

**ADDRESS BY CHAIRMAN PETER MASON  
TO THE AMP ANNUAL GENERAL MEETING  
17 MAY 2007**

What I will do this morning is provide you with a broad overview of where your company stands today.

I will focus particularly on what I see as AMP's strengths, where I believe we can do better and the role that your board can play in that, and what our prospects look like for the future.

Your company operates in an extraordinary market.

Australia has the 53<sup>rd</sup> largest population in the world, the 19<sup>th</sup> largest economy, the 12<sup>th</sup> largest stock exchange and the fourth largest managed funds market.

We punch well above our weight in managed funds terms and this is because of our strong retirement savings market, underpinned by mandatory superannuation.

Australians now have more than \$1 trillion invested in their superannuation funds.

A market this large obviously stimulates a high level of competition.

Yet in the face of this competition, your company is currently number one for super – and is working hard to ensure we maintain that position.

**AMP's strengths**

AMP has built its number one position in superannuation by doing what it has always done best – working with our clients to secure their financial future.

This has been your company's purpose since it was founded 158 years ago.

Part of the secret of AMP's long term success has been its ability to evolve with the times.

We started out as a business focused on helping people manage the risk of dying too young – that was what life insurance was for.

We've evolved into a business focused on helping people manage the risk of living too long – and running out of money. That's what retirement savings are for.

We must continue to evolve to meet the needs of our clients, as their financial needs and wants change with the times.

AMP's management has been implementing a very simple strategy for the past three and a half years. That is, to run the company better than it's ever been run before.

It's a strategy that has caused the company to take a hard look at everything we do, to stop doing things that aren't valued by our customers, our planners and our shareholders, to focus on what really is valued by them, and do that to the best of our ability.

This focus on operational efficiency has been at the heart of AMP's financial turnaround. It has helped to keep our costs down and to drive our revenues up, ultimately generating stronger profits for you as AMP's owners.

### **Capital management approach**

This strong profit performance is one of the factors behind AMP's ability to return capital to shareholders over the past three years.

The other factors include favourable market conditions and AMP's transformation into a less capital intensive business.

Together, they have enabled AMP to generate more than \$2 billion in excess capital since 2004. This surplus has been managed in line with our stated strategy, which is:

- to reinvest in our core businesses to drive profitable growth
- to maintain debt levels consistent with an 'A' grade credit rating, and
- to return excess capital to shareholders.

This is the third year in a row that we have been able to propose a substantial return of capital to our shareholders and you will have the opportunity to vote on that proposal later in the meeting.

I should point out that while we retain a strong capital base for the company, future capital initiatives are likely to be less frequent or significantly smaller in scale.

### **Shareholder registry efficiencies**

In the same way that we are pursuing efficiency in our business operations and in our capital management, we are pursuing efficiency in our shareholder registry, looking for ways to improve shareholder services where we can and to reduce costs at the same time.

AMP's shareholder registry is the third largest in the country, so small changes at one end can mean big savings in time, money and administration at the other end.

For example, we're encouraging shareholders to manage their shareholding online as this is more efficient, timely and cost effective.

About one in five of the forms we receive from shareholders through the mail, for instance, has to be returned to shareholders because it is illegible. Forms completed online don't have this problem, and so can be processed much more quickly and efficiently.

We're also about to start charging individual shareholders for the cost of re-issuing dividend payments because of lost cheques or out of date or incorrect direct credit information. While only about three per cent of shareholders ever request this, that three per cent is costing the other 97 per cent of holders about \$700,000 a year in re-issue costs. We don't believe this is either fair or equitable.

The majority of shareholders have embraced the changes we've made – with about nine in 10 now receiving their dividend payments either through direct credit or through the dividend reinvestment plan.

This year we are moving to phase out dividend cheques, with the 2007 interim dividend being issued either as a direct credit or through the dividend reinvestment plan.

I am pleased to report that we are making this move with the support of the Australian Shareholders Association, which believes that direct crediting is the most efficient method of payment and therefore in the interests of all shareholders.

We will continue to make improvements and changes where they make sense and where we can identify a benefit to you.

Your board is also committed to listening to your feedback and acting on it where we can.

