–	3,702
Lease commitments	37	214	483	–	734
Investment commitments	–	–	–	452	452
Total undiscounted financial liabilities and off-balance sheet items	24,414	5,627	1,672	537	32,250

1 Borrowings include AMP Bank deposits.

2 Credit-related loan commitments are off-balance sheet as they relate to unexercised commitments to lend to customers of AMP Bank.

3.3 FINANCIAL RISK MANAGEMENT *CONTINUED*

(b) Liquidity and refinancing risk *continued*

2020	Up to 1 year \$m	1 to 5 years \$m	Over 5 years \$m	Not specified \$m	Total \$m
Non-derivative financial liabilities					
Payables	288	3	–	–	291
Borrowings ¹	19,854	3,360	796	–	24,010
Lease liabilities	58	127	58	–	243
Subordinated debt	42	217	1,095	–	1,354
Guarantee liabilities	–	–	–	151	151
Derivative financial instruments					
Interest rate and cross-currency swaps	50	84	21	–	155
Off-balance sheet items					
Credit-related commitments – AMP Bank ²	3,398	–	–	–	3,398
Lease commitments	–	208	527	–	735
Buy-back arrangement commitments	89	–	–	–	89
Investment commitments	–	–	–	217	217
Total undiscounted financial liabilities and off-balance sheet items	23,779	3,999	2,497	368	30,643

1 Borrowings include AMP Bank deposits.

2 Credit-related loan commitments are off-balance sheet as they relate to unexercised commitments to lend to customers of AMP Bank.

(c) Credit risk

Credit risk management is decentralised in business units within AMP, with the exception of credit risk directly and indirectly impacting shareholder capital, which is measured and managed on an aggregate basis by Group Treasury at the AMP group level and reported to Group ALCO.

Risk	Exposures	Management of exposures and use of derivatives
Credit risk		
Credit default risk is the risk of financial or reputational loss due to a counterparty failing to meet their contractual commitments in full and on time.	Wholesale credit risk, including portfolio construction, in the fixed income portfolios managed by AMP Capital.	Managed by individual investment teams. There is also a dedicated credit research team and a specific credit investment committee. The investment risk and performance team provides reports to the AMP Capital Investment Committee.
Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty or where a number of counterparties are engaged in similar business activities that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.	Credit risk arising in AMP Bank as part of lending activities and management of liquidity.	Managed as prescribed by AMP Bank's Risk Appetite Statement and reported to the AMP Bank Credit Risk Committee (lending activities) and the AMP Bank ALCO (management of liquidity). Specific detail relating to credit risk management of the AMP Bank loan portfolio is outlined below.

The AMP Concentration and Credit Default Risk Policy sets out the assessment and determination of what constitutes credit concentration risk. The policy sets exposure limits based on each counterparty's credit rating (unless special considerations are defined). Additional limits are set for the distribution of the total portfolio by credit rating bands. Compliance with this policy is monitored and exposures and breaches are reported to portfolio managers, senior management and the AMP Board Risk Committee through periodic financial risk management reports.

Notes to the financial statements

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3.3 FINANCIAL RISK MANAGEMENT *CONTINUED*

(c) Credit risk *continued*

Group Treasury also might enter into credit default swaps to hedge the concentration risk exposure against a specific issuer, or aggregated at the parent entity, when material exposures are over the authorised limit.

The exposures on interest-bearing securities and cash equivalents which impact AMP's capital position are managed by Group Treasury within limits set by the AMP Concentration and Credit Default Risk Policy.

Impairment assessment

DEFINITION OF DEFAULT

AMP Bank considers a financial asset defaulted and hence Stage 3 impaired when payment is 90 days past due or when there is no longer reasonable assurance that principal or interest will be collected in their entirety on a timely basis.

AMP BANK'S INTERNAL RISK GRADING AND PD ESTIMATION PROCESS

AMP Bank's credit risk management department runs expected credit loss models for the residential mortgage book as well as the practice finance loans.

- The Bank's residential mortgage book is a portfolio with a low number of defaults. In recent times, the Bank's residential mortgage book has grown significantly, and a larger history of default data has been captured.
- This has enabled the Bank to successfully develop its internal behavioural scorecards which have been used to replace the benchmark PDs in an endeavour to better risk rank order the portfolio by credit risk worthiness.

Internal risk grades for the residential mortgage book are as follows:

Internal credit rating grade	Internal credit rating grade description
Performing	Not in arrears in the past six months
Past due but not impaired	Accounts in arrears but have not been past 90 days in the last six months
Impaired	90 days past due over the last six months

- For practice finance loans a Probability of Default risk grade model is applied that includes weighted risk factors such as Interest Coverage Ratio, revenue growth, licence compliance rating, experience in business and arrears levels. Practices on watch-list are also downgraded. Credit judgement may be applied to arrive at the final risk grade.

Internal risk grades for practice finance book are as follows:

Internal risk grade	Internal risk Grade description	Broadly corresponds with Standard & Poor ratings of
A to H	Sub-investment Grade	BB+ to CCC
I	Impaired	D

The Bank's interbank and financial institutions exposures as well as exposures to interest-bearing securities are based on external credit rating of the counterparties as follows:

Internal risk grade description	Broadly corresponds with Standard & Poor ratings of
Senior Investment Grade	AAA to A-
Investment Grade	BBB+ to BBB-
Sub-investment Grade	BB+ up to but not including defaulted or impaired

EXPOSURE AT DEFAULT (EAD)

EAD is modelled by applying assumptions in relation to the amortisation of the loans based on scheduled principal and interest repayments except for Stage 3 loans.

LOSS GIVEN DEFAULT (LGD)

For the residential mortgage portfolio the key driver for the LGD calculation is the value of the underlying property, as in a foreclosure scenario the proceeds from the sale of a property are secured by the Bank to repay the loan. The value of the underlying residential property is captured via the LVR which factors both changes in loan balance and estimated value of the collateral using market data and indices. Both floor and haircuts are applied to provide for model risk.

For practice finance loans, the LGD is calculated via assumptions to the reduction in valuations of practices (being a multiple of their recurring cash flows) in the event of default, such as client run-off or deterioration in valuation due to compliance issues. In addition, haircuts are applied to cater for the volatility observed in the register values in the event of default but also general volatility in valuations over time.

3.3 FINANCIAL RISK MANAGEMENT CONTINUED

(c) Credit risk *continued*

GROUPING OF FINANCIAL ASSETS FOR EXPECTED CREDIT LOSSES (ECL) CALCULATION

Asset classes where the bank calculates ECL on an individual basis include all Stage 3 assets, and interbank and debt securities at FVOCI.

For all other asset classes ECL is calculated on a collective basis taking into account risk factors for each loan and arriving at the ECL estimate and then aggregating the number for the relevant portfolio.

FORWARD-LOOKING INFORMATION

The Bank's ECL model incorporates a number of forward-looking macroeconomic factors (MEF) that are reviewed on a quarterly basis and approved by the Credit Risk Committee (CRC). The MEF include unemployment, property prices, ASX Index and Cash Rate.

At least three different scenarios with fixed weightings are used in the model. The weightings are reviewed on an annual basis.

The ECL is calculated as the probability weighted average of the provision calculated for each economic scenario.

MANAGEMENT OVERLAY

Management overlay is required to mitigate model risk and any systemic risk that is not recognised by the model.

The management overlays are reviewed on an annual basis or more frequently if required and presented to the CRC and Board Audit Committee (BAC) for sign off.

WRITE-OFFS

Financial assets are written off either partially or in their entirety only when there is no reasonable expectation of recovery. Recovery actions can cease if they are determined as being no longer cost effective or in some situations where the customers have filed for bankruptcy.

CREDIT RISK OF THE LOAN PORTFOLIO IN AMP BANK (THE BANK)

The Bank is predominantly a lender for residential properties – both owner occupied and for investment. In every case the Bank completes a credit assessment, which includes cost of living allowance and requires valuation of the proposed security property.

The Bank's CRC and Board Risk Committee (BRC) oversee trends in lending exposures and compliance with the Risk Appetite Statement. The Bank secures its housing loans with mortgages over relevant properties and as a result manages credit risk on its loans with conservative lending policies and particular focus on the LVR. The LVR is calculated by dividing the total loan amount outstanding by the lower of the Bank's approved valuation amount or the purchase price. Loans with LVR greater than 80% are fully mortgage insured. Mortgage insurance is provided by Genworth Mortgage Insurance Australia Ltd and QBE Lenders Mortgage Insurance Ltd who are both regulated by APRA. The Bank has strong relationships with both insurers and experienced minimal levels of historic claim rejections and reductions.

The average LVR at origination of AMP Bank's loan portfolio for existing and new business is set out in the following table:

LVR %	Existing business	New business	Existing business	New business
	2021	2021	2020	2020
	%	%	%	%
0 – 50	17	8	17	6
51 – 60	12	8	11	7
61 – 70	19	15	18	13
71 – 80	36	51	36	50
81 – 90	13	12	14	16
91 – 95	2	6	3	8
> 95	1	–	1	–

RENEGOTIATED LOANS

Where possible, the Bank seeks to restructure loans for borrowers seeking hardship relief rather than take possession of collateral. This may involve capitalising interest repayments for a period and increasing the repayment arrangement for the remaining term of the loan. Once the terms has been renegotiated, the loan is no longer considered past due or an impaired asset unless it was greater than 90 days in arrears in the previous six months or a specific provision has been raised for the loan. The Bank assisted customers by renegotiating \$239m (2020: \$2,391m) of loans during the year, of which \$150m (2020: \$2,263m) relates to hardship granted due to COVID-19, that otherwise would be past due or impaired. Hardship assistance granted due to COVID-19 includes assistance in the form of repayment deferrals.

As at 31 December 2021, \$128m of the total \$150m hardship loans have exited the repayment deferral program and are considered to be performing loans. The impact to the Consolidated income statement of loan modifications is not considered to be material.

Notes to the financial statements

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3.3 FINANCIAL RISK MANAGEMENT *CONTINUED*

(c) Credit risk *continued*

COLLATERAL AND MASTER NETTING OR SIMILAR AGREEMENTS

The AMP group obtains collateral and utilises netting agreements to mitigate credit risk exposures from certain counterparties.

(i) Derivative financial assets and liabilities

The credit risk of derivatives is managed in the context of the AMP group's overall credit risk policies and includes the use of Credit Support Annexes to derivative agreements which facilitate the bilateral posting of collateral as well as the clearing of derivative positions on the London Clearing House.

Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreement. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under an ISDA agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

An ISDA agreement does not automatically meet the criteria for offsetting in the Consolidated statement of financial position. This is because the AMP group, in most cases, does not have any current legally enforceable right to offset recognised amounts.

If these netting arrangements were applied to the derivative portfolio, the derivative assets of \$334m would be reduced by \$143m to the net amount of \$191m and derivative liabilities of \$185m would be reduced by \$143m to the net amount of \$42m (2020: derivative assets of \$369m would be reduced by \$160m to the net amount of \$209m and derivative liabilities of \$376m would be reduced by \$160m to the net amount of \$216m).

(ii) Other collateral

The AMP group has collateral arrangements in place with some counterparties in addition to collateral deposits held with respect to repurchase agreements. The amount and type of collateral required by AMP Bank on housing loans depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

AMP Bank holds collateral against its loans and advances primarily in the form of mortgage interests over property, other registered securities over assets and guarantees.

Management monitors the market value of collateral and will request additional collateral in accordance with the underlying agreement. In the event of customer default, AMP Bank can enforce any security held as collateral against the outstanding claim. Any loan security is usually held as mortgagee in possession while AMP Bank seeks to realise its value through the sale of property. Therefore, AMP Bank does not hold any real estate or other assets acquired through the repossession of collateral.

Collateral generally consists of 11am loans and deposits and is exchanged between the counterparties to reduce the exposure from the net fair value of derivative assets and liabilities between the counterparties. As at 31 December 2021 there was \$108m (2020: \$127m) of collateral deposits (due to other counterparties) and \$47m (2020: \$203m) of collateral loans (due from other counterparties) relating to derivative assets and liabilities.

3.4 DERIVATIVES AND HEDGE ACCOUNTING

The group is exposed to certain risks relating to its ongoing business operations. To mitigate the risks the group uses derivative financial instruments such as cross-currency swaps and interest rate swaps. When the group designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as:

- cash flow hedges;
- fair value hedges; or
- net investment hedges.

Derivative financial instruments are held for risk and asset management purposes only and not for the purpose of speculation. Not all derivatives held are designated as hedging instruments. The group's risk management strategy and how it is applied to manage risk is explained further in note 3.3.

(a) Hedging Instruments

The following table sets out the notional amount of derivative instruments designated in a hedge relationship by relationship type as well as the related carrying amounts.

