



AMP Bank Limited

Remuneration disclosures

For the period 1 January 2019 to 31 December 2019

AMP Bank Limited

Remuneration disclosures for the year ended 31 December 2019

The remuneration disclosures have been prepared in accordance with Australian Prudential Regulatory Authority's (APRA's) remuneration requirements as set out in prudential standard APS 330 Public Disclosure with reference to the requirements established under CPS510 Governance and the AMP remuneration policy.

AMP Bank Limited (AMP Bank) is a wholly owned subsidiary of AMP Financial Investment Group Holdings Limited, which is a wholly owned subsidiary of AMP Limited (AMP).

The AMP Limited Remuneration Committee (Committee) is AMP Bank's nominated board remuneration committee. The remuneration arrangements which apply to AMP Bank are the AMP group policies, frameworks and remuneration arrangements.

The AMP Bank employees included in the remuneration disclosures are those who have been identified as:

Category	Description	Number of individuals	AMP Bank roles
Senior managers	<ul style="list-style-type: none">Responsible personsIndividuals who may impact the financial soundness of AMP Bank	15	<ul style="list-style-type: none">Chief Executive Officer, AMP AustraliaManaging Director (formerly Chief Executive), AMP Bank¹Managing Director (formerly Chief Executive), AMP Bank direct reports²Risk and financial control personnelAMP Bank executive directors

¹ The role of Chief Executive, AMP Bank became Managing Director, AMP Bank effective 1 November 2019.

² Only those direct reports that meet the definition of a senior manager in APS 330.

There were no material risk taker roles identified.

1. Remuneration governance

The Committee assists the AMP Bank board in establishing and having oversight of AMP's remuneration policy, plans and practices, including compliance with prudential standards. Other key remuneration-related responsibilities of the Committee include recommending to the AMP Bank board approval of:

- AMP remuneration policy
- total remuneration arrangements for the senior managers of AMP Bank, based on the AMP Bank's board review of their performance
- annual recommendations of the remuneration structure for categories of persons covered by CPS 510.

The Committee's duties and scope are outlined in the Committee's Charter, which is available on the AMP website amp.com.au.

The Committee is comprised of independent non-executive directors of AMP and meets no less than four times a year. The Committee is chaired by an independent non-executive director of the AMP Limited Board as appointed by the AMP Limited Board. During the 2019 financial year, the Committee consisted of the following members:

Remuneration Committee members	Role	Term in 2019
David Murray	Chairman	Full Year
John Fraser	Committee member	Full Year
Andrew Harmos	Committee member	Full Year
Debra Hazelton	Committee member	Part Year
Trevor Matthews	Committee member	Full Year
John O'Sullivan	Committee member	Full Year
Geoff Roberts	Committee member	Part Year
Andrea Slattery	Committee member	Part Year
Peter Varghese	Committee member	Full Year
Mike Wilkins	Committee member	Full Year

The Committee held five meetings during the 2019 financial year. The fees (including superannuation) paid to the Committee members for 2019 are outlined below:

Committee	Chairman fees	Member fees
Remuneration Committee ¹	\$55,000	\$25,400

¹ No fee is currently payable to a member of the Committee who is also chairman of the AMP Limited Board. During 2019, the chairman of the AMP Limited Board was a member of the Committee and therefore received no additional fee for this appointment.

Where an external perspective regarding remuneration is needed, the Committee seeks guidance from independent remuneration advisers. The Committee did not obtain any independent remuneration advice for AMP Bank in 2019.

2. Remuneration strategy, policy and design

The AMP remuneration policy has been adopted by AMP Bank and provides the framework for the implementation, assessment and maintenance of AMP Bank's remuneration strategy and arrangements.

AMP's remuneration strategy is to attract and retain the people required to achieve AMP's corporate objectives through its chosen business model and associated strategy.

AMP has a comprehensive remuneration policy which outlines the responsibilities of the boards, Committee and management. The policy requires that remuneration arrangements are simple, practical and supported by a governance framework that avoids conflicts of interest, defines clear accountabilities and ensures that proper checks and balances are in place.

To achieve these objectives, the Committee has adopted a number of guiding principles which are the basis of AMP's remuneration policy and form the framework within which all aspects of remuneration at AMP are managed. The guiding principles are set out below.

Differentiate	remuneration outcomes should differentiate for performance taking into account risk management and compliance with our policies
Behaviour	remuneration should drive behaviour that is legal, authorised, productive and reputable
Clarity and consistency	employees should have clarity around remuneration and remuneration arrangements should be applied consistently
Governance	remuneration arrangements should be supported by a proper system of internal controls, dealing with separation of roles, conflicts of interests, with appropriate checks and balances
Judgement	the remuneration framework should allow executives to exercise independent judgement and discretion
Reward	reward people for their work on terms consistent with the markets in which they are employed

The Committee reviews the ongoing compliance, appropriateness and relevance of the AMP remuneration policy regularly. A review of the AMP remuneration policy was last undertaken in 2018.

