

Asset Valuation Policy

AMP Life Limited (AMP Life)



May 2017

Overview	<p>This policy details the valuation principles to be applied to determine asset values for use in the calculation of the net asset value of an investment option or group of assets used to support policy liabilities. The primary purpose of deriving this net asset value is to determine the appropriate unit price at which policy holder entitlements may be transacted as well as to determine asset value related fees for relevant policies.</p> <p>AMP Capital is AMP Life's major outsourced investment manager.</p> <p>For the majority of the ex-NMLA assets, National Mutual Funds Management Limited ("NMFM") acts as the principal investment manager. NMFM has designated AllianceBernstein and AMP Capital as sub-managers for specific ex-NMLA single-manager portfolios/trusts. NMFM forms part of AMP Capital Holdings Limited (refer to the definition in section 10 of this Policy).</p> <p>This Policy incorporates AMP Capital Holdings Limited Asset Valuation Policy whilst noting relevant alterations.</p>
Objective	<p>This policy sets out the general principles and guidelines for valuation of assets supporting policy liabilities for the purpose of unit pricing (AMP Life Statutory Funds 2 and 3) and related activities (such as determining asset value related fees).</p> <p>The general principles of this Policy also apply to the valuation of assets in those schemes that form part of Statutory Fund 1 of AMP Life, even though these unit prices derived from these asset values are only for internal use.</p>
Scope	All employees of AMP Finance
Policy owner	Director, Finance Operations
Policy approver	Appointed Actuary, AMP Life
Effective date	20 May 2017
Review date	May 2019
Related information	<ul style="list-style-type: none">• AMP Capital Holdings Limited Asset Valuation Policy (dated 17 October 2016)• AMP Life Unit Pricing Suspension Policy (dated 22 June 2015)• Ex-NMLA Strategic Limitation of Investment Processing ("SLIP") document (dated 10 October 2016)

1. Background

The valuation of assets in which AMP invests on behalf of policy holders is a key determinate in the calculation of the net asset value of an investment option or group of assets used to support particular policy liabilities. The primary purpose of deriving this net asset value is to determine the appropriate unit price at which policy holder entitlements may be transacted as well as to determine asset value related fees as per the relevant policies.

A consistently applied valuation policy enables a proper assessment of asset and scheme returns to assist in investment management decisions, performance calculations and managing equity between policyholders.

2. Objective

This policy sets out the general principles and guidelines for asset values to ensure that a considered and consistent approach is applied across AMP Life.

3. Authority and Scope

- Approval: Appointed Actuary, AMP Life, with a limited delegation for immaterial or administrative-type changes to the Director, Finance Operations.
- Endorsement: AMP Investment Committee.
- AMP Finance and outsourced agents (e.g. custodian and investment managers) are required to comply with this policy.
- Although the values determined under this policy will also often be used for statutory reporting purposes, differences can arise (e.g. equities are valued at last bid rather than last sale for statutory reporting) and this policy does not cover the investment valuation policies and processes for statutory reporting purposes. For similar reasons, this policy does not cover asset valuation for the purpose of APRA regulatory capital calculations.

4. Non-Compliance with this Policy

Failure to comply with this policy may result in a unit pricing error and, if material, member compensation, reputational damage, and/or regulatory sanction.

All relevant AMP staff must comply with this policy. AMP may take disciplinary action against any representative involved in a contravention of this Policy. Serious non-compliance may result in employment termination and/or legal proceedings by AMP).

Any instances of non-compliance with this Policy should be treated in accordance with the AMP Incident Management process and recorded in the Incident Management Database.

Where an AMP staff member has a concern that a serious breach of this Policy has occurred or will occur, and that pursuing their concern through the normal channels will be personally damaging, the staff member should report their concern in accordance with the AMP Whistleblower Policy.

Where other obligations are inconsistent with this Policy, these inconsistencies should immediately be referred to the Policy owner.

5. Principles

The principles of this Policy incorporate the principles of the AMP Capital Holdings Limited Asset Valuation Policy. This Policy seeks to ensure that:

- valuations are calculated and applied consistently and equitably;
- valuations include all assets of a scheme at the point of valuation;
- valuations are unbiased and are not subject to undue influence;

- valuation processes are documented and transparent to ensure they are independently verifiable;
- assets are valued on a basis that assumed the scheme is a going concern, unless this assumption is inappropriate for a particular scheme;
- the methodologies used are appropriate for the nature of the assets;
- the formulae or methods used are reviewed at appropriate periods; and
- AMP Life satisfies its regulatory obligations.