		Notional amount	Fair value Assets	Fair value Liabilities
		\$m	\$m	\$m
2021				
Hedge type	Hedging instrument			
Cash flow	Interest rate swaps	13,123	80	55
Fair value	Cross-currency swaps	78	–	16
Fair value	Interest rate swaps	62	–	1
Fair value and cash flow	Cross-currency interest rate swaps	828	36	–
Net investment	Foreign currency forward contract	–	–	–
Total		14,091	116	72
2020				
Hedge type	Hedging instrument	Notional amount	Fair value Assets	Fair value Liabilities
		\$m	\$m	\$m
Cash flow	Interest rate swaps	9,568	32	122
Fair value	Cross-currency swaps	83	–	22
Fair value	Interest rate swaps	63	6	–
Fair value and cash flow	Cross-currency interest rate swaps	1,254	–	20
Net investment	Foreign currency forward contract	390	23	1
Total		11,358	61	165

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3.4 DERIVATIVES AND HEDGE ACCOUNTING *CONTINUED*

(b) Hedged items

The following table sets out the carrying amount of hedged items in fair value hedge relationships, and the accumulated amount of fair value hedge adjustments in these carrying amounts. The group does not hedge its entire exposure to a class of financial instruments, therefore the carrying amounts below do not equal the total carrying amounts disclosed in other notes.

	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets \$m	Liabilities \$m	Assets \$m	Liabilities \$m
2021				
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	–	60	17	–
Medium Term Notes	–	787	–	34

	Carrying amount of hedged items		Accumulated amount of fair value adjustments on the hedged items	
	Assets \$m	Liabilities \$m	Assets \$m	Liabilities \$m
2020				
6.875% GBP Subordinated Guaranteed Bonds (maturity 2022)	–	63	16	–
Medium Term Notes	–	1,172	16	–

Fair value hedge relationships resulted in the following changes in the values used to recognise hedge ineffectiveness for the year:

	2021 \$m	2020 \$m
Gain/(loss) on hedging instrument	53	(62)
(Loss)/gain on hedged items attributable to the hedged risk	(48)	56
Gain/(loss) after ineffectiveness	5	(6)

Derivative instruments accounted for as cash flow hedges

The group is exposed to variability in future interest cash flows on non-trading assets and liabilities which bear interest at fixed and variable rates. The group uses interest rate swaps to manage interest rate risks and many of the swaps are cash flow hedges for accounting purposes.

Methods used to test hedge effectiveness and establish the hedge ratio include regression analysis and for some portfolio hedge relationships, a comparison to ensure the expected interest cash flows from the portfolio exceed those of the hedging instruments. The main potential source of hedge ineffectiveness from cash flow hedges is mismatches in the terms of hedged items and hedging instruments, for example the frequency and timing of when interest rates are reset.

During the year the AMP group recognised \$nil (2020: \$nil) due to ineffectiveness on derivative instruments designated as cash flow hedges.

Derivative instruments accounted for as fair value hedges

Fair value hedges are used to protect against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates.

Hedge effectiveness is assessed by comparing the overall changes in the fair value of the hedging instrument against the changes in the fair value of the hedged items attributable to the hedged risks. The main potential source of ineffectiveness on fair value hedges is currency basis spread, which is included in the valuation of the hedging instrument, but excluded from the value of the hedged item.

Hedges of net investments in foreign operations

The group hedges its exposure to changes in exchange rates on the value of its foreign currency denominated seed pool investments. Hedge effectiveness is assessed based on the overall changes in the fair value of the forward contract, primarily using the cumulative dollar offset method.

The AMP group recognised \$nil (2020: \$nil) due to the ineffective portion of hedges relating to investments in seed pool foreign operations.

3.4 DERIVATIVES AND HEDGE ACCOUNTING *CONTINUED*

The following table sets out the maturity profile of derivative instruments in a hedge relationship.

	0 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	\$m	\$m	\$m	\$m	\$m
2021					
Interest rate swaps	1,096	4,010	7,473	605	13,184
Cross-currency swaps	–	–	78	–	78
Cross-currency interest rate swaps	–	218	610	–	828
2020					
Interest rate swaps	1,569	3,814	3,686	562	9,631
Cross-currency swaps	–	–	83	–	83
Cross-currency interest rate swaps	–	426	828	–	1,254
Foreign currency forward contract	390	–	–	–	390

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value exclusive of any transaction costs on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from the change in fair value of derivatives, except those that qualify as effective cash flow hedges, are immediately recognised in the Consolidated income statement.

Hedge accounting

AMP continues to apply the hedge accounting requirements under AASB 139 *Financial instruments: Recognition and Measurement*.

Cash flow hedges

The effective portion of changes in the fair value of cash flow hedges is recognised (including related tax impacts) in Other comprehensive income. The ineffective portion is recognised immediately in the Consolidated income statement. The balance of the cash flow hedge reserve in relation to each particular hedge is transferred to the Consolidated income statement in the period when the hedged item affects profit or loss. Hedge accounting is discontinued when a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated income statement.

Fair value hedges

Changes in the fair value of fair value hedges are recognised in the Consolidated income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If a hedge no longer meets the criteria for hedge accounting, the cumulative gains and losses recognised on the hedged item will be amortised over the remaining life of the hedged item.

Net investment hedges

The effective portion of changes in the fair value of net investment hedges is recognised (including related tax impacts) in Other comprehensive income. Any ineffective portion is recognised immediately in the Consolidated income statement. The cumulative gain or loss existing in equity remains in equity until the foreign investment is disposed of.

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3.5 CAPITAL MANAGEMENT

AMP holds capital to protect customers, creditors and shareholders against unexpected losses. There are a number of ways AMP assesses the adequacy of its capital position. Primarily, AMP aims to:

- maintain a sufficient surplus above minimum regulatory capital requirements (MRR) to reduce the risk of breaching MRR; and
- maintain the AMP group's credit rating.

These factors are balanced when forming AMP's risk appetite as approved by the AMP Limited Board.

Calculation of capital resources

The AMP group's eligible capital resources include ordinary equity and certain hybrid capital instruments. Adjustments to these amounts are made for intangibles, associate equity investments and other assets required to be removed by regulation.

The table below shows the AMP group's capital resources at reporting date:

	2021 \$m	2020 \$m
AMP statutory equity attributable to shareholders of AMP Limited	3,980	4,266
Accounting mismatch and other adjustments ¹	(106)	(54)
AMP shareholder equity	3,874	4,212
Goodwill and other intangibles ²	(344)	(629)
Equity investments ³	(1,607)	(1,442)
Other regulatory adjustments ⁴	(6)	16
Subordinated bonds eligible as Level 3 capital	16	33
Level 3 eligible capital	1,933	2,190
Eligible hybrid capital resources ⁵	579	316
Total eligible capital resources	2,512	2,506
Minimum regulatory requirements (MRR)	1,316	1,244
Target capital requirements	813	738
Total capital requirements	2,129	1,982
Surplus capital above target requirements	383	524

1 Accounting mismatches and other adjustments relate to the net assets of the AMP Foundation and surplus' recognised on any defined benefit plans.

2 Includes \$14m of intangibles classified as Assets held for sale on the Consolidated statement of financial position (2020: nil).

3 Equity investments relate to holdings of associate equity investment where AMP holds a minority interest. As at 31 December 2021, Resolution Life NOHC (\$509m) and AMP Capital Infrastructure Debt Fund V USD LP (\$8m) are reclassified from an associate equity investment to assets held for sale.

4 Other regulatory adjustments relate to securitisation, deferred tax assets and other provisions for AMP Bank, deferred tax assets for Australian wealth management and include an adjustment for eligible seed and sponsor investment classified as equity investments in AMP Capital.

5 Eligible hybrid capital instruments are subordinated debt which is able to be included as eligible capital for the purpose of meeting minimum regulatory requirements.

3.5 CAPITAL MANAGEMENT CONTINUED

Capital requirements

A number of the operating entities within the AMP group of companies are regulated and are required to meet minimum regulatory capital requirements (MRR). In certain circumstances, APRA or other regulators may require AMP and other entities of the AMP group to hold a greater level of capital to support its business and/or restrict the amount of dividends that can be paid by them. Any such adjustments would be incorporated into the minimum regulatory requirements and monitored as part of the capital management policy.

The main minimum regulatory capital requirements for AMP's businesses are:

Operating entity	Minimum regulatory capital requirement
AMP Bank Limited (AMP Bank)	Capital requirements as specified under the APRA ADI Prudential Standards
N. M. Superannuation Proprietary Limited	Operational Risk Financial Requirements as specified under the APRA Superannuation Prudential Standards
AMP Capital Investors Limited and other ASIC regulated businesses	Capital requirements under AFSL requirements

The AMP group maintains capital targets reflecting their material risks (including financial risk, product risk and operational risk) and AMP's risk appetite. The target capital requirement is a management guide to the level of excess capital that the AMP group seeks to carry to reduce the risk of breaching MRR.

AMP Limited and AMP Bank have Board-approved minimum capital levels above APRA requirements, with additional capital targets held above these amounts. Capital targets are also set for AMP Capital to cover risk associated with seed and sponsor capital investments and operational risk. Other components of AMP group's capital targets include amounts relating to Group Office investments, defined benefit funds and other operational risks.

All of the AMP group regulated entities have at all times during the current and prior financial year complied with the externally imposed capital requirements to which they are subject.

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SECTION

EMPLOYEE DISCLOSURES

This section provides details on the various programs the AMP group uses to reward and recognise employees, including key management personnel.

- 4.1 Defined benefit plans
- 4.2 Share-based payments

4.1 DEFINED BENEFIT PLANS

AMP contributes to defined benefit plans which provide benefits to employees, and their dependants, on resignation, retirement, disability or death of the employee. The benefits are based on years of service and an average salary calculation. All defined benefit plans are now closed to new members.

The characteristics and risks associated with each of the defined benefit plans are described below:

Plan details	Australia	New Zealand
Plan names	AMP Australia Plan I and AMP Australia Plan II.	AMP New Zealand Plan I and AMP New Zealand Plan II.
Entitlements of active members	A lump sum or pension on retirement. Pensions provided are lifetime indexed pensions with a reversionary spouse pension.	Accumulation benefits and a lump sum payment on retirement.
Governance of the plans	The plans' trustees – this includes administration of the plan, management and investment of the plan assets, and compliance with superannuation laws and other applicable regulations.	The plans' trustees – this includes administration of the plan, management and investment of the plan assets, and looking after the interests of all beneficiaries.
Valuations required	Every year.	Every three years.
Key risks	The risk of actual outcomes being different to the actuarial assumptions used to estimate the defined benefit obligation, investment risk and legislative risk.	
Date of valuation	31 March 2021.	31 December 2020.
Additional recommended contributions	10% to 15% of members' salaries plus plan expenses.	No additional contributions are required until 31 December 2023, at which point the requirement will be reassessed.

4.1 DEFINED BENEFIT PLANS CONTINUED

(a) Defined benefit asset/(liability)

	2021 \$m	2020 \$m
Present value of wholly-funded defined benefit obligations	(782)	(882)
Less: Fair value of plan assets	785	784
Defined benefit asset/(liability) recognised in the Consolidated statement of financial position	3	(98)
Movement in defined benefit asset/(liability)		
Deficit at the beginning of the year	(98)	(101)
Plus: Total (expenses)/income recognised in the Consolidated income statement	(2)	1
Plus: Employer contributions	1	1
Plus: Foreign currency exchange rate changes	1	(4)
Plus: Actuarial gains recognised in Other comprehensive income ¹	101	5
Defined benefit asset/(liability) recognised at the end of the year	3	(98)

1 The cumulative net actuarial gains and losses recognised in the Statement of comprehensive income is a \$199m gain (2020: \$98m gain).