Throughout 2019, AMP Bank has continued to develop its practices in response to the Sedgwick Recommendations, through enhancements to performance management, governance and leader communication. Performance management now specifically incorporates the demonstration of customer focused behaviour into the assessment of performance.

Remuneration elements

AMP provides a number of remuneration elements to AMP Bank employees. The key elements of remuneration for most employees are fixed pay and performance-based remuneration.

The mix of remuneration elements (both fixed and variable) for AMP Bank employees varies depending on the employee's role and level, and current market practice. The remuneration mix is designed to be market competitive, while providing the appropriate performance focus for their role.

The Executive Performance Incentive (EPI) Plan introduced in 2018 for eligible senior managers was replaced in 2019 by new arrangements comprised of a short-term incentive (STI) and long-term incentive (LTI) structure.

Fixed pay

All AMP Bank employees receive fixed pay, which includes a cash salary, superannuation and the opportunity to take advantage of AMP's employee benefit programs offered from time to time.

Performance-based remuneration

Performance-based remuneration is awarded based on performance over a specified performance period, typically over one performance year.

All permanent AMP Bank employees are typically eligible to be considered for performance-based remuneration provided they have met the required behaviour, conduct and performance standards (including compliance with risk management, code of conduct, internal standards and workplace policies).

Performance-based remuneration payments are funded from the AMP group incentive pool, which is determined by the AMP Limited board taking into account AMP performance against a set of financial and non-financial measures. The pool may be adjusted downwards if AMP Bank takes risks outside the agreed risk appetite.

An individual's incentive outcome is not promised or guaranteed. Any award is dependent on AMP, business area (e.g. AMP Bank) and individual performance, which could result in no award being made. Individuals are assessed against pre-determined performance agreements incorporating specific risk objectives where appropriate.

To ensure risk personnel are remunerated independently of AMP Bank, no financial business unit measures other than management of direct expenses of the Bank ERM team, are used in assessing the performance of risk personnel. The operating model ensures reporting line for the Bank Chief Risk Officer (CRO) is direct to the AMP Limited CRO. Assessment of performance and remuneration decisions are made by the AMP Limited CRO with input from the Bank Managing Director.

To ensure financial control personnel are remunerated independently of AMP Bank, no financial business unit measures are used in assessing the performance of financial control personnel other than management of direct expenses of the Bank Finance team.

For senior managers, 40% of their short-term incentive (STI) is deferred into AMP equity (i.e. rights to AMP Limited shares) for four years, subject to ongoing employment, compliance with AMP policies and the board's discretion. Where a senior manager has participated in the 2019 LTI scheme, the deferral rate for 2019 is reduced to 20% for two years. During 2019, fourteen senior managers participated in the 2019 STI Deferral Plan.

All AMP performance-based incentive plans comply with relevant policies and operate subject to compliance with any applicable standards or regulations, such as APRA Prudential Standards and the Banking Executive Accountability Regime (BEAR).

Long-term incentives

Select senior managers who are able to influence long-term shareholder value are eligible to be considered for LTI awards. The quantum of the award provided is based on their role.

During 2019, twelve senior managers received an LTI award in the form of performance rights. For the 2019 award, vesting of performance rights is dependent on the employee's continued service over a vesting period of three and a half years and AMP's relative total shareholder return performance. To the extent required

under the Banking Executive Accountability Regime, the award may be subject to a further holding lock for a total deferral period of four years.

3. Remuneration and risk management

AMP Bank operates under AMP's risk management framework which is designed to ensure that AMP's regulated entities, directors, senior management and staff can fulfil their risk management responsibilities within a transparent, aligned and formalised governance and operating structure. This structure also ensures that risks are managed effectively within the risk appetite set by AMP Bank.

The AMP remuneration policy, which has been adopted by AMP Bank, forms part of AMP's risk management framework. AMP's Risk Management Strategy defines the risk type categories as: strategic; operational (including consideration of conduct risk and compliance); credit; liquidity; insurance; market; and concentration. The outcomes of these risks can be measured against the following dimensions as set out in the Risk Appetite Statement:

- Capital Adequacy – This reflects AMP's level of protection/buffer against significant losses in tail events that could lead to insolvency/default or emergency balance sheet restitution;
- Earnings Stability - Constrains excessive volatility of earnings and guards against surprises that lower the predictability of returns to shareholders;
- Maintain Liquidity - Reflects AMP's level of protection against a period of prolonged funding stress and ensures the company can meet its cash obligations without having to sell assets at a discounted rate; and
- Protect Reputation - Reflects the extent to which AMP is willing to accept unexpected failure to meet the expectations of key stakeholders which can be a substantial threat to AMP's overall reputation and long-term value.

