

India Banking News

AMP Interim Executive Chairman's Address to AGM

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May 10 -- Over its almost 169-year history, AMP has had a profoundly positive impact on the lives of its customers and the wider community, helping them to achieve their financial goals.

That remains the case today, which is why the historic problems identified in our advice business have been so confronting - the issues are fundamentally at odds with what we believe and what AMP stands for.

The past few weeks have been exceptionally difficult for AMP and for you, our shareholders, for our customers, our advisers and our employees.

It is only right that I begin by reiterating and reaffirming our unreserved apology. We are truly sorry.

The issues highlighted in our advice business are unacceptable.

We let you down.

We have let our customers down.

And, we have let the wider community down.

We understand you want change.

And we understand you want answers.

We want to address your questions head on, so we can move forward.

We are determined to do everything we can to restore the trust of our customers and of all Australians.

Over the past two weeks, I've spent time speaking with our investors, advisers, employees and our regulators.

I've been encouraged by the level of support for the actions that we're taking to lift the company out of its current challenges.

Before I go into detail about the way ahead, I want to address some of the concerns that have been raised with me.

First, I have been asked how this could happen.

I have been honest and explained that no organisation should consider itself immune from such failings.

At AMP, a small number of individuals in our advice business made the decision not to follow policy, and inappropriately charged fees to customers where no service was provided.

The situation was compounded through a series of communications that misrepresented the issue to - and therefore served to mislead - our regulator on several occasions.

Let me be clear. From my perspective, the number of misrepresentations is not what matters.

In my view, one misleading statement is one too many.

Trust means honesty, even when the news is bad.

On both counts, the behaviour was absolutely unacceptable.

People have asked - what was the Board doing?

On learning that the departure from policy may have been deliberate, the Board took decisive action.

This action included immediately notifying the regulator and commissioning law firm Clayton Utz to undertake a comprehensive investigation to understand the root cause and determine accountability.

I've been repeatedly asked why we didn't go public with the issues in our advice business and disclose immediately.

I have explained that as the issues were part of an extensive, ongoing ASIC investigation. Disclosing any facts or information, had the potential to prejudice the investigation and its outcome. Moreover, the usual practice is to disclose, in conjunction with the regulator, once the reviews are complete.

People have also questioned if there is anything else in our advice business to come.

As we mentioned this morning in our quarterly update, there are a number of investigations currently ongoing, many of which are industry wide.

Specifically in response to ASIC reports 499 and 515, we've established a program of work to review the nature of ongoing fee arrangements between advisers and customers and to address any incidence of inappropriate advice.

As set out previously in our annual report, we anticipate that this review will lead to further customer remediation costs and associated expenses.

We expect to provide further clarification at or before the 1H 18 interim results.

We've heard loud and clear that you want change.

Importantly, that change is already happening - and happening at pace.

The Board has accepted accountability.

To date, some 50 per cent of the Board has left or is leaving.

Our former Chairman, former CEO and two directors have stood down, with a further director to leave the Board at the end of the year.

The scale of these changes reflects the gravity of the issues.

We have moved quickly and decisively to appoint a new, independent external Chairman.

David Murray joins us shortly. David brings deep and extensive knowledge of the financial services industry to the role and an absolute commitment to reinvent AMP, our governance practices, our culture and renew our Board.

David will lead a program of accelerated Board renewal, bringing an additional non-executive director on to the Board in the near term, as well as replacing the directors who are stepping down.

Achieving the right balance of gender diversity and financial services experience will be critical. It is highly regrettable and unintentional that we will have lost all our female directors through this process.

The search for a new CEO is progressing well.

We are determined to find the best possible candidate to lead AMP and shape our business for the future.

He or she will assume the role with a mandate to work with David and the Board in driving change, improving performance and restoring trust and confidence.

Together, David and I have already begun the much-needed process of resetting our relationship with our regulators.

And across the business, we're injecting a greater sense of urgency to affect change.

We've committed to an immediate and comprehensive program of review of regulatory reporting and governance practices.