(b) Reconciliation of the movement in the defined benefit asset/(liability)

	Defined benefit obligation		Fair value of plan assets	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m
Balance at the beginning of the year	(882)	(919)	784	818
Current service cost	(2)	–	–	–
Past service cost/curtailments	–	1	–	–
Interest (cost)/income	(2)	(10)	2	10
Net actuarial gains/(losses)	62	(14)	39	19
Employer contributions	–	–	1	1
Contributions by plan participants	–	–	–	–
Foreign currency exchange rate changes	(2)	2	3	(6)
Benefits paid	44	58	(44)	(58)
Balance at the end of the year	(782)	(882)	785	784

Notes to the financial statements

for the year ended 31 December 2021

4.1 DEFINED BENEFIT PLANS CONTINUED

(c) Analysis of defined benefit surplus/(deficit) by plan

	Fair value of plan assets		Present value of plan obligation		Net recognised surplus/(deficit)		Actuarial gains/(losses)	
	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m	2021 \$m	2020 \$m
AMP Australia Plan I	283	281	(296)	(334)	(13)	(53)	40	(5)
AMP Australia Plan II	397	400	(356)	(386)	41	14	27	24
AMP New Zealand Plan I	17	17	(20)	(24)	(3)	(7)	4	(1)
AMP New Zealand Plan II	88	86	(110)	(138)	(22)	(52)	30	(13)
Total	785	784	(782)	(882)	3	(98)	101	5

(d) Principal actuarial assumptions

The following table sets out the principal actuarial assumptions used as at the reporting date in measuring the defined benefit obligations of the Australian and New Zealand defined benefit funds:

	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %
Weighted average discount rate	3.0	2.1	2.7	0.9	3.3	2.4	2.7	1.4
Expected rate of salary increases	n/a	n/a	n/a	n/a	2.8	3.3	3.0	3.0

(e) Allocation of assets

The asset allocations of the defined benefit funds are shown in the following table:

	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %
Equity	42	41	52	38	18	15	52	46
Fixed interest	38	41	37	38	54	59	37	34
Property	9	8	0	4	6	6	0	4
Cash	4	4	11	14	9	8	11	14
Other	7	6	0	6	13	12	0	2

4.1 DEFINED BENEFIT PLANS CONTINUED

(f) Sensitivity analysis

The defined benefit obligation has been recalculated for each scenario by changing only the specified assumption as outlined below, whilst retaining all other assumptions as per the base case. The table below shows the increase (decrease) for each assumption change. Where an assumption is not material to the fund it has been marked as n/a.

2021	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	(+) \$m	(-) \$m	(+) \$m	(-) \$m	(+) \$m	(-) \$m	(+) \$m	(-) \$m
Discount rate (+/- 0.5%) ¹	(15)	16	n/a	2	(19)	21	n/a	13
Expected salary increase rate (0.5%)	n/a	n/a	n/a	n/a	–	n/a	n/a	n/a
Expected deferred benefit crediting rate (0.5%)	n/a	n/a	n/a	n/a	–	n/a	n/a	n/a
Pensioner indexation assumption (0.5%) ²	16	(15)	1	n/a	19	(17)	11	n/a
Pensioner mortality assumption (10%)	n/a	11	n/a	n/a	n/a	8	n/a	n/a
Life expectancy (additional 1 year)	n/a	n/a	1	n/a	n/a	n/a	4	n/a

2020	AMP Plan I				AMP Plan II			
	Australia		New Zealand		Australia		New Zealand	
	(+) \$m	(-) \$m	(+) \$m	(-) \$m	(+) \$m	(-) \$m	(+) \$m	(-) \$m
Discount rate (+/- 0.5%) ¹	(18)	20	n/a	2	(26)	29	n/a	18
Expected salary increase rate (0.5%)	n/a	n/a	n/a	n/a	–	n/a	n/a	n/a
Expected deferred benefit crediting rate (0.5%)	n/a	n/a	n/a	n/a	2	n/a	n/a	n/a
Pensioner indexation assumption (0.5%) ²	20	(18)	1	n/a	26	(23)	14	n/a
Pensioner mortality assumption (10%)	n/a	13	n/a	n/a	n/a	11	n/a	n/a
Life expectancy (additional 1 year)	n/a	n/a	1	n/a	n/a	n/a	4	n/a

1 (1%) discount rate applied to AMP New Zealand Plan I and II.

2 1% indexation increase applied to AMP New Zealand Plan I and II.

Notes to the financial statements

for the year ended 31 December 2021

4.1 DEFINED BENEFIT PLANS *CONTINUED*

(g) Expected contributions and maturity profile of the defined benefit obligation

	AMP Plan I		AMP Plan II	
	Australia	New Zealand	Australia	New Zealand
	\$m	\$m	\$m	\$m
Expected employer contributions	–	–	–	–
Weighted average duration of the defined benefit obligation (years)	9	8	12	12

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Defined benefit plans

The AMP group recognises the net deficit or surplus position of each fund in the Consolidated statement of financial position. The deficit or surplus is measured as the difference between the fair value of the funds' assets and the discounted defined benefit obligations of the funds, using discount rates determined with reference to market yields on high quality corporate bonds at the end of the reporting period.

After taking into account any contributions paid into the defined benefit funds during the period, movements in the net surplus or deficit of each fund, except actuarial gains and losses, are recognised in the Consolidated income statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions over the period and the returns on plan assets are recognised (net of tax) directly in retained earnings through Other comprehensive income.

Contributions paid into defined benefit funds are recognised as reductions in the deficit.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Defined benefit asset/liability

The value of the group's defined benefit obligations are outputs of actuarial models dependent on a number of underlying assumptions. Managed applies judgement in selecting the assumptions used. Key assumptions include:

- discount rate;
- expected future salary increases;
- pension indexation;
- mortality; and
- life expectancy.

4.2 SHARE-BASED PAYMENTS

AMP has multiple employee share-based payment plans. Share-based payment plans help create alignment between employees participating in those plans (participants) and shareholders. Information on plans which AMP currently offers is provided below.

The following table shows the expense recorded for AMP share-based payment plans during the year:

	2021 \$'000	2020 \$'000
Plans currently offered		
Performance rights ¹	7,854	12,123
Share rights and Restricted Shares – equity settled	9,143	7,461
Share rights – cash settled	2,759	1,873
Share options	–	53
Total share-based payments expense	19,756	21,510

1 Non-market performance rights which were forfeited or where performance conditions were not met were reversed during the year.

(a) Performance rights

The Executive KMP receive their long-term incentive (LTI) award in the form of performance rights. This is intended to ensure the interests of those executives, who are able to most directly influence company performance, are appropriately aligned with the interests of shareholders.

Plan	LTI awards
Overview	Performance rights give the participant the right to acquire one fully paid ordinary share in AMP Limited upon meeting specific performance hurdles. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment, at the discretion of the board.
Vesting conditions	<p>2019 LTI award (Transformation Incentive Award)</p> <p>The vesting of the performance rights is subject to two separate gateways:</p> <p>Risk and Conduct Gateway – if a participant's performance and conduct is not in line with AMP's expectations, the board has discretion to amend the vesting outcome (including to zero).</p> <p>Performance Gateway and Hurdle – a performance gateway is included so that no awards will vest if both the Compound Annual Growth Rate (CAGR) is negative AND the CAGR is below the benchmark index*. For risk and control roles i.e. Chief Risk Officer – the vesting outcome in relation to 25% of the award will be determined by the Remuneration Committee at its sole discretion. The other 75% of the award will be subject to the performance hurdle.</p> <p>In determining the comparator group, all entities other than those in the global industry classification standard (GICS) energy sector and GICS metals and mining industry are classified as industrial companies.</p> <p>* The benchmark index is constructed from an equal weighted index of ASX 100 financial services companies (excluding A-REITs).</p>

Notes to the financial statements

for the year ended 31 December 2021

4.2 SHARE-BASED PAYMENTS *CONTINUED*

(a) Performance rights *continued*

Plan	LTI awards
Vesting conditions <i>(continued)</i>	<p>2020 LTI award No performance rights were granted under an LTI plan in 2020.</p> <p>2021 LTI award The performance period is 1 January 2021 to 31 December 2023 and the rights will convert to Restricted Shares on or around the 1 January 2024 (Conversion Date) if the conditions of the Offer are met. On the Conversion Date, participants may receive one fully paid Share for every Right awarded. The Shares will remain restricted for an additional one year, under a holding lock, until the Vesting Date is reached.</p> <p>The vesting of the performance rights is subject to two separate gateways:</p> <ol style="list-style-type: none"> 1. Risk and Conduct Gateway – if a participant’s performance and conduct is not in line with AMP’s expectations, the board has discretion to amend the vesting outcome (including to zero). 2. The number of Rights that vest under the Award will be determined with reference to a comparison of the compound annual growth rate (CAGR) in the Company’s total shareholder return (TSR) relative to the CAGR in Total Shareholder Return (TSR) to the peer group of ASX 100 financial companies excluding A-REITs as at 1 January 2021 measured over the performance period.
Vesting/performance period	<ul style="list-style-type: none"> – 2019 LTI award – three and a half years for rights granted in 2019. – 2021 LTI award – three years for rights plus a one year restriction period (holding lock) for LTI awards granted in 2021.
Vested awards	Vested performance rights are automatically converted to shares.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

4.2 SHARE-BASED PAYMENTS *CONTINUED*

(a) Performance rights *continued*

CEO Sign-on Award

As part of the Chief Executive Officer's (CEO) incentive package on appointment in 2021, the CEO was granted an award of rights with performance conditions to replace existing incentive arrangements foregone with the previous employer. The award comprises:

Plan	CEO Sign-on Performance Rights Award																				
Overview	<p>The Sign-on performance rights give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) upon meeting specific performance conditions, including hurdles that are subject to an absolute and relative total shareholder return (TSR) measures.</p> <p>The award was granted at no cost to the CEO and carries no dividend or voting rights. This award may be settled through an equivalent cash payment, at the discretion of the board.</p>																				
Vesting conditions	<p>Absolute Total Shareholder Return (aTSR) Hurdle</p> <p>Absolute TSR performance measures the compound annual growth (CAGR) in the Company's TSR over the relevant Performance Period.</p> <p>The percentage of Rights subject to the absolute TSR hurdle which will be eligible to vest, if any, will be determined by reference to the following schedule:</p> <table border="1"> <thead> <tr> <th>Level of achievement</th> <th>Vesting level of Rights subject to the absolute TSR hurdle in the relevant tranche</th> </tr> </thead> <tbody> <tr> <td>CAGR of 8.5% or above</td> <td>100%</td> </tr> <tr> <td>Between positive TSR and 8.5% CAGR</td> <td>Pro-rata straight line vesting between 50% and 100%</td> </tr> <tr> <td>Positive TSR</td> <td>50%</td> </tr> <tr> <td>Nil or Negative TSR</td> <td>0%</td> </tr> </tbody> </table> <p>Relative Total Shareholder Return (rTSR) Hurdle</p> <p>Relative TSR performance measures the Company's TSR performance relative to a peer group over the relevant Performance Period.</p> <p>The comparator group for the relative TSR performance hurdle will be the ASX100 Financials index as at 30 July 2021. The comparator group may be adjusted by the Board to take into account corporate actions, including but not limited to takeovers, mergers, de-mergers or de-listing. The percentage of your Rights subject to the relative TSR hurdle which will be eligible to vest, if any, will be determined by reference to the following schedule:</p> <table border="1"> <thead> <tr> <th>Percentile ranking</th> <th>Vesting level of Rights subject to the relative TSR hurdle in the relevant tranche</th> </tr> </thead> <tbody> <tr> <td>75th percentile or higher</td> <td>100%</td> </tr> <tr> <td>Between the 50th and 75th percentile</td> <td>Pro-rata straight line vesting between 50% and 100%</td> </tr> <tr> <td>50th percentile</td> <td>50%</td> </tr> <tr> <td>Below the 50th percentile</td> <td>0%</td> </tr> </tbody> </table>	Level of achievement	Vesting level of Rights subject to the absolute TSR hurdle in the relevant tranche	CAGR of 8.5% or above	100%	Between positive TSR and 8.5% CAGR	Pro-rata straight line vesting between 50% and 100%	Positive TSR	50%	Nil or Negative TSR	0%	Percentile ranking	Vesting level of Rights subject to the relative TSR hurdle in the relevant tranche	75th percentile or higher	100%	Between the 50th and 75th percentile	Pro-rata straight line vesting between 50% and 100%	50th percentile	50%	Below the 50th percentile	0%
Level of achievement	Vesting level of Rights subject to the absolute TSR hurdle in the relevant tranche																				
CAGR of 8.5% or above	100%																				
Between positive TSR and 8.5% CAGR	Pro-rata straight line vesting between 50% and 100%																				
Positive TSR	50%																				
Nil or Negative TSR	0%																				
Percentile ranking	Vesting level of Rights subject to the relative TSR hurdle in the relevant tranche																				
75th percentile or higher	100%																				
Between the 50th and 75th percentile	Pro-rata straight line vesting between 50% and 100%																				
50th percentile	50%																				
Below the 50th percentile	0%																				
Vesting period/Testing dates	<p>The board will test the performance hurdles on or around the following testing dates:</p> <ul style="list-style-type: none"> – 22 November 2021 (First Testing Date); – 22 November 2023 (Second Testing Date); and – 22 November 2024 (Third Testing Date); <p>If the performance hurdles are met, the rights vest and become exercisable.</p>																				
Vested awards	Vested rights are automatically converted to AMP Limited shares on behalf of the CEO.																				
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.																				

Notes to the financial statements

for the year ended 31 December 2021

4.2 SHARE-BASED PAYMENTS CONTINUED

(a) Performance rights *continued*

Valuation of performance rights

The values for performance rights are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day volume weighted average share price over the 10-day trading period prior to the start of the award's valuation period. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's dividend yield and volatility over an appropriate period.

