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Speech by AMP Chief Executive Officer, Andrew Mohl

AMP Chief Executive Officer, Andrew Mohl, will be presenting to the Trans Tasman Business Circle in Melbourne today. Attached is a copy of his speech.

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AMP – driving sustainable growth

As a company, AMP is fortunate to be operating in an attractive high growth industry helping Australians amass their retirement savings, as the nation readies for its looming date with demographic destiny.

But, as you all know, it takes more than being in the right industry for a company to grow strongly over the long haul.

It takes hard work and a real focus on delivering what your customers expect from you.

What Australians and New Zealanders expect from AMP is very clear to us.

They expect three things: security, performance and fairness.

These are sound expectations – and we are working hard to meet them. Let me tell you how.

Australians and New Zealanders expect security from AMP
When it comes to their retirement savings, our customers have one over-riding concern - security.

People saving for their retirement give us their money for a long time – sometimes as long as 30 or 40 years. Their biggest concern is that they get it back. And situations like Westpoint really intensify that expectation.

Our customers trust us with their money because they know we stand behind the advice and the product recommendations from their AMP planner.

They also know that we're here for the long haul – so we'll be around to give them their money back when they want it.

The three men who founded AMP 157 years ago believed that financial security enabled people to live with dignity. Their company motto was *amicus certus in re incerta* – a sure friend in uncertain times.

And that's the belief and underpinning social purpose that still drives us today.

Our customers find it very reassuring that we've been in business for over a century and a half, and we're still going strong. Ironically, our recent past and misadventures in the UK have demonstrated that we can survive almost anything that confronts us, and still bounce back.

The level of scrutiny we now experience as a public company also reinforces this sense of security. Few companies are as intensely monitored and reported on as AMP.

Our customers also draw reassurance from our unique business structure, which is based on long-term partnerships between big business and small business, and which has kept us firmly based in local communities.

As a big business, we partner with 1,900 men and women in more than 1,000 financial planning practices across Australia and New Zealand.

Our financial planners are not employees of AMP. They have evolved from the employed life agent model of the past to become professional financial planners, running their own small businesses in their local communities.

Think of it more like a franchise arrangement – where we bring the financial strength, systems, processes and brand and they bring the financial planning skill, entrepreneurship, personal relationships and local knowledge.

Our customers like the security of a personal relationship with their local AMP planner. In fact, our research shows that while 63 per cent of Australians with a planner rank a strong company behind that planner as important, for AMP customers that figure is substantially higher. Eighty six per cent of our customers say the backing of a large company is important to them.

Australians and New Zealanders expect performance from AMP

This brings me to the second big expectation that Australians and New Zealanders have of AMP – performance.

This goes hand in hand with security. Because without good performance, any promise of security we offer to our customers and shareholders is hollow.

We've been working hard to deliver high performance across the board in AMP for some years now, and you can see the results in our half-year financial report, released last month. We're delivering for our shareholders and for our customers.

For our owners, all our key performance indicators are heading in the right direction. Overall, we delivered top quartile, indeed top decile, total shareholder returns of 52 per cent for the year to June.

A year ago, we announced an ambitious goal to double the value of an investment in AMP in the five years to mid 2010. With a 40 per cent increase in the first year, we now believe we are on track to meet this goal by mid 2009.

For our customers and policyholders, we are also delivering strong and very competitive returns.

As I said earlier, we are fortunate to be operating in a high growth market.
The retirement savings market is projected to triple in size over the next decade to over $2 trillion, underpinned by mandatory superannuation flows. By 2015, the Australian private pension savings market is expected to be the biggest in Asia – indeed bigger than all other Asian markets combined.
But the real secret of our success comes from a total focus on operational excellence in this marketplace.

This focus on running the business better than it's ever been run before means delivering high performance in our products and services, particularly advice.

In terms of our products and services, our flagship superannuation products, both at the retail and the corporate level, have been rated at the top of their categories by external research houses.

Our in-house investment manager, AMP Capital Investors, has delivered consistent out-performance against its benchmarks. We set a target for 75 per cent of all assets we manage to meet or exceed benchmarks, which is very challenging, considering we are managing some $96 billion in assets for our customers.

Each asset class we are managing is currently exceeding that target. Indeed, we estimate that the value added to customers' funds relative to benchmarks was around $2 billion in the first half of 2006 alone.

We've also put a lot of emphasis on developing contemporary new products and services to meet the changing needs of our customers.

So, over the past few years, we've brought new products to the market like:

- SignatureSuper, the cutting-edge corporate superannuation fund that has attracted exceptional flows from major employers over the past 18 months;
- our top performing multi-manager (or "best of breed") Future Directions Funds, which are now attracting about 60c in every retail dollar that comes to AMP; and
- our Global Property Securities Fund that we launched in Australia and have now had significant success with in Malaysia, Taiwan, Japan and Singapore.

Delivering good financial advice to the mass market is also an important part of our high performance goal.

We have the largest planner network in Australasia and the largest number of Certified Financial Planners. We were the first group to introduce annual accreditation examinations for Australian planners in 2004. We developed the most comprehensive educational CD-ROM in the market in 2005, which we have promoted and offered free on request to help improve financial literacy and knowledge and there are now over 100,000 in circulation.

And we have significant transformation programs underway to lift the advice quality, professionalism and capability of our planners even further.

