



AMP Bank Limited

Remuneration disclosures

For the period 1 January 2020 to 31 December 2020

AMP Bank Limited

Remuneration disclosures for the year ended 31 December 2020

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 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	16	<ul style="list-style-type: none">Chief Executive Officer, AMP AustraliaManaging Director, AMP BankManaging Director, AMP Bank direct reports¹Key risk, internal audit and financial control personnelAMP Bank Executive Director

¹ Only those direct reports that meet the definition of a senior manager in APS 330.

There were no material risk taker roles identified. Most senior managers are identified as Accountable Persons under the Banking Executive Accountability Regime (BEAR) overseen by APRA.

1. Remuneration governance

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 Committee assists the AMP Bank board in establishing and ensuring 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:

- the application of the AMP remuneration policy;

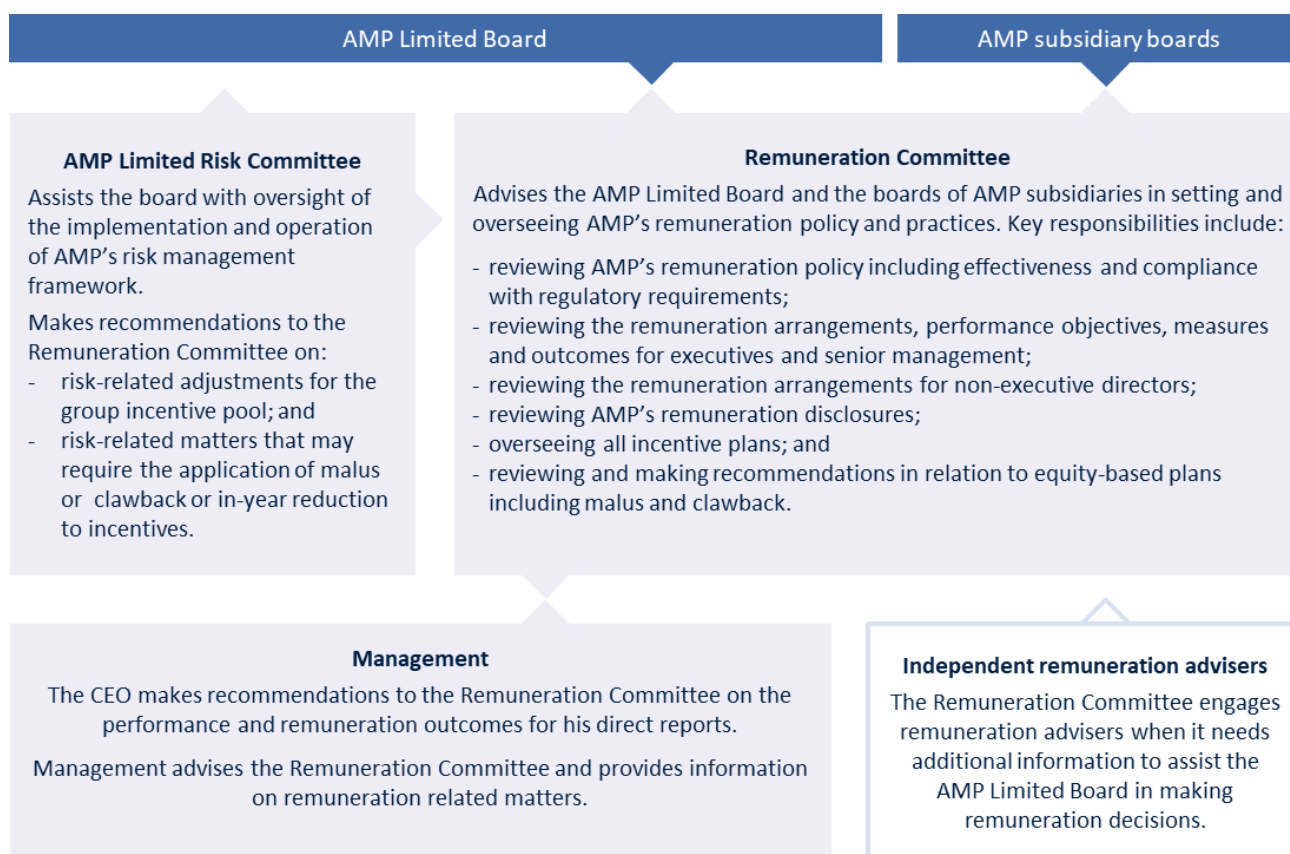
- total remuneration arrangements for the senior managers of AMP Bank, based on the AMP Bank’s board review of their performance; and
- annual recommendations of the remuneration structure for categories of persons covered by CPS 510.