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period, this is revisited each reporting date.

Valuations are prepared by an independent external consultant. The valuations are based on AMP's closing share price at the valuation date. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's dividend yield and volatility over an appropriate period.

The following table shows the factors considered in determining the value of the performance rights granted during the period:

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility ¹	Risk-free rate ¹	TSR performance hurdle discount	TSR performance rights fair value
01/01/2021	\$1.65	4.0	4.0%	44%	0.1%	51%	\$0.81

1 Applies to performance rights subject to a relative TSR performance hurdle.

The following table shows the factors considered in determining the value of the CEO Sign-on Rights Award granted during the period with an absolute and relative TSR hurdle:

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility	Risk-free rate	TSR performance hurdle discount	Share rights fair value
09/08/2021	\$1.075	0.3	0.0%	42%	0.8%	46%	\$0.59
09/08/2021	\$1.075	2.3	3.0%	42%	0.8%	42%	\$0.63
09/08/2021	\$1.075	3.3	5.0%	42%	0.8%	43%	\$0.62

Grant date	Share price	Contractual life (years)	Dividend yield	Volatility	Risk-free rate	TSR performance hurdle discount	Share rights fair value
09/08/2021	\$1.075	0.3	0.0%	42%	0.8%	49%	\$0.55
09/08/2021	\$1.075	2.3	3.0%	42%	0.8%	41%	\$0.64
09/08/2021	\$1.075	3.3	5.0%	42%	0.8%	41%	\$0.64

The following table shows the movement in number of performance rights outstanding during the period:

Grant date	Balance at 1 Jan 2021	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 Dec 2021
19/05/2017	1,880,700	–	–	(1,880,700) ¹	–
12/09/2019	30,357,128	–	–	(5,451,010)	24,906,118
01/01/2021	–	2,801,550	–	–	2,801,550
09/08/2021	–	2,807,038	(638,168)	(122,010)	2,046,860
Total	32,237,828	5,608,588	(638,168)	(7,453,720)	29,754,528

1 AMP's TSR performance against its peer comparator group was measured for the period 1 January 2017 up to 31 December 2020. The outcome resulted in nil vesting of the award and the award lapsed in full.

4.2 SHARE-BASED PAYMENTS *CONTINUED*

(a) Performance rights *continued*

CEO sign-on award vesting outcomes:

- Sign-on performance rights (tranche 1) with an absolute TSR measure representing 27% of the total grant was tested on 22 November 2021 resulting in full vesting of 190,038 units;
- Sign-on performance rights (tranche 1) with a relative TSR measure representing 27% of the total grant was tested on 22 November 2021 resulting in a partial vesting of 448,130 units and the remaining 122,010 units were lapsed.

Performance test results are provided in the table below:

Grant date	Performance period	Measure	AMP's TSR performance	AMP's CAGR TSR performance	Vesting outcome (portion of tranche vested)
09 Aug 2021	2 Aug – 22 Nov 2021	Absolute TSR	8.49%	30.4%	100%

Grant date	Performance period	Measure	AMP's TSR performance	AMP's percentile rank	Vesting outcome (portion of tranche vested)
09 Aug 2021	2 Aug – 22 Nov 2021	Relative TSR	8.49%	64.3%	78.6%

(b) Share rights

- LTI participants below the Executive KMP may be awarded share rights as part of their overall LTI award.
- Short-term Incentive deferral participants are nominated executives and selected senior leaders who have the ability to impact AMP's financial soundness. This requires a portion of the participant's annual short-term incentive outcome to be deferred and awarded as share rights.
- Transition Incentive awards were made to select participants in the form of share rights as a transitional award between remuneration arrangements and the finalisation of strategy.
- Retention awards were made to selected senior leaders who are critical to on-going operations and the delivery of AMP's strategy during the portfolio review and the completion of any subsequent corporate transactions.
- Enterprise Profit Share Plan supports AMP Capital's remuneration framework by aligning its strategic intent and rewarding behaviour that leads to sustainably increased profit and shareholder value. The participants are the AMP Capital Leadership Team whereby a portion of their annual profit share outcome is deferred into share rights.
- Deferred Bonus Equity Plan applies to selected AMP Capital participants whereby a portion of their annual short-term incentive outcome (above a specified threshold) is deferred into share rights.

Notes to the financial statements

for the year ended 31 December 2021

4.2 SHARE-BASED PAYMENTS *CONTINUED*

(b) Share rights *continued*

Plan	Long-term Incentive Plan	Short-term incentive Deferral Plan, Transition Incentive award and Retention award	Enterprise Profit Share Plan and Deferred Bonus Equity Plan
Overview	Share rights give the participant the right to acquire one fully paid ordinary share in AMP Limited after a specified service period. They are granted at no cost to the participant and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment at the discretion of the board.		
	All awards are subject to ongoing employment, compliance with AMP policies and the board's discretion.		
Vesting conditions/period	<p>AMP group participants</p> <p>2017 LTI</p> <ul style="list-style-type: none"> Four years continued service. <p>No share rights under the LTI plan were granted in 2018, 2019 or 2020.</p> <p>2021 LTI</p> <ul style="list-style-type: none"> Four years continued service the award carries voting rights and a dividend equivalent on any Rights that may vest. <p>AMP Capital participants</p> <p>Continued service for three years.</p> <p>Some awards may also vary where the share rights are awarded as a sign-on equity award or to retain an employee for a critical period.</p>	<p>Short-term Incentive deferral/</p> <p>2019 and 2020 STI awards with 40% deferral and continued service for two or four years.</p> <p>Transition Incentive award</p> <p>2019 – the award is split into two tranches with continued service for approximately one and two years respectively.</p> <p>Retention award</p> <p>2020 – the award has 40% of the award granted in share rights and is subject to a one year service condition plus an additional three year holding period. Vesting scheduled to occur in 2024.</p> <p>2021 STI</p> <p>60% delivered in equity.</p> <p>CEO awards: one third of award to vest over years two, three and four.</p> <p>AMP's Group Executive Committee awards: 50% of award to vest in year two and 50% at year three</p> <p>Other STI awards with a 40% deferral and continued service for two or four years</p>	<p>Enterprise Profit Share Plan</p> <p>The grant is split into two tranches with continued service for two and three years respectively.</p> <p>The award carries voting rights and a dividend equivalent on any Rights that may vest.</p> <p>For awards relating to the 2019, 2020 and 2021 performance years, share rights were granted to select participants. The award was subject to a one year service condition. After this period, an additional three year holding period is applicable to participants except for the AMP Capital Chief Executive Officer where the holding period is four years.</p> <p>Deferred Bonus Equity Plan</p> <p>The grant is split into two tranches with continued service for two and three years respectively.</p>
Vested awards	Vested share rights are automatically converted to shares on behalf of participants.		
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.		

4.2 SHARE-BASED PAYMENTS *CONTINUED*

(b) Share rights *continued*

CEO Sign-on Share Rights Award

As part of the CEO's sign-on package on appointment, the CEO was granted an award of share rights with a service (employment) condition to compensate for incentives forgone from the CEO's previous employer.

Plan	CEO Sign-on Share Rights Award
Overview	The sign-on share rights give the CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) after a specified service period. They were granted at no cost to the CEO and carry no dividend or voting rights until they vest. This award may be settled through an equivalent cash payment at the discretion of the board.
Vesting conditions/period	The rights may vest in accordance with the vesting schedule set out below: <ul style="list-style-type: none"> – 50% on 22 November 2021 – 32% on 22 November 2022 – 14% on 22 November 2023 – 4% on 22 November 2024
Vested awards	Vested share rights are automatically converted to shares on behalf of the former CEO.
Unvested awards	Unvested awards are forfeited if the CEO voluntarily ceases employment or is dismissed for misconduct.

Valuation of share rights

The fair value of share rights has been calculated as at the grant date, by external consultants using a 'discounted cash flow' methodology. Fair value has been discounted for the present value of dividends expected to be paid during the vesting period to which the participant is not entitled. For the purposes of the valuation it is assumed share rights are exercised as soon as they have vested. Assumptions regarding the dividend yield have been estimated based on AMP's dividend yield over an appropriate period.

In determining the share-based payments expense, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the performance period.

For the current CEO's share rights awards, the valuations are prepared by an independent external consultant. The valuations are based on AMP's closing share price at the valuation date. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's dividend yield and volatility over an appropriate period.

The following table shows the factors which were considered in determining the independent fair value of the share rights granted during the period:

Grant date	Share price	Contractual life (years)	Dividend yield	Dividend discount	Fair value
01/04/2021	\$1.35	1.9	3.0%	7%	\$1.25
01/04/2021	\$1.35	3.9	3.0%	13%	\$1.18
01/04/2021	\$1.35	0.9	n/a	2%	\$1.33
01/04/2021	\$1.35	1.9	3.0%	7%	\$1.25
01/04/2021	\$1.35	2.9	3.0%	10%	\$1.22
01/04/2021	\$1.35	4.0	n/a	2%	\$1.33
09/08/2021	\$1.07	0.3	0.0%	0%	\$1.075
09/08/2021	\$1.07	1.3	3.0%	0%	\$1.075
09/08/2021	\$1.07	2.3	5.0%	2%	\$1.05
09/08/2021	\$1.07	3.3	5.0%	7%	\$1.00

Notes to the financial statements

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4.2 SHARE-BASED PAYMENTS *CONTINUED*

(b) Share rights *continued*

The following table shows the movement in share rights outstanding during the period:

Grant Date	Balance at 1 Jan 2021	Granted during the year	Exercised during the year	Lapsed during the year	Balance at 31 Dec 2021
19/05/2017	974,463	—	(974,463)	—	—
02/04/2018	1,507,500	—	(1,488,308)	(19,192)	—
13/08/2018	53,191	—	(53,191)	—	—
03/12/2018	40,816	—	(40,816)	—	—
21/08/2018	726,744	—	(436,046)	—	290,698
01/04/2019	2,127,923	—	(222,163)	(298,788)	1,606,972
10/05/2019	957,447	—	(957,447)	—	—
17/05/2019	773,997	—	—	—	773,997
19/07/2019	91,787	—	(53,140)	—	38,647
20/09/2019	8,287	—	—	(8,287)	—
01/04/2020	7,357,477	—	(1,096,400)	(412,320)	5,848,757
23/11/2020	1,627,444	—	—	(187,977)	1,439,467
01/04/2021	—	4,496,095	—	—	4,496,095
09/08/2021	—	1,015,806	(507,243)	—	508,563
Total	16,247,076	5,511,901	(5,829,217)	(926,564)	15,003,196

(c) Restricted shares

AMP Capital Enterprise Profit Share Plan

The AMP Capital Leadership Team is comprised of a select group of senior executives who are eligible to participate in the Enterprise Profit Share Plan. This plan was designed to support AMP Capital's remuneration framework by aligning its strategic intent and rewarding behaviour that leads to sustainably increased profit and shareholder value. It is required that 40% of the participants' profit share outcomes be deferred. Half of the deferred component is awarded in the form of restricted shares for participants who reside in Australia with the exception of the AMP Capital Chief Executive Officer. The objective of this is to create greater alignment with our shareholders. The equity component of this plan was granted in 2019.

No restricted shares were granted under the above disclosed Plan in 2020 or 2021, however, share rights were granted to eligible participants.

Plan	Enterprise Profit Share Plan
Overview	The deferred component of the 2018 Enterprise Profit Share award was granted in the form of restricted shares. Restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the participant until the specified service/holding period has been met. They were granted at no cost to participants and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions/period	The restricted shares will vest after one year and continue to be subject to a disposal restriction for an additional three year period. Prior to each vesting date and the release date, the board will undertake a conduct/risk review to confirm that vesting and release of the award aligns with the conduct and risk outcomes of the group.
Vested awards	On the relevant release dates, the restriction on the shares is released.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

4.2 SHARE-BASED PAYMENTS CONTINUED

AMP Executive Performance Incentive Plan

The Executive Performance Incentive (EPI) Plan takes a combined incentive approach, whereby a portion of the participant's annual EPI outcome is paid out in cash and the remainder is deferred as restricted shares or share rights. The objective of this plan is to create equity ownership across a select group of senior executives if performance objectives are met. The equity component of this plan was granted in 2019.

No restricted share awards were granted under the above disclosed Plan in 2020 or 2021.

Plan	Executive Performance Incentive Plan
Overview	For 2019, the deferred component of the Executive Performance Incentive Plan was granted in the form of restricted shares. Restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the participant until the specified service/holding period has been met. They were granted at no cost to participants and carry the same dividend or voting rights as other fully paid ordinary shares. Any dividends paid on shares are received in the ordinary course on the dividend payment date(s).
Vesting conditions/period	The restricted shares will vest after one year and continue to be subject to a disposal restriction for an additional three year period. Prior to each of the vesting date and the release date, the board will undertake a conduct/risk review to confirm that vesting and release of the award aligns with the conduct and risk outcomes of the group.
Vested awards	On the relevant release dates, the restriction on the shares is released. Some shares may be released early for participants who cease employment to assist participants in managing their tax liability.
Unvested awards	Unvested awards are forfeited if the participant voluntarily ceases employment or is dismissed for misconduct.