Pleasingly, our customer feedback is also tracking well. Ninety per cent of our customers surveyed over the past six months have rated their financial planner's service as excellent. And we've seen a 70 per cent reduction in complaints over the last three years. Added to which, our customer service division recently won a national award for customer service excellence as a first-time entrant.

Australians and New Zealanders expect fairness from AMP

So Australians and New Zealanders expect security and performance from AMP. Their third big expectation of us is: fairness.

Australians and New Zealanders expect that AMP will act with integrity and do the right thing by them.

As a company, we have very big responsibilities to live up to that trust.

That permeates everything we do, from our philanthropic work in the AMP Foundation, to our broader social responsibilities in supporting sound retirement income policies in Australia and New Zealand, through to our everyday business practices.

Ultimately, being fair is about making sure we do the right thing by those who expect it of us, particularly our shareholders and our customers.

Another example of being fair is in our offer to customers of product choice with the reassurance that we stand behind our product selection.

That's why we ensure that the in-house and external products on our approved products list have been thoroughly reviewed by our internal and external specialist researchers. And it is no accident that Westpoint products did not appear on this list.

To be even fairer, so people know exactly what to expect when they come to see an AMP accredited planner, we have now put this list up on our website and we understand we are the first group in Australia to do this.

Being fair doesn't mean being perfect. Our customers don't expect that. But they do expect that when we make mistakes, we'll admit them and act fast to fix them.

And that's exactly the path we've taken with the enforceable undertaking (EU) we offered to ASIC two months ago.

The EU and the process of review that led to it has helped us really focus on an area that we needed to improve, around the procedures, disclosures and documentation we gave on superannuation switching advice.

In terms of our progress on the undertakings to date, late last week we finalised the appointment of the external expert, Deloittes.

Under the terms of their appointment, Deloittes will be reviewing the changes we've made around these processes to provide assurance that they are robust and well entrenched, among other responsibilities.

Being fair also means being clear about what we stand for and what we offer. That's why we make our positions on important industry issues very explicit.

For example, on the issue of paying for financial advice upfront, through a fee for service, or over time, through a product commission, we're strictly on our customers' side. Our position is that it should be left to the customer to decide. It should be their choice – not ours or anyone else's.

There are two key reasons why we take this position. One is that our customers have told us they want to have a choice. When we asked Australians how they would prefer to pay for advice, about half of them told us that they want to use commissions or a mixture of commissions and fee for service.

The other is the critical issue of the accessibility and affordability of financial advice. Paying as you go, through a product commission, is often the only way for lower income clients to afford good financial advice. And they're often the people who benefit most from that advice.

UK research by Oliver, Wyman & Company has demonstrated that there is a strong, direct link between the availability of advice and savings levels; more advice means more saving. Which is good for the individual and good for the country. Conversely, less advice means less saving.

I know there are some people who believe that lower income clients don't need financial advice and their mandatory superannuation contributions will suffice. We strongly disagree.

Just take superannuation. How do they make the best investment decisions to ensure their long term financial security? How much should they be saving and can they contribute beyond the mandatory 9 per cent? Are they eligible for co-contributions? Do they have enough insurance to cover their families if anything happens to them? How much will they need when they retire?

These are big and intimidating questions for the average Australian. Good financial advice helps you find the answers to these questions and must not become the privilege solely of people on above-average incomes.

So that's why we strongly support a choice in payment methods for financial advice. After all, good advice is good advice, no matter how it's paid for.

On another contentious issue of related parties and conflicts of interest, our position is equally explicit.

Given conflicts exist in every industry, what is important is that you have robust arrangements in place to manage them.
Each of our major subsidiaries has strong active boards with a majority of independent non-executive directors and a robust governance framework to handle arrangements with other entities within AMP. From next month, each will have an independent non-executive director as Chairman.

In the coverage following the enforceable undertaking offered by AMP Financial Planning to ASIC, you may have seen reference to the fact that 93 per cent of the recommendations by AMPFP advisers were invested into AMP products.

That 93 per cent statistic refers to the money that flows through our superannuation platform, which is our back office administration system. This system lets us manage large cashflows and assets under management efficiently and cost-effectively, while offering a broad range of investment options and low cost investment switch facilities to customers.

This administration system is a service not a product. The money that comes through this system ultimately ends up being invested with a broad range of different asset managers. AMP Capital's participation in some asset classes within Future Directions Funds means overall just on a third of net cashflows in the period was invested with AMP Capital.

In terms of the adviser having a potential bias to the in-house manager on our platform, we eliminated this some time ago. Our advisers' remuneration and recognition are the same regardless of investment choice on the platform.

We are also now looking at areas where limited bias to a product manufacturer might still exist anywhere in our system.

When it comes to related parties and potential conflicts of interest, it's also important to recognise that you can't view them in isolation. In our case, one of the main reasons our customers come to us is because of the security our structure brings. They want the reassurance of a large, well capitalised financial institution that stands behind its planners, products and services.
And that's what we provide.

Conclusion
AMP is a unique company operating in one of the most attractive wealth management markets in the world. Not so long ago, we were a company in crisis. Today, we are back with a vengeance.

Australians and New Zealanders have sound and clear expectations of AMP.
They expect us to provide security, performance and fairness. That adds up to peace of mind about their financial future.

We are committed to meeting and indeed exceeding those expectations, because that is the best way of ensuring that our company continues to prosper and grow for its owners along with its customers.

In short, the best years for AMP are ahead of us.