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. As at 31 December 2020, the Committee consisted of Michael Sammells (Chair), Rahoul Chowdry, Debra Hazelton, Kathryn McKenzie, John O’Sullivan and Andrea Slattery.

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 2020.

The following diagram outlines AMP’s remuneration governance framework.



The Committee members receive fees for their membership of the AMP Limited Board as well as the Committee. The Committee members do not receive any performance-related fees or any additional fees for their membership or for chairing the AMP Bank Limited board. The table below outlines a breakdown of Committee membership, meetings held and fees received in FY20.

	FY20	FY19
Committee members ¹	12	10
Meetings held	6	5

**Committee Fees
(inclusive of superannuation)**

Remuneration Committee Chair ²	\$55,000	\$55,000
Remuneration Committee Member ²	\$25,400	\$25,400

¹ Includes Committee Chair and members who served for part of the year.

² No fee is payable to a member of the Committee who is also chair of the AMP Limited Board.

2. Remuneration strategy, policy and design

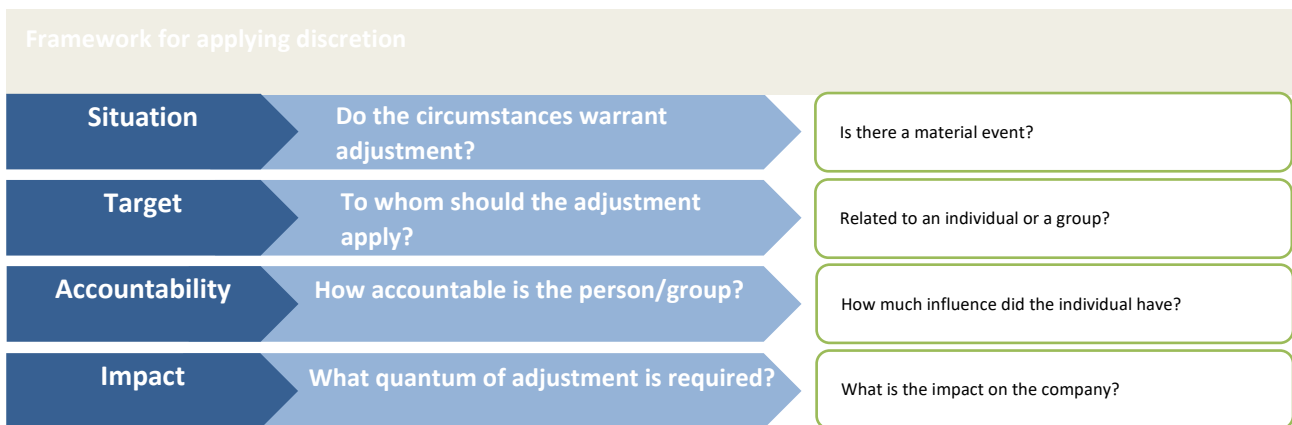
The AMP remuneration policy has been adopted by AMP Bank and provides the framework for the implementation, assessment and maintenance of AMP Bank’s remuneration strategy and arrangements.

AMP’s remuneration strategy seeks to align performance, prudent risk management and reward outcomes. It is designed to support the attraction, retention and reward of the high performing talent required to deliver strong client outcomes and sustained returns to shareholders.

