

## Material risks

# Managing our key risks

**Risk is inherent to our business and AMP takes measured risks within our risk appetite to achieve our strategic objectives. AMP has a clear strategic plan to drive our business forward and an Enterprise Risk Management framework to identify, measure, control and report risks.**

## Enterprise risk management framework

Effective risk management is fundamental to understanding and responding to changes in our operating environment, enabling us to achieve our purpose and strategic objectives. Risk management is a responsibility of all AMP employees, and is reflected in many of our values – own it, be brave, do the right thing, and put customers first.

AMP's risk management framework provides the foundation for how risks are managed across AMP and enables AMP to meet its legislative and regulatory requirements, codes and ethical standards, as well as internal policies and procedures. It includes the following key components:

- **Group strategy and business plans**
- **Risk management strategy**
- **Risk appetite statement**
- **Supporting policies and practices**

By establishing the principles, requirements, roles and responsibilities for management of risk across AMP, the framework ensures all employees have clarity on how risks are to be managed to fulfil the obligations to key stakeholders, including customers, shareholders and regulators.

The risk appetite statement articulates the level of risk the board is willing to accept to ensure the effective delivery of AMP's strategic objectives. There is clear alignment between AMP's corporate strategy and the risk appetite of the AMP Limited Board, to ensure that decisions made are consistent with the nature and level of risk the board and management are willing to accept.

## Key business challenges

AMP is focused on delivering its transformational strategy, and in doing so remains conscious of various challenges affecting the financial services industry. These include, but are not limited to, the following (listed in alphabetical order):



### Business, employee and business partner conduct

The conduct of financial institutions continues to be an area of significant focus for the financial services industry, both globally and in Australia and New Zealand. AMP devotes significant effort to ensure that our business practices, management, staff or business partner behaviours adequately meet the expectations of regulators, customers and the broader community, and do not result in an adverse impact on our customer outcomes, AMP's reputation, or our value proposition to customers.

Our Code of Conduct outlines how AMP seeks to conduct its business and how it expects board members, leaders employees and contractors to conduct themselves. The principles that define the high standards outline the behaviour and decision-making practices, including how we treat our employees, customers, business partners and shareholders. We are committed to ensuring the right culture is embedded in our everyday practices.

AMP embraces a safe and respectful work environment that encourages our people to report issues or concerns in the workplace. Directors, employees (current and former), contractors, service providers or any relative or dependents of any of these people can utilise AMP's whistleblowing program to report conduct or unethical behaviours.



### Climate change

AMP, its customers and its external suppliers may be adversely affected by physical and transition risks associated with climate change. These effects may directly impact AMP and its customers on a range of physical, financial and legal risks to our business, the investments we manage on behalf of our customers and the wider community.

Initiatives to mitigate or respond to adverse impacts of climate change may in turn impact market and asset prices, economic activity, and customer behaviour, particularly in geographic locations and industry sectors adversely affected by these changes.

**AMP's approach to managing climate-related risks and opportunities is detailed in AMP's annual Sustainability report. It includes providing low carbon investment choices to customers, managing and disclosing investment risks, leveraging our influence as an investor, reducing our own operational impacts and supporting customers and communities where possible.**

AMP provides annual performance disclosures aligned to key pillars of the Task Force on Climate-related Financial Disclosures (TCFD) framework, including through its Sustainability report and through investor led disclosures such as the CDP (formerly Carbon Disclosure Project). In 2022, AMP retained an A- Leadership rating (second highest rating available) in the annual CDP investor disclosure program, indicating leadership in our management of climate related risks and opportunities. AMP has been carbon neutral across its operations since 2013 to address the direct impacts of our business activities.



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### Competitor and customer environment

The financial services industry, as well as the community in Australia and New Zealand more broadly, have faced various challenges throughout 2022, including natural disasters, economic uncertainty, and rising interest rates. Throughout the year AMP supported customers in a number of ways, including activating AMP's disaster relief assistance program to provide support for customers affected by flooding.

Customer expectations are evolving which is intensifying competition within banking and wealth management. Furthermore, as economic uncertainty prevails, it is affecting the performance of assets under management across the industry. AMP continues to adapt its capabilities and operating model in order to remain competitive and relevant to customers.