For instance, at last year's annual general meeting, shareholders raised the issue of David Tweed, and the opportunistic, below-market offers that he makes to unsophisticated or vulnerable shareholders.

One shareholder asked if we could consider making our shareholders a fairer offer.

We took that suggestion on board and in September last year we offered shareholders with small parcels of shares a no-cost sale facility.

This enabled shareholders who wanted to sell their shares an opportunity to do so at the going market price without paying any brokerage or commission.

About 20,000 AMP shareholders used the facility, which told us two things.

1. There were some shareholders with small parcels of AMP shares who we were able to help with a much better offer.
2. Most shareholders, when given the choice, prefer to hold on to their AMP shares.

Nonetheless, I want to take this opportunity to warn all shareholders to remain on their guard about unsolicited offers to buy their AMP shares.

We have recently been approached by someone we believe is associated with David Tweed asking for a copy of our shareholder register.

Frustratingly, we have no option under the law other than to comply with this request.

This could result in another opportunistic, below market offer being made to our shareholders. If we become aware of such an offer, we will of course post an immediate warning on our website.

But as a general principle shareholders should treat an unsolicited offer with extreme caution. Always check the market price of your shares and seek professional advice, before responding to any such offer.

### **How we can do better**

While your board is pleased with the progress AMP has made over the past few years, and encouraged by the strong position the company currently holds, we are not complacent.

Both the board and management of AMP believe there is more we can do to improve the company, its products and its services, and the profits it generates.

In this sense, the enforceable undertaking that AMP Financial Planning provided to ASIC last year was a valuable reminder that being an industry leader and an iconic institution carry with it both great responsibility and great vulnerability.

At the heart of this matter were different interpretations of the law by us and by the regulator about what constitutes a reasonable basis for advice when clients are changing superannuation funds.

We have accepted the regulator's view and we have made sound, sustainable changes to our advice processes; changes that will ultimately result in a stronger competitive position for the business, a more professional planner network and, most importantly, better service to our clients.

While this issue has not had a material impact on our costs and profits, from a shareholder perspective, it is a matter we take very seriously.

We have been working constructively with the regulator at all levels of our organisation and theirs to ensure we not only met our own obligations, but that we clearly understand the expectations for our industry.

In my capacity as chairman of AMP, I have made it my business to ensure our approach to this matter has been satisfactory to the regulator. I have recently spoken to both the current and immediate past chairman of ASIC and I am comfortable that the matter is on track.

This is not the only area where we are making changes to improve our products and services.

There are ambitious change programs underway in most parts of the business.

For example, our AMP Capital Investors is making good progress on its ambition to be an Asia Pacific investment powerhouse. It now manages the second biggest mutual fund in Taiwan and looks after more than \$4 billion in funds from Japanese investors.

### **The role of the board in shaping AMP's culture**

Our business change programs are focused as much on culture as they are on our processes and practices, because both your board and your management recognise that how we do things is as important as what we do.

Culture is the fabric of an organisation and the role of the board in helping shape company culture has changed over the years.

As well as driving for strong financial outcomes, boards today must also ensure that companies understand and respond to their broader social responsibilities.

Your board takes a strong and active interest in leadership development within the business. In fact that was a key focus of our board meeting last month.

We take the composition of AMP's workforce as seriously as the composition of the board itself, ensuring we have the right balance of age, gender, ethnicity and experience to maximise the business's growth and development.

AMP has a relatively young workforce – almost half of our employees are under 35 and another third are aged between 35 and 45. And the energy and passion they bring to the business is well balanced by the depth of experience and knowledge the company has accumulated during its 158 years of operation.

We need both energy and experience to make the sort of changes necessary to ensure we continue to deliver on this company's long-standing purpose: to help Australians and New Zealanders secure their financial futures.

### **Outlook**

This focus on continuous change and renewal should stand the company in good stead to reap the benefits of a strong market environment.

As I outlined in the annual report, the outlook for 2007 remains positive.

The general economic outlook is favourable and the retirement savings market, in particular, is projected to grow at rates of more than 10 per cent a year for the next decade.

We are in a strong position to take advantage of this growth, and of the market opportunities we see developing.

We are focused on meeting our growth target of doubling the value of an investment in AMP every five years.

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