Salary Sacrifice Plans

2019 AMP EMPLOYEE SHARE PLAN – \$1,000 TAX EXEMPT PLAN

All permanent employees as at 12 December 2018 were offered a \$1,000 gift of shares subject to employment on the allocation date in March 2019. These shares are subject to a restriction on sale and transfer for up to three-years from the date they are allocated. Any shares acquired as a gift will be released to the participant at the end of the three-year period or when they leave employment with AMP (whichever is earlier).

2020 AMP EMPLOYEE SHARE PLAN – \$1,000 TAX EXEMPT PLAN

For the period 1 April 2020, eligible participants may acquire \$1,000 fully paid ordinary shares in AMP by sacrificing \$1,000 of their 2019 short-term incentive (STI) award. These shares are subject to a restriction on sale and transfer for up to three-years from the date they are allocated. Any shares acquired will be released to the participant at the end of the three-year period or when they leave employment with AMP (whichever is earlier).

The AMP \$1,000 Tax Exempt Plan was not reoffered to employees in 2021 in its current format.

2019–2021 AMP EMPLOYEE SHARE PLAN – \$5,000 SALARY SACRIFICE PLAN

All permanent employees in Australia were offered the opportunity to salary sacrifice between \$1,000 – \$5,000 over a 12-month period to acquire shares in AMP. AMP offered a matching contribution on a 2:5 basis (1:5 in 2019 and 2020), meaning that employees who opted to salary sacrifice \$5,000 would receive an upfront matched allocation of \$2,000 in AMP shares (\$1,000 in AMP shares in 2019 and 2020). The salary sacrifice and matching shares are both held in an employee share plan trust on behalf of the employees and are subject to a restriction on sale and transfer for up to three years from the date they are allocated.

Offer	Purchased Shares	Matching Shares ¹
2019	Any purchased shares acquired during 2019, 2020 and 2021 will be released to the participant at the end of the three-year period.	Matching shares will be released at the end of the three-year period or when they leave employment with AMP (whichever is earlier).
2020 and 2021		Matching shares will be released at the end of the two-year period or when they leave employment with AMP (whichever is earlier).

¹ Matching shares are forfeited if a participant voluntarily ceases employment before the end of the holding period.

Notes to the financial statements

for the year ended 31 December 2021

4.2 SHARE-BASED PAYMENTS *CONTINUED*

(c) Restricted shares *continued*

Valuation of restricted shares

The restricted share awards are based on valuations prepared by an independent external consultant. The valuations are based on the 10-day volume weighted average share price over the 10-day trading period prior to the start of the award's valuation period. Assumptions regarding the dividend yield and volatility have been estimated based on AMP's dividend yield and volatility over an appropriate period.

For the AMP Employee Share Plan \$1,000 Tax Exempt Plan and \$5,000 Salary Sacrifice Plan, the fair value of the shares was determined as the market price of AMP ordinary shares on the grant date. As employees holding restricted shares are entitled to dividend payments, no adjustment has been made to the fair value in respect of future dividend payments.

In determining the share-based payments expense for the period, the number of instruments expected to vest has been adjusted to reflect the number of employees expected to remain with AMP until the end of the vesting period.

Grant date	Share price	Contractual life (years)	Vesting Date	Dividend yield	Fair value
25/02/2019	\$2.38	2.0	15/02/2021	n/a	\$2.38
25/02/2019	\$2.38	3.0	15/02/2022	n/a	\$2.38
14/03/2019	\$2.39	3.0	14/03/2022	n/a	\$2.39
26/04/2019	\$2.39	3.0	26/04/2022	n/a	\$2.39
13/08/2019	\$1.81	0.0	15/08/2021	4.0%	\$1.81
28/04/2020	\$1.675	2.0	30/04/2022	n/a	\$1.675
30/04/2021	\$1.45	2.0	30/04/2023	n/a	\$1.45

The following table shows the movement in restricted shares outstanding for the period:

Grant date	Balance at 1 Jan 2021	Granted during the year	Released during the year	Lapsed during the year	Balance at 31 Dec 2021
25/02/2019	791,143	—	(791,143)	—	—
14/03/2019	1,446,144	—	(407,085)	—	1,039,059
26/04/2019	263,778	—	(38,145)	(37,065)	188,568
17/05/2019	1,308,206	—	(230,854)	—	1,077,352
13/08/2019	234,932	—	(234,932)	—	—
28/04/2020	289,737	—	(33,942)	(37,224)	218,571
30/04/2021	—	713,159	(39,084)	(93,985)	580,090
Total	4,333,940	713,159	(1,775,185)	(168,274)	3,103,640

(d) Former CEO awards

The former CEO was awarded a range of awards during his tenure as CEO of AMP and as part of his exit agreement with the Company, those awards remain on foot and will vest in accordance with the original terms of the award. The following awards remain outstanding as at 31 December 2021.

Replacement Recovery Performance Rights Award

The recovery performance rights give the former CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) upon meeting specific performance hurdles, being the achievement of certain share price targets. The share price targets will be tested on 15 February 2022 (First Testing Date) and 15 February 2023 (Second Testing Date) and will vest as follows:

- First Testing Date – 50% of rights granted will vest if the share price is \$2.45 (adjusted for any significant capital initiatives); and
- Second Testing Date – if the first share price target of \$2.45 is not met at the first testing date, it will be retested and 50% will vest if the \$2.45 target is met. The remaining balance may also vest depending on the share price being higher than \$2.45 and will vest on a straight-line basis with 100% vesting if the share price is \$2.75 (adjusted for any significant capital initiatives).

4.2 SHARE-BASED PAYMENTS CONTINUED

Buy-out Incentive Share Rights Award

The Buy-out Incentive share rights give the Former CEO the right to acquire one fully paid ordinary share in AMP Limited (per right) after a specified period. All outstanding awards will vest by 15 February 2022.

Buy-out Incentive Restricted Shares Award

The Buy-out Incentive restricted shares are fully paid ordinary shares in AMP Limited that are held in the AMP Employee Share Trust on behalf of the former CEO until the specified period has been met. All outstanding awards vested during the period.

2019 Short-term Incentive (STI) Award

The former CEO was awarded STI for the performance year 2019. 40% of the STI was awarded in share rights which were granted in 2020 and deferred for two years. The award will vest on 15 February 2022.

The following table shows the movement in the former CEO's outstanding awards during the period:

Grant date	Award Type	Balance at 1 Jan 2021	Exercised during the year	Lapsed during the year	Balance at 31 Dec 2021
12/09/2019	Performance	6,367,402	–	(1,245,334)	5,122,068
21/08/2018	Share right	726,744	(436,046)	–	290,698
13/08/2019	Share right	293,664	(176,198)	–	117,466
01/04/2020	Share rights	264,000	–	–	264,000
13/08/2019	Restricted share	408,164	(408,164)	–	–
Total		8,059,974	(1,020,408)	(1,245,334)	5,794,232

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Equity-settled share-based payments

The cost of equity-settled share-based payments is measured using their fair value at the date on which they are granted. The fair value calculation takes into consideration a number of factors, including the likelihood of achieving market-based vesting conditions such as total shareholder return (market conditions).

The cost of equity-settled share-based payments is recognised in the income statement, together with a corresponding increase in the share-based payment reserve (SBP reserve) in equity, over the vesting period of the instrument. At each reporting date, the AMP group reviews its estimates of the number of instruments that are expected to vest and any changes to the cost are recognised in the Income statement and the SBP reserve, over the remaining vesting period.

Where the terms of an equity-settled share-based payment are modified and the expense increases as a result of the modification, the increase is recognised over the remaining vesting period. When a modification reduces the expense, there is no adjustment and the pre-modification cost continues to be recognised.

Where an equity-settled award does not ultimately vest, expenses are not reversed; except for awards where vesting is conditional upon a non-market condition, in which case all expenses are reversed in the period in which the instrument lapses.

Cash-settled share-based payments

Cash settled share-based payments are recognised when the terms of the arrangement provide AMP group with the discretion to settle in cash or by issuing equity instruments and it has a present obligation to settle the arrangement in cash. A present obligation may occur where the past practice has set a precedence for future settlements in cash.

Cash settled share-based payments are recognised, over the vesting period of the award, in the Income statement, together with a corresponding liability. The fair value is measured on initial recognition and re-measured at each reporting date up to and including the settlement date, with any changes in fair value recognised in the Income statement. Similar to equity-settled awards, number of instruments expected to vest are reviewed at each reporting date and any changes are recognised in the Income statement and corresponding liability. The fair value is determined using appropriate valuation techniques.

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SECTION

GROUP ENTITIES

This section explains significant aspects of the AMP group structure, including significant investments in controlled operating entities, and investments in associates. It also provides information on business acquisitions and disposals made during the year.

- 5.1 Controlled entities
- 5.2 Investments in associates
- 5.3 Parent entity information
- 5.4 Related party disclosures

5.1 CONTROLLED ENTITIES

Significant investments in controlled operating entities are as follows:

Operating entities Name of entity	Country of registration	Share type	% holdings	
			2021	2020
AMP Advice Holdings Pty Ltd	Australia	Ord	100	100
AMP Bank Limited	Australia	Ord	100	100
AMP Capital Funds Management Limited	Australia	Ord	100	100
AMP Capital Holdings Limited	Australia	Ord	100	100
AMP Capital Investors (New Zealand) Limited	New Zealand	Ord	100	100
AMP Capital Investors Limited	Australia	Ord	100	100
AMP Capital Office and Industrial Pty Limited	Australia	Ord	100	100
AMP Capital Shopping Centres Pty Limited	Australia	Ord	100	100
AMP Financial Planning Pty Limited	Australia	Ord	100	100
AMP Group Finance Services Limited	Australia	Ord	100	100
AMP Group Holdings Limited	Australia	Ord A	100	100
AMP Services (NZ) Limited	New Zealand	Ord	100	100
AMP Services Limited	Australia	Ord A	100	100
AMP Superannuation Limited	Australia	Ord	100	100
AMP Wealth Management Holdings Pty Ltd	Australia	Ord	100	100
AMP Wealth Management New Zealand Limited	New Zealand	Ord	100	100
Hillross Financial Services Limited	Australia	Ord	100	100
Ipac Group Services Pty Ltd	Australia	Ord	100	100
National Mutual Funds Management (Global) Limited	Australia	Ord	100	100
National Mutual Funds Management Ltd	Australia	Ord	100	100
N.M. Superannuation Pty Ltd	Australia	Ord	100	100
NMMT Limited	Australia	Ord	100	100

5.2 INVESTMENTS IN ASSOCIATES

Investments in associates accounted for using the equity method:

Associate	Principal activity	Place of business	Ownership interest		Carrying amount ¹	
			2021 %	2020 %	2021 \$m	2020 \$m
Resolution Life NOHC ^{2,3}	Life insurance company	Australia	19.13%	19.62%	–	514
China Life Pension Company ³	Pension Company	China	19.99%	19.99%	416	348
China Life AMP Asset Management Company Ltd	Investment Management	China	14.97%	14.97%	74	57
Global Infrastructure Fund Sponsor ⁴	Fund	Cayman Island	4.74%	4.74%	71	80
Global Infrastructure Fund II ⁴	Fund	Cayman Island	2.81%	2.81%	119	91
AMP Capital Infrastructure Debt Fund IV USD LP ⁴	Fund	Luxembourg	1.25%	1.25%	64	56
AMP Capital Infrastructure Debt Fund V USD LP ²	Fund	Luxembourg	1.80%	3.08%	–	66
ACRT Finance Pty Limited ⁴	Investment Management	Australia	7.72%	–	106	–
PCCP, LLC (Pacific Coast Capital Partners)	Investment Management	United States	24.90%	24.90%	157	137
Other			n/a	n/a	83	93
Total investments in associates					1,090	1,442

1 The carrying amount is after recognising \$150m (2020: \$81m) share of current period profit or loss from its associates accounted for using the equity method.

2 Resolution Life NOHC and AMP Capital Infrastructure Debt Fund V USD LP are classified as assets held for sale as at 31 December 2021.

3 The AMP group has significant influence through representation on the entity's board.

4 Entities within the AMP group have been appointed investment manager, therefore the group is considered to have significant influence.

Notes to the financial statements

for the year ended 31 December 2021

5.2 INVESTMENTS IN ASSOCIATES *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Investments in associates

INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD

Investments in entities over which the AMP group has the ability to exercise significant influence, but not control, are accounted for using the equity method of accounting. The investment is measured at cost plus post-acquisition changes in the AMP group's share of the associates' net assets, less any impairment in value. The AMP group's share of profit or loss of associates is included in the Consolidated income statement. Any dividend or distribution received from associates is accounted for as a reduction in carrying value of the associate.