A range of approaches are used to manage risks inherent in remuneration structures, which are reviewed to ensure consistency with AMP's risk management framework and AMP Bank's risk appetite. Risk management considerations apply in both plan design and determining outcomes, as follows:

- An overall assessment of risk is recommended by the CRO, reviewed by the AMP Limited Board Risk Committee and approved by the AMP Limited Board as an input into the Board's determination of the group incentive pool.
- Incorporation of risk-related measures into individual performance objectives.
- Use of risk-adjusted financial metrics.
- Deferral of incentives to allow adjustments in the event of risk management and/or code of conduct breaches.
- Provision to pay reduced or zero incentives if this is necessary to protect the financial soundness of AMP Bank, to respond to significant unexpected or unintended consequences that were not foreseen by the Committee, or for the purposes of any other relevant prudential matter or regulatory requirement.
- Payment of individual performance-based remuneration or vesting of equity may be delayed, suspended or reduced to zero in the event of code of conduct breach, poor risk management or investigation (by AMP or third party)
- Malus and clawback provisions are included in equity plan rules. The Committee reviews risk and conduct issues in relation to the vesting of deferred equity awards for all employees. The Board or the Committee may reduce the deferred award, including to zero.

4. Linking performance and remuneration

Remuneration arrangements are designed to align and contribute to AMP's key strategic objectives, business outcomes and desired performance culture. To achieve this, performance measures are explicitly linked to short-term and long-term strategic objectives and business imperatives.

Payments under the STI plan are funded from the AMP group incentive pool, which is determined by taking into account AMP's performance against group-wide financial and non-financial measures set and approved at the start of each year.

In 2019, the board approved a new approach that created an incentive pool for delivering upon a set of agreed strategic priorities and the 2019 financial plan. The strategic priorities set for 2019 include:

- Deliver on the 2019 financial plan
- Separate AMP Life
- Transform Australian Wealth Management
- Prioritise client remediation
- Strengthen risk and control environment
- Reset the AMP strategy

To the extent targets are exceeded and financial results are above plan, an incremental amount may flow through to the group incentive pool.

The board continues to exercise discretion when assessing performance to determine the final incentive pool. The board may also choose to exercise this discretion to take into account factors not fully reflected in the financial results, to ensure outcomes are appropriate and aligned to shareholder experience.

The board assessed AMP's performance against the 2019 financial plan and strategic priorities, including risk management considerations, to determine the incentive pool for 2019. Despite delivering against many of the targets set, the board determined that the overall STI pool would reflect average STI outcomes to employees of approximately 50% of target. This decision reflects the rigour and discipline applied to setting and measuring progress against targets and incorporates the Board's desire to exercise restraint and balance stakeholder outcomes.

Individual performance objectives are set at the start of each year and are designed to focus employees on activities that will drive the achievement of AMP Bank's strategic objectives.

For 2019, the performance of senior leaders in AMP Bank was measured against a balanced scorecard which consisted of largely non-financial measures. Non-financial measures included employee engagement, customer advocacy, successful delivery of projects and initiatives, delivery to strategy and developing and embedding a risk-based culture. A risk and conduct gateway was introduced where senior leaders were required to demonstrate role modelling the AMP behaviours, acting in accordance with the AMP and Banking code of conduct and understanding, managing and escalating risk. The only financial measure was meeting team controllable costs.

5. Deferral and vesting

STI deferral

The AMP STI deferral plan requires that a portion of a participant's STI award be delivered in rights to AMP shares (share rights). The share rights have no exercise price and no exercise period, converting to AMP Limited shares at the end of the deferral period.

In order for share rights to vest under the STI deferral plan, participants must:

- remain employed with the AMP Group up to the vesting date (this requirement may be waived in exceptional cases such as redundancy, retirement or death or disability); and
- the rights must not lapse for any other reason outlined in the Equity Incentive Plan (EIP) rules, such as failure to comply with AMP policies (including the AMP code of conduct and those relating to risk management).

Long-term incentive (LTI)

Vesting of AMP's equity based LTI awards is dependent on:

- continued service for share rights, and
- achievement of performance hurdles and continued service for performance rights.

Where an LTI participant ceases employment with AMP their LTI award may be affected, as outlined below:

Cessation date	Treatment of rights
Before the grant date	Employees will not be allocated rights. In exceptional cases such as redundancy, retirement, death or disability, the board may apply its discretion to provide the employee with a cash payment in lieu of an LTI award.
After the grant date, but before the vesting date	Rights will generally lapse. In exceptional cases such as redundancy, retirement, death or disability, the board may allow the participant to retain some or all of their rights (subject to the original performance criteria) until the scheduled vesting date.