Remuneration principles



In conjunction with the remuneration principles outlined above, a framework has been developed to guide the board in applying discretion to remuneration outcomes. The framework (below) sets out the approach the board will take and criteria it will consider when determining whether and how discretion should be applied.



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 2020 with additional changes applying to the remuneration framework effective from FY21.

In addition, throughout 2020, AMP Bank has continued to develop its practices in response to the Sedgwick Recommendations which stems from the Retail Banking Remuneration Review, through enhancements to performance management, governance and leader communication. Performance management now

specifically incorporates the demonstration of customer focused behaviour and risk management into the assessment of performance.

3. Remuneration elements

AMP provides a number of remuneration elements to AMP Bank employees. The key elements of remuneration for most employees are fixed remuneration 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 following table outlines AMP's key remuneration components.

Remuneration structure for 2020				
	Purpose and link to strategy	Coverage	Benchmark/Measures	Delivery
Fixed remuneration	Market competitive remuneration to attract and retain. Set taking into account role and experience.	All employees.	Relevant benchmark such as ASX 100 financial organisations.	Base salary, superannuation and salary sacrifice benefits.
Short-term incentives (STI)	Reward for achieving key financial and non-financial priorities during the financial year which align to AMP strategy.	Most employees are eligible to be considered for an STI applicable to their role.	Mix of key strategic, financial, people and client goals during the financial year.	A mixture of cash and deferred equity (share rights).
Long-term incentives (LTI)	Reward for sustainable long-term growth in shareholder value measured through relative Total Shareholder Return (TSR).	CEO and other key employees and a small number of select employees where applicable.	Performance against an equally weighted index consisting of ASX 100 financial organisations.	100% delivered as share rights subject to a performance hurdle with a three-and-a-half-year performance period (or four years where required to comply with regulation).
<ul style="list-style-type: none"> All variable remuneration is subject to Board discretion in the determination of outcomes and before vesting and as such may be subject to clawback or malus provisions. 				

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 STI performance period is aligned to AMP Bank's financial year. 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's 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. Objectives are set by the AMP Bank Risk Committee. Assessment of performance and remuneration decisions are made by the AMP Limited CRO with input from the Bank Managing Director and overseen by the AMP Bank Risk Committee.

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.

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).

4. 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, credit, liquidity, market, compliance, legal and regulatory (including consideration of conduct) and Trustee governance. The outcomes of these risks can be measured against the following Risk Outcomes as set out in the AMP Bank Risk Appetite Statement:

- Capital Adequacy – reflects AMP's ability to ensure solvency to enable achievement of strategic goals and provide a buffer against significant losses in tail events and regulatory breaches;
- Liquidity Sufficiency – reflects AMP's ability to maintain a sufficient level of liquidity to ensure AMP has adequate buffers above regulatory requirements, there are sufficient liquid assets and contingent funding available to navigate normal and stressed conditions and to meet AMP's obligations to policy, deposit and debt;
- Strong Earnings Profile – reflects AMP's ability to create stable, long-term earnings growth;
- Fair Client Outcomes – reflects the importance of client trust and their success in meeting their goals in achieving AMP's objectives; and
- Trusted Reputation – reflects the standing of AMP and its reputation with regulators, clients, staff and the community.

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 or assessments, as appropriate.
- 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 AMP Limited Board or the Committee may reduce the deferred award, including to zero.

5. 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 based on a set of strategic pillars of Client, Financial, Strategic Priorities, Leadership and Risk. These pillars form the multi-year transformation strategy which focuses on initiatives linked to the annual objectives set by the board.

To the extent targets are exceeded and financial results are above plan, an incremental amount may flow through to the group incentive pool. There were no incremental amounts added to the group incentive pool in 2020.