Any impairment is recognised in the Consolidated income statement when there is objective evidence a loss has been incurred. It is measured as the amount by which the carrying amount of the investment in entities exceeds the recoverable amount.

5.3 PARENT ENTITY INFORMATION

(a) Statement of comprehensive income – AMP Limited entity

	2021 \$m	2020 \$m
Dividends interest from controlled entities and net gains or losses on financial assets ¹	185	427
Service fee revenue	14	12
Share of profit or loss of associates accounted for using the equity method	52	33
Operating expenses	(109)	10
Impairment of investments in controlled entities	(450)	(2,295)
Finance costs	(37)	(39)
Income tax credit ²	43	20
Loss for the year	(302)	(1,832)
Total comprehensive loss for the year	(302)	(1,832)

1 Dividend income from controlled entities \$169m (2020: \$413m) is not assessable for tax purposes.

2 Income tax credit includes \$nil (2020: \$nil) utilisation of previously unrecognised tax losses.

5.3 PARENT ENTITY INFORMATION CONTINUED

(b) Statement of financial position – AMP Limited entity

	2021 \$m	2020 \$m
Current assets		
Cash and cash equivalents	64	16
Receivables and prepayments ¹	160	141
Current tax assets	201	153
Loans and advances to subsidiaries	–	570
Investments in other financial assets	63	–
Non-current assets		
Investments in controlled entities	5,359	5,336
Investments in associates	427	358
Loans and advances to subsidiaries	500	250
Deferred tax assets ²	177	52
Total assets	6,951	6,876
Current liabilities		
Payables ¹	1,129	395
Current tax liabilities	66	70
Provisions	90	2
Subordinated debt ³	250	265
Non-current liabilities		
Subordinated debt ³	523	772
Deferred tax liabilities	–	10
Total liabilities	2,058	1,514
Net assets	4,893	5,362
Equity – AMP Limited entity		
Contributed equity	10,206	10,402
Share-based payment reserve	32	27
Other reserve	14	(10)
Retained earnings ⁴	(5,359)	(5,057)
Total equity	4,893	5,362

1 Receivables and payables include tax-related amounts receivable from subsidiaries \$155m (2020: \$97m) and payable to subsidiaries \$614m (2020: \$359m).

2 Deferred tax assets include amounts recognised for losses available for offset against future taxable income \$nil (2020: \$43m).

3 The AMP Limited entity is the issuer of: AMP Wholesale Capital Notes; AMP Capital Notes, AMP Capital Notes 2, AMP Subordinated Notes and AMP Notes 3. Further information on these is provided in note 3.2.

4 Changes in retained earnings comprise \$302m loss (2020: \$1,832m loss) for the year less dividends paid of \$nil (2020: \$343m).

(c) Contingent liabilities of the AMP Limited entity

The AMP Limited entity has entered into deeds to provide capital maintenance and liquidity support to AMP Bank Limited. At the reporting date, the likelihood of any outflow in settlement of these obligations is considered remote.

Notes to the financial statements

for the year ended 31 December 2021

5.4 RELATED PARTY DISCLOSURES

(a) Key management personnel

Compensation of key management personnel

	2021 \$'000	2020 \$'000
Short-term benefits	10,215	12,537
Post-employment benefits	198	454
Share-based payments	11,947	10,767
Other long-term benefits	217	728
Termination benefits	2,777	3,143
Total	25,354	27,629

Compensation of the group's key management personnel includes salaries, non-cash benefits and contributions to the post-employment defined benefit plans (refer to note 4.1). Executive officers also participate in share-based incentive programs (refer to note 4.2). The amounts disclosed in the table are recognised as an expense during the reporting period.

Loans to key management personnel

Loans to key management personnel and their related parties are provided by AMP Bank and are on similar terms and conditions generally available to other employees within the group. No guarantees are given or received in relation to these loans. Loans have been made to five key management personnel and their related parties. Details of these loans are:

	2021 \$'000	2020 \$'000
Balance as at the beginning of the year	3,751	9,212
Net (repayments) advances	1,474	(174)
Balance as at the end of the year	5,225	9,038
Interest charged	69	203

Key management personnel access to AMP's products

From time to time, key management personnel or their related entities may have had access to certain AMP products and services such as investment products, personal banking and financial investment services. These products and services are offered to key management personnel on the same terms and conditions as those entered into by other group employees or customers.

5.4 RELATED PARTY DISCLOSURES *CONTINUED*

(b) Transactions with related parties

Transactions with non-executive directors

Some of the non-executive directors hold directorships or positions in other companies or organisations. AMP may provide or receive services from these companies or organisations negotiated based on arm's length terms. None of the non-executive directors were, or are, involved in any procurement or board decision making regarding the companies or organisations with which they have an association.

Transactions with Resolution Life Australasia

Transactions during the period involve activities in conjunction with the sale of the WP and mature businesses to Resolution Life Australasia. To facilitate the transition of these businesses to new ownership, the group provides operational services under a Transitional Services Agreement (TSA). Fees charged under the TSA are in accordance with negotiated terms equivalent to those that prevail in arm's length transactions.

The group also provides Resolution Life Australasia with investment management and advice-related services in the normal course of business.

Resolution Life Australasia currently has funds on deposit with AMP Bank for which interest expense has been incurred and accrued for by the group.

Transactions with other associates

The group provides investment management and banking services under general service level agreements with other associates as well as support to financial advice practices.

Dividends were received from associates.

Transactions with investment entities

In conjunction with the establishment of new investment funds managed by AMP Capital or other group associates, the group, from time to time, invests seed and sponsor capital. The structure of the fund or the group's level of ownership may result in the fund being treated as an associate of the group. See note 5.2 for details of the group's associates. Management fees are earned by AMP or its associates for managing and administering these investment funds.

All transactions between the group, its associates and the funds are on an arm's length basis.

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Short-term benefits – Liabilities arising in respect of salaries and wages and any other employee entitlements expected to be settled within 12 months of the reporting date are measured at their nominal amounts.

Post-employment benefits – Defined contribution funds – The contributions paid and payable by the AMP group to defined contributions funds are recognised in the Consolidated income statement as an operating expense when they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments – Refer to note 4.2.

Other long-term benefits – Other employee entitlements are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, discount rates are determined with reference to market yields at the end of the reporting period on high quality corporate bonds or, in countries where there is no deep market in such bonds, by using market yields at the end of the period on government bonds.

Notes to the financial statements

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SECTION

OTHER DISCLOSURES

This section includes disclosures other than those covered in the previous sections, required for the AMP group to comply with the accounting standards and pronouncements.

- 6.1 Notes to Consolidated statement of cash flows
- 6.2 Commitments
- 6.3 Right of use assets and lease liabilities
- 6.4 Provisions and contingent liabilities
- 6.5 Auditors' remuneration
- 6.6 New accounting standards
- 6.7 Events occurring after reporting date

6.1 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of cash flow from operating activities

	2021 \$m	2020 \$m
Net (loss)/profit after income tax	(254)	194
Depreciation of operating assets	62	74
Amortisation and impairment of intangibles	227	144
Investment (losses)/gains and movements in external unitholders' liabilities	(187)	7,846
Dividend and distribution income received/(reinvested)	121	(1,223)
Share-based payments	14	9
Decrease in receivables, intangibles and other assets	174	281
(Decrease)/increase in guarantee liabilities	(66)	30
Decrease in net policy liabilities	–	(10,506)
Increase/(decrease) in income tax balances	(18)	(1,136)
Increase in deposits, other payables and provisions	1,616	1,545
Net cash provided by/(used in) operating activities	1,689	(2,742)

(b) Reconciliation of cash

	2021 \$m	2020 \$m
Comprises:		
Cash and cash equivalents	2,916	2,428
Cash included in assets held for sale	21	–
Short-term bills and notes (included in Debt securities)	107	225
Cash and cash equivalents for the purpose of the Statement of cash flows	3,044	2,653

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Cash and cash equivalents

Cash and cash equivalents comprise cash-on-hand that is available on demand and deposits that are held at call with financial institutions. Cash and cash equivalents are measured at fair value, being the principal amount. For the purpose of the Consolidated statement of cash flows, Cash and cash equivalents also include other highly liquid investments not subject to significant risk of change in value, with short periods to maturity, net of outstanding bank overdrafts. Bank overdrafts are shown within Interest-bearing liabilities in the Consolidated statement of financial position.

6.2 COMMITMENTS

(a) Commitments for leases not yet commenced

The future lease payments for which the group is committed but the leases have not yet commenced as at 31 December 2021 are \$734m (2020: \$735m). Lease commitments do not include non-lease components per AMP's accounting policy based on AASB 16 *Leases*.

(b) Buy-back arrangements

Historically, AMP has had contractual arrangements with financial advice businesses in AMP's aligned advice network to purchase their client registers at agreed multiples to revenue subject to certain conditions being met. These buy-back arrangements included arrangements known as Buyer of Last Resort (BOLR). Advice businesses must register their intention to invoke buy-back arrangements, which have six to 18-month lead times and are subject to audit prior to finalising the purchase price. On 26 July 2021, as part of the new Licensee commercial terms, AMP announced the conclusion of these client register buy-back arrangements, with eligible practices able to register their intention to invoke buy-back arrangements through 31 December 2021. The pipeline of buy-back arrangements where an intention to invoke has been registered by 31 December 2021 is \$42m (2020: \$89m), all of which relates to arrangements expected to settle in the next 18 months. The commitment value reflects the unaudited value as advised by the advice businesses. AMP's experience is that the ultimate purchase price after audit is typically less than the initially advised value and not all of the buy-back progress to completion. Over the 12 months ended 31 December 2021, \$54m was paid for executed buy-back arrangements. Where a notice of intention to invoke the buy-back arrangement has been received by 31 December 2021 and AMP has concluded that the purchase price of the register exceeds the value of the client register to AMP, or where ongoing service arrangements would be unable to be serviced or sold, a provision has been raised for the difference. Refer to note 6.4 for further details.

(c) Investment commitments

At 31 December 2021 AMP Capital Finance Limited, a controlled entity of AMP Limited, had uncalled investment commitments of \$452m (2020: \$217m) in relation to certain funds managed by AMP Capital. Subsequent to the reporting date, \$nil of this committed capital was invested by AMP Capital Finance Limited into AMP Capital managed funds. These investment commitments will only be called when suitable investment opportunities arise, and the exact timeline could not be specified.

(d) AMP Bank credit-related commitments

At 31 December 2021 AMP Bank had credit-related commitments of \$3,702m (2020: \$3,398m), which include undrawn balances on customer approved limits as well as loan offers pending signing by customers and signed loan contracts pending settlement. The bank expects that not all of the credit-related commitments will be drawn before their contractual expiry.

6.3 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The AMP group adopted AASB 16 *Leases* (AASB 16) from 1 January 2019. Per AASB 16, the group recognises leases on balance sheet as lease liabilities except for short-term leases and leases of low value, with corresponding right of use assets being recognised on balance sheet as well.

(a) Right of use assets

The main type of ROU asset recognised by the group is buildings. The following table details the carrying amount of the ROU assets at 31 December 2021 and the movements during the year.

	2021 \$m	2020 \$m
Balance at the beginning of the year	174	245
Derecognitions during the year	(20)	(5)
Impairment expense	(12)	(11)
Depreciation expense	(45)	(51)
Foreign currency exchange rate changes and other	2	(4)
Transferred to assets held for sale	(3)	–
Balance at the end of the year	96	174

Notes to the financial statements

for the year ended 31 December 2021

6.3 RIGHT OF USE ASSETS AND LEASE LIABILITIES *CONTINUED*

(b) Lease liabilities

The following table details the carrying amount of lease liabilities at 31 December 2021 and the movements during the year.

	2021 \$m	2020 \$m
Balance at the beginning of the year	211	266
Derecognitions during the year	(26)	(7)
Interest expense	7	10
Payments made	(56)	(54)
Foreign currency exchange rate changes and other	2	(4)
Transferred to liabilities held for sale	(3)	–
Balance at the end of the year	135	211

The AMP group paid \$4m (2020: \$8m) in relation to short-term leases and \$nil (2020: \$1m) in relation to variable lease payments. The total cash outflow for leases in 2021 was \$60m (2020: \$63m).

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

At inception, the AMP group assesses whether a contract is or contains a lease. Such assessment involves the application of judgement as to whether:

- the contract involves the use of an identified asset;
- the group obtains substantially all the economic benefits from the asset; and
- the group has the right to direct the use of the asset.

It is AMP's policy to separate non-lease components when recognising the lease liability.