2018 Executive Performance Incentive plan

For senior managers who participated in the 2018 EPI plan, 40% of the allocation was deferred in restricted shares for a total of four years including an initial one-year performance period.

The EPI equity award is not subject to performance hurdles. However, for those shares to vest:

- the participant must not cease employment with the AMP Group due to resignation or termination for cause during the initial one-year restriction period; and
- the shares must not lapse for any other reason outlined in the Equity Incentive Plan (EIP) rules, such as failure to comply with AMP policies (including the AMP Code of Conduct and those relating to risk management).

Board discretion

Vesting of equity awards made under AMP's EIP rules is subject to a risk and conduct review, to ensure that performance and conduct is in line with AMP's expectations. The Board has discretion to amend the vesting outcome (including to zero).

Under AMP's EIP rules, the board may apply its discretion in adjusting for malus and clawback. The board may reduce or clawback awards in certain circumstances, such as:

- the participant's employment is terminated for misconduct
- the participant acting fraudulently, dishonestly or in a manner which brings the AMP group into disrepute or being in material breach of their obligations to the group
- to protect the financial soundness or position of AMP
- to respond to a material change in the circumstances of, or a significant unexpected or unintended consequence affecting AMP that was not foreseen by the Remuneration Committee (including any misstatement of financial results), and/or
- to ensure no unfair benefit to the participant.

Remuneration disclosures

The following quantitative disclosures have been prepared in accordance with APS 330 for the financial years ended 31 December 2018 and 2019.

The total remuneration earned from the AMP Limited group is disclosed (for their term as senior managers of AMP Bank), although responsibilities for some senior managers with respect to AMP Bank are only a component of their overall responsibilities.

Table 1 provides the total amount of remuneration awarded to senior managers of AMP Bank for the years ended 31 December 2018 and 2019. Table 2 provides the total amount of outstanding deferred remuneration, total amount of deferred remuneration vested, and any implicit and explicit adjustments made to deferred remuneration.

Table 1: Total value of remuneration awards

	FY19	FY18
Remuneration element	Senior managers ¹ \$'000s	Senior managers ¹ \$'000s
Fixed remuneration		
Cash-based (non-deferred) ²	8,684	5,162
Other ³	93	259
Variable remuneration		
Cash-based (non-deferred) ⁴	2,163	493
Shares and share-linked instruments (deferred) ⁵	9,351	1,726
Other	-	-

1. Remuneration has not been pro-rated for senior managers that work across multiple entities. Fourteen senior managers of AMP Bank received a cash incentive award for the 2019 financial year. Eight senior managers received an award in 2018. No sign on awards were made to senior managers during 2019. Two sign on awards were made to senior managers during 2018, the total of these awards was \$166,964. One termination payment with a total value of \$419,356 was made to senior managers relating to the 2019 performance year. Two termination payments with a total value of \$222,216 were made to senior managers relating to the 2018 performance year. No guaranteed bonuses were paid during 2019 or 2018.
2. Includes base salary, superannuation contributions, any cash allowances and additional payments.
3. Includes the net change in annual and long service leave accruals, non-monetary benefits and any FBT on each item for the financial year.
4. Represents the cash portion of any incentive award made in relation to the financial year. For twelve senior managers this represents 80% of their total 2019 incentive award and for two senior managers this represents 60% of their total 2019 incentive award (in 2018, six senior managers had 40% of their incentive award deferred).
5. All deferred remuneration is deferred into equity. The deferred equity value represents the 2019 accounting expense of all unvested deferred equity awards granted during the 2016, 2017, 2018 and 2019 financial years (2018: 2016, 2017 and 2018 financial years).

Table 2: Outstanding deferred remuneration and deferred remuneration which vested

	FY19	FY18
Remuneration element	Senior managers \$'000s	Senior managers \$'000s
Total amount of outstanding deferred remuneration ¹	25,494	3,524
Shares and share-linked instruments (deferred)		
Total amount of deferred remuneration which vested ²	185	638
Total amount of reductions due to explicit adjustments ³	634	981
Total amount of reductions due to implicit adjustments ⁴	(2,714)	(2,996)

1. All deferred remuneration is deferred into equity and is exposed to ex post explicit and implicit adjustments. This value represents the total fair value of all unvested equity awards as at 31 December.
2. Represents the face value of equity awards which vested during the financial year.
3. Represents the face value of equity awards which were forfeited or lapsed during the financial year due to performance conditions not being met.
4. Represents the change in the value (decrease) of unvested awards due to the movement in AMP share price between grant date and 31 December.