In 2022, AMP continued to deliver on its strategy to reposition AMP as a simpler, purpose-led, customer-focused business in its core markets of banking and wealth management. Solid progress was made on this strategy during 2022, with notable developments including the launch of AMP's fully digital mortgage, and a first-to-market retirement solution.



### Cyber security threats

Cyber risk remains a threat in a rapidly changing technological environment. AMP is committed to continually uplifting its cyber resilience through preventing, detecting, and responding to cyber incidents, in order to protect AMP's reputation, assets and business operations.

**AMP continues to invest in enhancing its cyber security capability so that it is both sustainable and commensurate to the threats faced. AMP's Cyber Defence Centre, launched in 2021 uses industry best practices, advanced technologies and intelligence sharing arrangements with Australian Government and industry entities to uplift AMP's cyber defenses, enhance situational awareness and mitigate malicious threats. The AMP Cyber Team broadened its reach to include financial advisers with the creation of a dedicated cyber policy, improved training materials, and awareness campaigns, including presentations at Professional Development days. While AMP continues to demonstrate maturity uplifts against the National Institute of Standards and Technology (NIST) Cyber Security Framework and improve its overall control effectiveness, cyber security threats remain a key risk to the business given the evolving nature of the threat.**



### Operational risk environment

Operational risk exposures for AMP relate to losses resulting from inadequate or failed internal processes, people and systems or from external events. These include, but are not limited to, information technology, human resources, internal and external fraud, money laundering and counter-terrorism financing, bribery and corruption. High operational risks are the result of a complex operating environment associated with legacy products, systems and, in some cases, manual controls. This environment will be further stressed by the other key business challenges included in this section.

**Employee retention and key person risk are key operational risks for AMP, and these are currently elevated across financial services as a whole due to low unemployment and a competitive talent market. We are committed to mitigating operational risk by reducing operational complexity and strengthening risk management, internal controls and governance. We have completed all file reviews for our client remediation program and we continue reshaping the adviser network and simplifying superannuation products and investment options.**

The AMP operational risk profile reflects these exposures and the financial statements of AMP contain certain provisions and contingent liability disclosures for these risks in accordance with applicable accounting standards.



## Organisational change

Changes were made throughout the year to simplify the operating model of the ongoing business. In 2022, AMP announced the sale of AMP Capital's real estate, domestic infrastructure equity and international infrastructure equity businesses.

There is always a risk that business momentum is lost while organisational change is implemented. There is a risk that the extended period of change may have an adverse impact to employees causing a strain to deliver on our strategy and transformation initiatives. These risks will be mitigated by maintaining leadership and performance focus on the business.

**AMP continues to invest in adopting new ways of working to drive efficiency and improve its practices to increase accountability and build on core strengths. We recognise that failure to execute appropriately on the implementation of these changes can increase the risks of disruption to AMP's business operations.**



## Regulatory environment

AMP operates in multiple jurisdictions, and each of these jurisdictions has its own legislative and regulatory requirements, as well as anticipated upcoming changes to these requirements.

**AMP continues to respond and adjust its business processes for any changes. However, failure to adequately anticipate and respond to future regulatory changes could have a material adverse impact on the performance of its businesses and achieving its strategic objectives. AMP's commitment to strengthening its risk management practices, its control environment and enhancing its compliance systems across its businesses, will address these legislative and regulatory requirements. AMP's internal policies, frameworks and procedures seek to ensure any changes in our domestic and international regulatory obligations are complied with in each jurisdiction. Compliance, legal and regulatory risk that results in breaches is reported to AMP management committees and regulators. This is managed in accordance with internal policies.**

Regulatory consultations and interactions are reported and monitored as part of AMP's internal risk and compliance reporting process. AMP actively participates in these interactions and cooperates with all regulators to resolve such matters.



**More information about our approach to these risks can be found on our website at:**

**[corporate.amp.com.au/about-amp/corporate-sustainability](https://corporate.amp.com.au/about-amp/corporate-sustainability)**

### **Significant changes to the state of affairs**

Apart from as elsewhere disclosed in this report, there were no other significant changes in the state of affairs during the year.