The group recognises a Right of Use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured as the present value of future lease payments, plus initial direct costs and restoration costs of the underlying asset, less any lease incentives received. The ROU asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. The ROU asset is tested for impairment if there is an indicator, and is adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of future lease payments discounted using the group's incremental borrowing rate. Lease payments generally include fixed payments and variable payments that depend on an index, eg CPI. A lease liability is remeasured when there is a change in future lease payments from a change in an index, or if the group's assessment of whether an option will be exercised changes.

Interest expense on lease liabilities is recognised within finance costs in the Consolidated income statement.

The group has elected not to recognise ROU assets and lease liabilities for leases where the lease term is less than or equal to 12 months. Payments for such leases are recognised as an expense on a straight-line basis over the lease term.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group recognises lease liabilities and corresponding ROU assets for all leases where the group is a lessee, except for short term leases and leases where the underlying asset is of low value. Management applies judgement in identifying and measuring lease liabilities and assessing impairment indicators for ROU assets which includes:

- assessing whether a contract contains a lease;
- determining lease term and incremental borrowing rate;
- separating lease and non-lease components;
- assessing lease modification vis-a-vis new lease;
- assessing the usage of ROU assets and the associated benefits.

6.4 PROVISIONS AND CONTINGENT LIABILITIES

	2021 \$m	2020 \$m
(a) Provisions		
Client remediation	87	579
Buy-back arrangements	20	67
Compliance and regulatory ¹	44	20
Obligations relating to corporate reorganisation	138	253
Other ²	299	137
Total provisions	588	1,056

	Client remediation \$m	Buy-back arrangements \$m	Compliance and regulatory ¹ \$m	Obligations relating to corporate reorganisation \$m	Other ² \$m	Total \$m
(b) Movements in provisions						
Balance at the beginning of the year	579	67	20	253	137	1,056
Net provisions made during the year	32	–	27	127	277	463
Provisions used during the year	(524)	(47)	(3)	(101)	(115)	(790)
Transferred to liabilities held for sale	–	–	–	(141)	–	(141)
Balance at the end of the year	87	20	44	138	299	588

1 Includes provisions related to APRA enforceable undertaking.

2 Other provisions include provisions for onerous lease arrangements, deferred payments relating to purchase of client registers, make-good provisions relating to rental premises and other operational provisions. \$8m (2020:\$16m) is expected to be settled more than 12 months from the reporting date.

Notes to the financial statements

for the year ended 31 December 2021

6.4 PROVISIONS AND CONTINGENT LIABILITIES *CONTINUED*

ACCOUNTING POLICY – RECOGNITION AND MEASUREMENT

Provisions

Provisions are recognised when:

- the AMP group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome. Provisions are reviewed on a regular basis and adjusted for management's best estimates, however significant judgement is required to estimate likely outcomes and future cash flows.

The judgemental nature of these items means that future amounts settled may be different from those provided for.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. For provisions other than employee entitlements, the discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

A contingent liability is disclosed where a legal or constructive obligation is possible, but not probable; or where the obligation is probable, but the financial impact of the event is unable to be reliably estimated.

From time to time, the AMP group may incur obligations or suffer financial loss arising from litigation or contracts entered into in the normal course of business, including guarantees issued by the parent for performance obligations of controlled entities in the AMP group. Legal proceedings threatened against AMP may also, if filed, result in AMP incurring obligations or suffering financial loss. A contingent liability exists in relation to actual and likely potential legal proceedings.

Where it is determined that the disclosure of information in relation to a contingent liability can be expected to seriously prejudice the position of the AMP group (or its insurers) in a dispute, accounting standards allow the AMP group not to disclose such information. It is the AMP group's policy that such information is not disclosed in this note.

Industry and regulatory compliance investigations

AMP is subject to review from time to time by regulators, both in Australia and offshore. In Australia, AMP's principal regulators are APRA, ASIC and AUSTRAC, although other government agencies may have jurisdiction depending on the circumstances. The reviews and investigations conducted by regulators may be industry-wide or specific to AMP and the outcomes of those reviews and investigations can vary and may lead to the imposition of penalties, for example, variations or restrictions to licences, the compensation of clients, enforceable undertakings or recommendations and directions for AMP to enhance its control framework, governance and systems.

AMP also performs internal investigations to determine, amongst other things, where clients or other stakeholders, including employees, may have been disadvantaged. In some instances, compensation has been paid and where the results of our reviews have reached the point that compensation is likely and can be reliably estimated then a provision has been raised.

Client remediation

Since 2018 AMP has been actively engaged in a large-scale customer review and remediation program. This program was established to identify and compensate clients who have suffered loss or detriment as a result of either:

- inappropriate advice from their adviser; or
- where clients have been charged an advice service fee without the provision of financial advice services (or insufficient evidence of the provision of financial advice services).

AMP has completed the review of all in scope customers and the majority of remediation payments have been made to date with a remaining \$60m provision held at 31 December 2021. Remaining payments are targeted to complete in the first half of 2022.

Provisions for client remediation do not include amounts for potential recoveries from advisers and insurers.

6.4 PROVISIONS AND CONTINGENT LIABILITIES *CONTINUED*

OTHER MATTERS

In addition to the inappropriate advice and advice service fee reviews mentioned above, other reviews, as part of ongoing monitoring and supervision activities, have been performed. These reviews are ongoing and where the reviews have identified instances of clients having suffered loss or detriment, compensation has been paid. As at 31 December 2021, provisions and project costs of \$27m have been recognised for the estimated compensation due to clients, including lost earnings for these matters. These provisions are judgemental and the actual compensation to clients could vary from the amounts provided.

Buy-back arrangement

Historically, AMP has had contractual arrangements with financial advice businesses in AMP's aligned advice network to purchase their client registers at agreed multiples to revenue subject to certain conditions being met. These buy-back arrangements included arrangements known as Buyer of Last Resort (BOLR). On 26 July 2021, as part of the new Licensee commercial terms, AMP announced the conclusion of these client register buy-back arrangements, with eligible practices able to register their intention to invoke buy-back arrangements on or before 31 December 2021. Where a notice of intention to invoke the buy-back arrangement has been received and AMP has concluded that the purchase price of the register exceeds the value of the client register to AMP, or where ongoing service arrangements would be unable to be serviced or sold, a provision has been raised for the difference. The provision is judgemental and the actual resulting loss incurred upon settlement of the arrangements may vary from the provision.

Contingent liabilities for future buy-backs, where no notification was received on or before 31 December 2021, no longer remain following the cessation of the buy-back arrangements.

Litigation

SHAREHOLDER CLASS ACTIONS

During May and June 2018, AMP Limited was served with five competing shareholder class actions, one filed in the Supreme Court of NSW and the others filed in the Federal Court of Australia. The actions follow the financial advice hearing block in the Royal Commission in April 2018 and allege breaches by AMP Limited of its continuous disclosure obligations. Each action is on behalf of shareholders who acquired an interest in AMP Limited shares over a specified time period. Subsequently, the four proceedings commenced in the Federal Court of Australia were transferred to the Supreme Court of NSW. The Supreme Court of NSW determined that a consolidated class action (of two of the class actions) should continue, and the other three proceedings were permanently stayed. Following various appeals (including to the High Court of Australia), the consolidated class action continues. AMP Limited has filed its defence to the proceedings. The claims are yet to be quantified and participation has not been determined. Currently it is not possible to determine the ultimate impact of these claims, if any, upon AMP. AMP Limited is defending these actions.

SUPERANNUATION CLASS ACTIONS

During May and June 2019, certain subsidiaries of AMP Limited, namely, N.M. Superannuation Proprietary Limited (NM Super), AMP Superannuation Limited (AMP Super), NMMT Limited and AMP Services Limited (AMP Services), were served with two class actions in the Federal Court of Australia. The first of those class actions relates to the fees charged to members of certain of AMP superannuation funds. The second of those actions relates to the fees charged to members, and interest rates received and fees charged on cash-only fund options. The two proceedings were brought on behalf of certain superannuation clients and their beneficiaries. Subsequently, the Federal Court ordered that the two proceedings be consolidated into one class action. The AMP respondents have filed defences to the proceedings. The claims are yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of these claims, if any, upon AMP. The proceedings are being defended.

FINANCIAL ADVISER CLASS ACTION

In July 2020, a subsidiary of AMP Limited, namely, AMP Financial Planning Pty Limited (AMPFP), was served with a class action in the Federal Court of Australia. The proceeding is brought on behalf of certain financial advisers who are or have been authorised by AMPFP. The claim relates to changes made by AMPFP to its Buyer of Last Resort policy in 2019. The claim is yet to be quantified and participation has not been determined. Currently it is not possible to determine the ultimate impact of this claim, if any, upon AMP. AMPFP has filed its defence to the proceedings, and AMPFP is confident in the actions it took in 2019 and is defending the proceeding accordingly.

COMMISSIONS FOR ADVICE AND INSURANCE ADVICE CLASS ACTION

In July 2020, certain subsidiaries of AMP Limited, namely, AMPFP and Hillross Financial Services Limited (Hillross) were served with a class action in the Federal Court of Australia. The class action related to advice provided by some aligned financial advisers in respect of certain life and other insurance products. Subsequently, in August 2020, AMP Limited, and certain subsidiaries of AMP Limited, namely, AMPFP, Hillross and Charter Financial Planning Limited (Charter), were served with a class action in the Federal Court of Australia. The class action primarily related to the payment of commissions to some aligned financial advisers in respect of certain life insurance and other products and in respect of allegations of charging of fees where advice services were not provided. In December 2020, the Federal Court ordered that these two class actions be consolidated. The AMP respondents have filed a defence to the proceedings. The claim is yet to be quantified and participation has not been determined. Currently, it is not possible to determine the ultimate impact of this claim, if any, upon AMP. The proceedings are being defended.

Notes to the financial statements

for the year ended 31 December 2021

6.4 PROVISIONS AND CONTINGENT LIABILITIES *CONTINUED*

ASIC CIVIL PENALTY PROCEEDINGS IN RESPECT OF DECEASED CUSTOMERS

Certain subsidiaries of AMP Limited, namely, AMPFP, NM Super, AMP Super and AMP Services, are the subject of proceedings brought by ASIC on 26 May 2021. The proceedings allege contraventions of the *Corporations Act 2001* (Cth) ("Corporations Act") and the *Australian Securities and Investments Commission Act 2001* (Cth) ("ASIC Act") relating to the alleged charging and retention of insurance premiums and advice service fees following the death of members of superannuation funds in the period between 26 May 2015 and 31 August 2019. ASIC's claim is in respect of 2,069 deceased members affected by the retention of premiums, and 27 deceased members affected by the retention of advice fees. AMP has completed remediation for customers identified as being affected by such instances.

ASIC is seeking declarations of contraventions of various sections of the Corporations Act and ASIC Act and orders for the payment of pecuniary penalties and other consequential orders. The AMP respondents have filed a defence to the proceedings. Currently, it is not possible to determine the ultimate impact of this claim upon AMP.

ASIC CIVIL PENALTY PROCEEDINGS IN RESPECT OF PLAN SERVICE FEES

Certain subsidiaries of AMP Limited, namely, AMPFP, Hillross, Charter, AMP Super and AMP Services, are the subject of proceedings brought by ASIC on 29 July 2021. The proceedings allege contraventions of the Corporations Act and the ASIC Act relating to the alleged charging and retention of plan service fees following members of superannuation funds delinking from their corporate super plan into a retail account in the period between 31 July 2015 and 30 June 2019. ASIC's claim is in respect of around 1500 members affected by the retention of plan service fees. AMP has completed remediation for customers identified as being affected by such instances.

ASIC is seeking declarations of contraventions of various sections of the Corporations Act and ASIC Act and orders for the payment of pecuniary penalties and other consequential orders. The AMP respondents have filed a defence to the proceedings. Currently, it is not possible to determine the ultimate impact of this claim upon AMP.

ADDRESSING HISTORICAL MATTERS THROUGH REGULATOR ACTIONS

AMP has been working through a number of historical matters raised at the Royal Commission and elsewhere, and since 2018, has been taking action to strengthen controls, accountability and processes, improve compliance and risk management, and remediate impacted customers.

In 2021, AMP's Superannuation Trustees (AMP Superannuation Limited and N.M. Superannuation Proprietary Limited) entered into an enforceable undertaking (EU) with APRA for historical matters in the Superannuation business. APRA has acknowledged that AMP has addressed and completed remediation for several matters, and at the completion of this EU, AMP envisages that all outstanding matters referred to APRA by the Financial Services Royal Commission will be concluded.

