

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS SUPERANNUATION SECTOR

AMP

AMP14QON:

CHAIR: So revenue in the performance—

Mr Wade: Yes, revenue of delivery of the business. I'll need to check the exact number of that. That's with our investment manager, which is a third party.

CHAIR: But you could find that out?

Mr Wade: I can find that out.

CHAIR: I'd appreciate that, and you can take it on notice as well.

ANSWER:

With regards to the remuneration of fund managers appointed to manage the investment of AMP Superannuation funds, AMP Capital is the primary investment manager for AMP's superannuation offers.

There are commercial, arm's length agreements between AMP Capital and AMP Life, which appoint AMP Capital as AMP Life's investment manager in relation to the assets of the superannuation trustees, ASL and NM Super. As noted in the testimony, 70% of the assets of the superannuation funds are managed by fund managers external to AMP Capital.

AMP Capital utilises performance-based fees with a number of underlying external investment managers within the investment options to align their performance with our clients' interests and to access high-quality investments. It's important to note that these fees are only earned when the underlying investment manager has outperformed according to pre-determined benchmarks set and agreed by clients and, as a result, total fees are lower during times of underperformance. This is an important factor in ensuring alignment between members interests and the fund managers' performance.

AMP Capital undertakes appropriate due diligence into external fund managers to ensure that their remuneration practices are appropriately aligned with members interests through a link to investment performance. The general practice within the investment management market is to align the remuneration of investment managers with the investment performance including on revenue where performance fees may be earned.

In terms of remuneration of employees at AMP Capital, AMP Capital has a separate incentive scheme to AMP, which reflects the fact it is a global investment management business.

The AMP Capital Remuneration Framework has been in place since the 2016 performance year and is independent from the performance and profitability of AMP Limited. AMP Capital's remuneration framework is globally benchmarked and is designed to attract, motivate and retain key talent and is aligned with common practices and metrics in the industry and regions in which it operates. The framework aims to deliver market competitive total remuneration, with a focus on delivering outstanding and sustainable outcomes for both our clients and shareholders over time including prudently managing culture and risk.

As stated in our evidence, any share of performance-based fees is only made on the basis of a superior return to members through outperformance of the investment.