6. Roles and Responsibilities

Director, Finance Operations	<p>Director, Finance Operations is responsible for:</p> <ul style="list-style-type: none"> • reviewing this Policy biennially; • oversight of implementation of policy requirements; • approving changes to this Policy that are to incorporate changes made to the AMP Capital Holdings Limited Asset Valuation Policy that are immaterial or administrative in nature (jointly with the Appointed Actuary, AMP Life), where the changes are made between the biennial reviews of the Policy; and • approving alternative values when fair value is not appropriate (jointly with the Appointed Actuary, AMP Life).
Appointed Actuary, AMP Life	<p>The Appointed Actuary, AMP Life responsible for approving this Policy biennially and for approving (jointly with the Director, Finance Operations) changes to this Policy that are to incorporate changes made to the AMP Capital Holdings Limited Asset Valuation Policy that are immaterial or administrative in nature, where the changes are made between the biennial reviews of the Policy, and approving alternative values when fair value is not appropriate.</p>
AMP Investment Committee	<p>The AMP Investment Committee is responsible for endorsing this Policy every two years and endorsing any proposed material¹ changes of the Policy between biennial reviews.</p>
Head of Investment Control	<p>The Head of Investment Control is responsible for the day to day application of this Policy.</p>

7. Policy Requirements

Incorporation of AMP Capital Holdings Limited Asset Valuation Policy

AMP Life outsources investment management to a number of investment managers. AMP Life outsources the custodian and funds administration roles to BNP Paribas Financial Services Australia. All asset valuations are initially performed by the custodian and/or the investment manager².

AMP Capital is AMP Life's major investment outsource partner and has an asset valuation policy that has been reviewed by and is consistent with the requirements of AMP Life. Consequently, AMP Life incorporates the AMP Capital Holdings Limited Asset Valuation Policy (first approved on 15 October 2007,

¹ Material change means where an AMP Capital Holdings Limited policy change has the potential to affect the interests of policyholders of AMP Life.

² A small number of ex-NMLA assets are not under the custodianship of BNPP, for example property subsidiaries.

last revised and approved on 17 October 2016) by appending it to this document subject to the following alterations:

- In all sections, replace “AMP Capital” and “the RE” with “AMP Life” except:
 - Prior to the words “... manages assets” in section 1;
 - The definition of Responsible Entities (RE) and AMP Capital in section 2;
 - Prior to the words “... calculates unit prices and NAV’s of some schemes itself” in section 4;
 - After the words “... Price Source Agreement as agreed between” in sections 4, 6.1.2, 6.2.1, and 6.2.9;
 - When it is referenced to in sections 5.3.3, 6.2.2, 6.2.9 (in the second point), 9.2.1, 10.2, 10.4, and 11.2.1;
 - When it is used in reference to the documents listed in section 17.
- In section 1, at the start of the first paragraph, insert “and other investment managers used by AMP Life” immediately after “...AMP Capital”.
- In section 1, at the end of the first paragraph, remove “and Unit Pricing Discretions Policy”.
- In section 5.2, Fair Value, insert a new paragraph, 5.2.3.1 being “Where ‘Fair Value’ is inappropriate and an alternative valuation is adopted AMP Life will ensure that the alternative valuation is determined in good faith and is documented at the time of its calculation. Any value adjusted or overridden to reflect an alternative value will be documented at the time of change and approved by the Appointed Actuary, AMP Life and Director, Finance Operations.”
- In section 5.2., insert a new paragraph, 5.2.3.2 being “AMP Life will use a ‘fair value’ methodology to price the asset unless this is inappropriate (e.g. scheme wind up) in which case, upon approval by the Appointed Actuary, AMP Life, an alternative form of valuation methodology will be used.”
- In section 6.2.7, replace “AMP Capital has in place appropriate asset valuation processes and methodologies for all such assets which are detailed in Sections 9, 10 and 11 of this Policy with “AMP Life adopts the AMP Capital asset valuation processes and methodologies for all such assets which are detailed in Sections 9, 10 and 11 of the AMP Capital Holdings Limited Asset Valuation Policy”.
- In section 8.2, replace “maintains a Unit Pricing Discretions Policy” with “maintains a Unit Pricing Suspension Policy” for AMP Life, and “maintains a Strategic Limitation of Investment Processing (“SLIP”) document” for ex-NMLA.
- In section 15 replace:
 - “Chief Executive Officer– AMP Capital” with “Director, Finance Operations”;
 - “AMP Capital Investment Committee” with “Appointed Actuary, AMP Life”; and
 - “Global Head of Investment Operations and Control” with “Head of Investment Control”.
- In section 16:
 - replace “Global Head of Investment Operations and Control” with “Head of Investment Control”,
 - remove “by the Business Circulation List”,
 - replace “at least annually” with “every two years or as required to update material changes so as”; and