INDEMNITIES AND WARRANTIES TO RESOLUTION LIFE

Under the terms of the sale agreement for the sale of the wealth protection and mature businesses to Resolution Life Australia Pty Ltd (Resolution Life), AMP has given certain covenants, warranties and indemnities in favour of Resolution Life in connection with the transaction. A breach of these covenants or warranties, or the triggering of an indemnity, may result in AMP being liable for some future payments to Resolution Life. Management's best estimate of future payments for these indemnities and warranties has been recognised within these financial statements where they can be reliably estimated. There remain other indemnities and warranties for which no provision has been recognised and a contingent liability exists should such indemnities and warranties be called upon or where actual outcomes differ from management's expectations.

6.5 AUDITORS' REMUNERATION

	2021 \$'000	2020 \$'000
Audit and review services		
– Group	1,691	1,444
– Controlled entities	3,074	3,901
Total audit and review services remuneration	4,765	5,345
Statutory assurance services	285	351
Other assurance services - audit related	1,154	1,097
Other assurance services - non-audit related ¹	1,667	156
Total assurance services remuneration	3,106	1,604
Total audit, review and assurance services remuneration	7,871	6,949
Other non-audit services		
Taxation and compliance services ¹	503	84
Other services	1,109	425
Total other non-audit services remuneration	1,612	509
Total auditors' remuneration²	9,483	7,458

1 Increase in fees in 2021 relates primarily to additional services performed for the Private Markets demerger.

2 Total amount excludes fees paid or payable for Trust and Fund audit/non-audit and/or review services for entities not consolidated into the group. Total fees excluded are \$7,872k (2020: \$10,520k) of which \$383k (2020: \$572k) is for non-audit services.

Statutory assurance services relate to AFSL audits and certain APRA reporting assurance required to be performed by the statutory auditor. Other assurance services – audit related primarily relate to other compliance reporting, compliance plan audits, derivative risk statement assurance and internal controls reviews. Other assurance services – non-audit related include IT reviews, operational review and compliance engagements. Other services include transaction support, risk management reviews and benchmarking services.

Notes to the financial statements

for the year ended 31 December 2021

6.6 NEW ACCOUNTING STANDARDS

(a) New and amended accounting standards adopted by the AMP group

A number of new accounting standards amendments have been adopted effective 1 January 2021. These have not had a material effect on the financial position or performance of the AMP group other than as described below.

Interest Rate Benchmark Reform

Transition from Interbank Offered Rates (IBORs), primarily but not exclusively the London Interbank Offered Rate (LIBOR), to Alternative Reference Rates (ARR) has been an area of ongoing industry focus with regulators signalling the need to use alternative benchmark rates. A number of benchmark rates have been discontinued requiring transition to alternate benchmarks across a broad array of financial products, including any IBOR-based securities, loans and other financial products. AMP has successfully completed its IBOR transition activities during the year ended 31 December 2021.

Key activity included:

- transitioning impacted financial contracts utilising International Swaps and Derivative Association fall back protocols and via bilateral re-negotiation,
- monitoring local and international regulatory guidance for the transition from IBORs to Risk Free Rate benchmarks,
- engaging with regulators on the group's transition plans and contributing to industry wide forums, and
- working closely with industry bodies to understand and manage the risks and impacts of transition on our businesses.

The most significant interest rate benchmark to which the group is exposed is the Bank Bill Swap Rate (BBSW). As a result, the IBOR reforms, in conjunction with the practical expedients provided for in the applicable accounting standards, have had an insignificant financial impact on the group. Presently, there are no indications that regulators of jurisdictions in which the group operates intend to discontinue the use of BBSW in the way that the Financial Conduct Authority discontinued the use of LIBOR.

(b) New accounting standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the AMP group in this financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the AMP group.

6.7 EVENTS OCCURRING AFTER REPORTING DATE

As at the date of this report, the directors are not aware of any matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:

- the AMP group's operation in future years;
- the results of those operations in future years; or
- the AMP group's state of affairs in future financial years.

Directors' declaration

for the year ended 31 December 2021

In accordance with a resolution of the directors of AMP Limited, for the purposes of section 295(4) of the *Corporations Act 2001*, the directors declare that:

- (a) in the opinion of the directors there are reasonable grounds to believe that AMP Limited will be able to pay its debts as and when they become due and payable;
- (b) in the opinion of the directors the financial statements and the notes of AMP Limited and the consolidated entity for the financial year ended 31 December 2021 are in accordance with the *Corporations Act 2001*, including section 296 (compliance with accounting standards) and section 297 (true and fair view);
- (c) the notes to the financial statements of AMP Limited and the consolidated entity for the financial year ended 31 December 2021 include an explicit and unreserved statement of compliance with the International Financial Reporting Standards; and
- (d) the declarations required by section 295A of the *Corporations Act 2001* have been given to the directors.



Debra Hazelton
Chair



Alexis George
Chief Executive Officer and Managing Director

Sydney, 10 February 2022

Independent Auditor's Report

to the Shareholders of AMP Limited



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Report on the Financial Report for the Year Ended 31 December 2021

Qualified opinion

We have audited the financial report of AMP Limited (the Company) and its subsidiaries (collectively the Group or AMP), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended; notes to the financial statements, including a summary of significant accounting policies; and the directors' declaration.

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of their financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for qualified opinion

The Company's investment in China Life Pension Company (CLPC), a foreign associate accounted for using the equity method, is carried at \$416 million on the consolidated statement of financial position as at 31 December 2021. The Company's share of CLPC's post-tax net income of \$52 million is included in the Company's income for the year then ended. We were unable to obtain sufficient appropriate evidence about the Company's share of CLPC's net income for the year and consequently the carrying amount of the Company's investment in CLPC as at 31 December 2021 to the extent this share of net income is included in the carrying amount, because the financial statements of CLPC are still in the process of being audited by CLPC's auditor at the date of this report. Whilst we have been able to perform limited procedures on the equity accounted results of CLPC, in the absence of the completed audit we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for qualified opinion*, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Independent Auditor's Report

to the Shareholders of AMP Limited

CREDIT PROVISIONS

Financial report reference: Section 2.1: Loans and advances, Section 3.3 Financial Risk Management

Why significant	How our audit addressed the matter
<p>As disclosed in section 2.1 of the financial report, the Group has loans and advances as at 31 December 2021, against which provisions for expected credit losses are required to be booked in accordance with Australian Accounting standards.</p> <p>This was a key audit matter due to the value of the provisions, and the degree of judgment and estimation uncertainty associated with the provision calculation.</p> <p>Key areas of judgment included:</p> <ul style="list-style-type: none"> – the application of the impairment requirements of AASB 9 <i>Financial Instruments</i> within the Group's expected credit loss methodology; – the identification of exposures with a significant deterioration in credit risk; – assumptions used in the expected credit loss model (for exposures assessed on an individual or collective basis); and – the incorporation of forward-looking information to reflect current and anticipated future external factors, including economic scenarios adopted and the probability weighting determined for each scenario. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> – We assessed the alignment of the Group's expected credit loss model and its underlying methodology against the requirements of AASB 9, with consideration of the ongoing impact of the COVID-19 pandemic. – We assessed the following for exposures evaluated on a collective basis and associated overlays: <ul style="list-style-type: none"> – significant modelling and forward-looking macroeconomic assumptions; – the basis for and data used to determine the provision as at 31 December 2021; and – We involved our actuarial specialists to test the mathematical accuracy of the model and to benchmark key assumptions. – We examined a sample of exposures assessed on an individual basis by: <ul style="list-style-type: none"> – assessing the reasonableness and timeliness of internal credit quality assessments based on the borrowers' particular circumstances; and – evaluating the associated provisions by assessing the reasonableness of key inputs into the calculation, with particular focus on collateral values, work out strategies and the value and timing of recoveries. – We considered the associated financial report disclosures.

Independent Auditor's Report

to the Shareholders of AMP Limited

PROVISIONS, AMORTISATION & CONTINGENT LIABILITIES

Financial report reference: Section 2.3 Intangibles, 6.3 Right of use assets and lease liabilities, 6.4 Provisions and contingent liabilities

Why significant	How our audit addressed the matter
<p>As disclosed in section 2.3, 6.3 and 6.4, the Group has recorded provisions, amortisation and disclosed contingent liabilities as follows:</p> <ul style="list-style-type: none"> – provisions for client remediation and compliance matters; – accelerated amortisation of intangible assets; – provisions for onerous lease contracts; and – contingent liability disclosures in relation to existing class actions, ASIC civil penalty proceedings, industry and regulatory matters and indemnities and warranties to Resolution Life. <p>This was considered a key audit matter due to the judgment required to determine the reasonable estimates.</p> <p>Key areas of judgment included:</p> <ul style="list-style-type: none"> – the decision as to whether to recognise a provision and/or disclose a contingent liability, including whether there is a present obligation as a result of past events and whether sufficient information existed to allow a provision to be reliably measured; and – key assumptions used to determine provisions or amortisation acceleration, including: <ul style="list-style-type: none"> – the estimates of compensation amounts and costs required to complete the remediation programs; – the useful life and future economic benefits associated with intangible assets; and – vacancy periods, sub-lease rental estimates increase for onerous lease provisions. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> – We held discussions with management, reviewed Board of Directors and Board committee minutes, reviewed correspondence with regulators and attended Board Audit Committee and Board Risk and Compliance Committee meetings to understand key regulatory, compliance and legal matters. – We assessed the Group's key assumptions used to determine provisions or accelerated amortisation, which included benchmarking vacancy periods and rental estimates and the assessment of the reasonableness of useful lives. – For those matters where the Group determined that either a present obligation as a result of a past event does not exist, or where a sufficiently reliable estimate of the amount of the obligation cannot be made and for which no provisions have been recognised, we assessed the basis for the conclusions. – We considered the disclosures within the financial report related to these provisions and contingent liability disclosure.

Independent Auditor's Report

to the Shareholders of AMP Limited

TAXATION

Financial report reference: Section 1.4: Taxation

Why significant	How our audit addressed the matter
<p>As presented in the consolidated statement of financial position and Section 1.4 of the financial report, the Group has significant tax balances as at 31 December 2021, being a current tax asset of \$221 million, a current tax liability of \$67 million, a deferred tax asset of \$655 million, and a deferred tax liability of \$136 million.</p> <p>Due to the complexity and high level of judgment required in the following areas, we considered this to be a key audit matter:</p> <ul style="list-style-type: none"> – The tax consequences of recent changes to the entities within the AMP Limited tax consolidated group; – Estimating future taxable income and assessing the recoverability of tax losses and other deferred tax assets in future years; and – The adequacy of provisioning and assessing the recoverability of current tax. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> – We involved our tax specialists to assess the application of tax laws and regulations in the determination of the Group's tax balances, including the Group's assessment of the impact of entities leaving and joining the tax consolidated group on the determination of tax balances. – We examined the Group's deferred tax asset recoverability assessment and evaluated the reasonableness of key assumptions, including: <ul style="list-style-type: none"> – analysing the Group's growth and other key assumptions and reviewing tax adjustments made to the Group's profit forecasts to determine future taxable income; and – reviewing and assessing the Group's analysis to determine the period over which deferred tax assets attributable to tax losses are forecast to be utilised. – We considered management's assessment of the recoverability of current tax assets including the underlying tax principles applied and management forecasts. – We considered the associated financial report disclosures.

INFORMATION TECHNOLOGY (IT) SYSTEMS AND CONTROLS OVER FINANCIAL REPORTING

Financial report reference: n/a

Why significant	How our audit addressed the matter
<ul style="list-style-type: none"> – The Group's operations and financial reporting processes are primarily reliant on IT systems for the processing and recording of a high volume of transactions. – The group-wide IT environment is complex in terms of the scale and nature of IT systems relied upon. IT General Controls (ITGCs) support the continuous operation of the automated and other IT dependent controls within the business processes related to financial reporting. Effective ITGCs are needed to ensure that IT applications process business data as expected and that changes are made in an appropriate manner. – The possibility of IT application users gaining access privileges beyond those necessary to perform their assigned duties may result in breaches in segregation of duties, including inappropriate manual intervention, unauthorised changes to systems, data or programmes. 	<ul style="list-style-type: none"> – We focused our audit procedures on those systems and controls that are significant to the Group's financial reporting process. – We involved our IT specialists, as audit procedures over IT systems and controls require specific expertise. – We assessed the design and tested the operating effectiveness of the Group's IT controls, including those related to user access, change management, IT operations and data integrity. – Where we identified design or operating deficiencies in the IT control environment, we performed additional procedures to: <ul style="list-style-type: none"> – Assess the integrity and reliability of the systems and data related to financial reporting; and – Assess alternative controls that were not reliant on the IT control environment.

Independent Auditor's Report

to the Shareholders of AMP Limited

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report (including the remuneration report) that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditor's Report

to the Shareholders of AMP Limited

Report on the Audit of the Remuneration Report

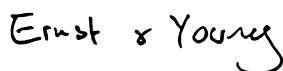
Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of AMP for the year ended 31 December 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Andrew Price
Partner

Sydney
10 February 2022