The workplace investigation to understand accountabilities for the issues in the advice business is nearing completion. We intend to exercise tough sanctions for any individuals found to have acted inappropriately and against our code of conduct.

We're well advanced with an enterprise-wide risk culture review, working to determine how we can take action to improve.

And, all this builds on the wide-ranging changes to processes and systems within our advice business which were already underway and an absolute commitment to accelerate remediation for any customer impacted via our advice network.

Stepping back, it's important to reiterate that the current issues do not detract from the importance of quality financial advice.

Advice remains a cornerstone of our business.

Good financial planning is essential for Australian individuals, for families, for retirees, and for our nation if we are to successfully manage our shared future. It is a key focus of our investment and superannuation regimes.

That's why AMP is investing to make quality advice more accessible, more transparent and more compliant.

We've developed the Goals 360 platform that combines the latest tools and technologies with personalised coaching and service, to help our customers realise their financial goals.

For advisers, Goals 360 offers a more efficient way to provide advice, allowing them to spend more time with the customer.

The technology is already operating in AMP Advice practices and the feedback has been very positive.

And AMP is building a practice management and customer relationship management solution for our advisers with Salesforce that will improve adviser efficiency and importantly improve compliance by ensuring it is built-in by design.

So the process of change is already well underway at AMP.

We're acting with haste and with a sense of real urgency.

With the right measures, implemented decisively, and at speed, I'm confident that we'll rebuild and restore trust and confidence in AMP.

But I am also realistic.

The rebuild will not happen overnight.

And it's critical that our actions speak for and define us in the coming months.

Turning now to the business of today's meeting and a number of the resolutions set out in the notice of meeting.

Our shareholders have demanded Board accountability and the desire to see meaningful Board renewal.

We have heard and we have responded accordingly.

As I mentioned earlier, some 50 per cent of the Board has left or has signalled intent to leave.

Holly Kramer and Vanessa Wallace have listened to and acted on investor feedback leaving with immediate effect. I thank them both for their contribution to AMP. They are talented directors who brought strong critical thinking and strategic awareness to the Board.

As such we have withdrawn resolutions 2 (a) and (b) from today's meeting.

In addition, Patty Akopiantz, our longest serving director, has offered to step down. Recognising the need for a measured process of board renewal, Patty will serve until the end of 2018. Patty, we are very grateful for your service to AMP over the past seven years. Your strategic insight, expertise and business acumen will be much missed.

When we reach item 3, you'll see that we had proposed a new remuneration scheme, to better support a culture of performance and create a stronger alignment of interests between you, our shareholders and AMP executives.

Based on the proxy position on the remuneration report, we expect to receive our first strike on this matter.

We recognise that many of our shareholders have voted against the remuneration report in response to the wider business issues, but we acknowledge that others have concerns about the new remuneration framework.

We understand your frustration and have heard you.

Our remuneration approach must appropriately balance the needs of our shareholders and executives for a common and successful future.

We're committed to moving forward, and will consider specific feedback on the remuneration report, as well as wider concerns, when deliberating how to progress.

So, our focus now turns to the process of resetting and rebuilding AMP and working to restore the trust and confidence of all our stakeholders.

Importantly, we have a solid foundation on which to build.

Our underlying business is strong.

In 2017 we delivered improved financial results and this gives us a good platform for change:

- * At the group level, our underlying profit was A\$1.04 billion, driven by strong performances across our growth businesses as well as the stabilisation of our insurance business.

- * Earnings rose 17 per cent in AMP Bank. The bank plays a critical role in helping our customers achieve their goals, and continues to be a great growth story. With 1 per cent share of a growing market, it has strong growth potential.

- * Our investment management business, AMP Capital delivered another strong performance. Operating earnings were up 8 per cent, and it delivered its highest external net cashflows since it was established in 2003.

- * At the end of last year, we announced a partnership with US real estate investor PCCP, that included taking a minority stake in its business. AMP Capital has a strong distribution network, particularly in Asia, that will be complemented by PCCP's real estate investment expertise.