- remove “Approval by the AMP Capital Investment Committee will only be required following material changes to the Policy”.

8. Policy governance

AMP Life’s outsourced funds administrator/custodian (BNP Paribas) sources and records asset values from agreed data providers and obtains Fair Value data from AMP Capital when appropriate. The AMP Life Assurance Model monitors services provided by BNP Paribas in this area to validate compliance with this Policy.

AMP Life seeks confirmation from AMP Capital and other investment managers, on a quarterly basis, that asset values (including underlying values that feed into unit prices that AMP Life rely upon) are determined in a manner consistent with this Policy.

Both AMP Capital and NMFM are required to notify AMP Life of any changes to the Asset Valuation Policy 14 business days prior to any change. Compliance with this requirement is provided to AMP Life in quarterly compliance certificates provided by AMP Capital and NMFM.

9. Maintenance and update

See section 16 of the appended document including the relevant changes noted in “Incorporation of AMP Capital Holdings Limited Asset Valuation Policy” above.

The Appointed Actuary, AMP Life is responsible for approving this Policy every two years and approving any proposed material³ changes of the Policy between biennial reviews.

The AMP Investment Committee is responsible for endorsing this Policy every two years and endorsing any proposed material³ changes of the Policy between biennial reviews.

The Director, Finance Operations and the Appointed Actuary, AMP Life (jointly) may approve changes to this Policy that are to incorporate changes made to the AMP Capital Holdings Limited Asset Valuation Policy) that are immaterial or administrative in nature, where the changes are made between the biennial reviews of the Policy.

If a decision is made not to change the AMP Life Asset Valuation Policy, AMP Life will inform AMP Capital as such to ensure AMP Capital values AMP Life’s and ex-NMLA’s assets in the appropriate manner.

The Head of Investment Control is responsible for the day to day application of this Policy.

10. Definitions

AMP Capital Holdings Limited

Refers to any Responsible Entity or Trustee within the AMP Capital Holdings Limited group including but not limited to, AMP Capital Funds Management Limited, National Mutual Funds Management Limited, Ipac Asset Management Limited, AMP Capital Investors (New Zealand) Limited, AMP Investment Management (N.Z.) Limited, AMP Investment Services Pty Limited, and AMP Capital Investors Limited.

³ Material change means where an AMP Capital Holdings Limited policy change has the potential to affect the interests of policyholders of AMP Life.

Fair Value	Fair value, as defined by IFRS 13 is “the price that would be received to sell an asset...in an orderly transaction between market participants at the measurement date.” This price should reflect “an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique.” The fair value should be measured “using the assumptions that market participants would use when pricing the asset” and for non-financial assets (for example Investment Property) should reflect the “highest and best use” of each asset.
Market Participants	Market participants, as defined by IFRS 13, “are buyers and sellers in the principal (or most advantageous) market who are (i) independent of each other; (ii) knowledgeable about the asset or liability; and (iii) able and willing to enter into a transaction for the asset or liability”.
Ex-NMLA Assets	Ex-NMLA assets refers to assets that until 31 December 2016 were held in NMLA Statutory Funds 1, 2, 4, and 5.

The above definitions are relevant to the AMP Capital Holdings Limited Asset Valuation Policy, except for the definition for “Ex-NMLA assets”.

11. Appended Document

AMP Capital Holdings Limited Asset Valuation Policy (first approved on 15 October 2007, last revised and approved on 17 October 2016.)