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 2020 financial plan and strategic priorities, including risk management considerations, to determine the AMP Group incentive pool for 2020. Despite delivering against many of the targets set, the board determined that AMP's financial performance remained below plan. The board was cognisant of the shareholder experience and the impacts of organisational instability on AMP Bank's reputation, employees and clients. To this end, the STI pool will be relatively small and will be used to prioritise reward to the highest performing employees and those who directly supported AMP Bank's clients. No STI has been awarded to the Bank Managing Director for 2020.

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 2020, the performance of senior leaders in AMP Bank was measured against a balanced scorecard which consisted of financial and 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 in 2019 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.

No new LTI awards were made to any employees of AMP including AMP Bank during 2020.

6. Deferral

The AMP STI deferral framework applies to Accountable Persons under the Bank Executive Accountability Regime (BEAR) and/or APRA Specified Individuals. For the applicable employees, 40% of any STI awarded is deferred into rights to AMP shares (share rights) which vest after four years. The share rights have no exercise price and no exercise period, converting to AMP Limited shares at the end of the deferral period.

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

Under AMP's equity plan 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 Committee (including any misstatement of financial results); and/or
- to ensure no unfair benefit to the participant.

7. Retention Awards

In September 2020, in response to increased unsolicited interest in its assets and businesses, the board announced that it would undertake a portfolio review in order to assess all opportunities in a considered and holistic manner with a focus on maximising shareholder value. This review created significant additional workload for our key executives and generated substantial additional challenge and uncertainty across the group. The board, having examined market precedents and tested the concept with a range of investor representatives, sought to stabilise the management team by introducing a one-off retention payment for key employees and critical talent across the organisation. These payments have been scaled according to the nature of the roles.

The deferral period will see 60% vest on 31 October 2021 (delivered as cash) with the remaining 40% (delivered as share rights) vesting on 31 October 2024 subject to continued employment.

8. Remuneration disclosures

The following quantitative disclosures have been prepared in accordance with APS 330 for the financial year ended 31 December 2020.

Table 1: Remuneration awarded to senior managers

This table summarises the various payments made to senior managers during FY20.

	FY20	FY19
Number of senior managers who received variable remuneration	2	14
Number of guaranteed bonuses awarded	-	-
Value of guaranteed bonuses awarded	\$-	\$-
Number of sign-on awards	-	-
Value of sign-on awards	\$-	\$-
Number of termination payments	3	1
Value of termination payments	\$933,719	\$419,356

Table 2: Total value of remuneration awards

This table provides the total amount of remuneration awarded to senior managers of AMP Bank during FY20.

	FY20	FY19
Remuneration element	Senior managers ¹ \$'000s	Senior managers ¹ \$'000s
Fixed remuneration		
Cash-based (non-deferred) ²	7,828	8,684
Other ³	315	93
Variable remuneration		
Cash-based (non-deferred) ⁴	146	2,163
Shares and share-linked instruments (deferred) ⁵	5,498	9,351
Other ⁶	239	-

1. Remuneration has not been pro-rated for senior managers that work across multiple entities.

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. This represents the cash portion of any incentive award made in relation to the financial year.

5. This represents any deferred STI and LTI received as equity as well as any other equity-based awards where applicable.

6. This represents the pro rata expense in relation to retention awards.

Table 3: Outstanding deferred remuneration and deferred remuneration which vested

This table provides the total amount of outstanding deferred remuneration, total amount of deferred remuneration vested, and any implicit and explicit adjustments made to deferred remuneration.

	FY20	FY19
Remuneration element	Senior managers \$'000s	Senior managers \$'000s
Total amount of outstanding deferred remuneration ¹	26,388	25,494
Shares and share-linked instruments (deferred)		
Total amount of deferred remuneration which vested ²	1,982	185
Total amount of reductions due to explicit adjustments ³	8,319	634
Total amount of reductions due to implicit adjustments ⁴	(4,490)	(2,714)

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 and the cancellation of the original CEO Recovery Incentive as approved by shareholders at the 2020 AGM.

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.