- * Our joint ventures in China continued to go from strength to strength, increasing in both cashflows and market share. China Life Pension Company passed the A\$100 billion mark in AUM in 2017. And in only its fourth year of operation, China Life AMP Asset Management has reached A\$36 billion in AUM.

- * We also managed costs tightly. Across the group, we met our target to reduce controllable costs by 3 per cent excluding AMP Capital. Costs and efficiency will be a continuing focus for us.

- * And I think it's important to reflect that AMP finished 2017 with a strong capital position, with A\$2.3 billion above minimum regulatory requirements.

- * The improvement in our financial performance allowed us to increase the full year dividend to 29 cents per share.

This morning, in our first quarter update to the market, we advised the status on the portfolio review of our manage for value businesses - insurance, New Zealand and Mature.

We explained that whilst we continue to progress the portfolio review, we are currently prioritising the performance of the business, Board renewal and the appointment of a new CEO.

In today's quarterly update, we also advised that AMP Bank and AMP Capital continued their growth momentum, whilst cashflows in our Australian wealth management business reflected a subdued period in the market following last year's superannuation changes.

I have also received a number of questions on how the Royal Commission has impacted our more recent business flows.

We've worked closely with our corporate clients to provide reassurance on the strength of our partnerships.

Not surprisingly, we did see some increase in customer call centre enquiries and withdrawal requests, although this has eased back in recent days.

However, reading through customer feedback from the last few weeks has brought home to me how keenly they've felt the recent issues.

But I've also been heartened by many of the positive comments we've received from customers that we have helped, whether it be in banking, insurance or via their superannuation.

There is inherent goodwill towards AMP that endures and that provides the foundation for the rebuilding of trust.

We'll continue to provide our customers with assurance about the security and stability of their products, investments and AMP wherever required.

It's also worth mentioning the Federal Budget that was delivered on Tuesday evening. We're reviewing in detail the measures announced in the budget and the implications for our customers and clients. We will actively participate in the submission process as required.

We remain confident in the strength of our products and investments as well as our strategy for the longer term.

Moving forward, we're very clear on the principles that will guide the AMP of the future.

We'll reclaim our heritage as a company that's passionate about helping our customers achieve their goals, and we'll do this honestly, openly and with your trust.

Under the stewardship of a new Chairman, a revitalised Board and a new Chief Executive, we'll continually evolve and respond to the rapidly changing environment.

We'll fairly balance the needs of our customers and shareholders, on the understanding that we are the custodians of their savings.

We'll cultivate a culture of integrity, help and performance - that identifies and takes accountability for mistakes, and moves quickly to put things right.

We'll redouble our efforts in advice, providing customers with the confidence that their interests are our absolute priority.

We'll also invest in improving controls that have shown to be lacking.

And as we rebuild our company on the principles on which it was formed, we'll recognise the importance of listening to you, our shareholders, our customers, our employees and the wider community.

Ladies and gentlemen.

We can expect significant change in our industry as a result of the Royal Commission and in response to legitimate community expectations.

I strongly believe that AMP is a great company that plays an important role in the lives of Australians and a key role in the Australian financial system.

I know this view is shared by our Chairman elect. He has told the Board that AMP's unique importance to Australia's financial system is the core reason he volunteered to serve.

I know from my own experience that it is possible to turn a business around, and at speed, if the focus and commitment are right. And these attributes are undoubtedly present at AMP.

I know that immediate action is required to reset our business and we are doing everything we can to accelerate the change already underway.

But I also know that actions speak louder than words and I can assure you that we're implementing a decisive series of measures to steer the business back on course and to restore your belief in AMP.

Yes, we have work to do, but AMP is committed to putting our customers at the core of everything we do, improving our culture and driving change across the business.

The AMP of the future will be very different from the AMP of today.

But we'll remain true to our founding purpose of helping our customers when they need us most.

AMP can - and will do - everything necessary to win back our company's respect and trust; and to deliver for you, our shareholders, and all of our stakeholders.

Source: AMP Ltd

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