

Independent auditor's report

to the Shareholders of AMP Limited



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Report on the Financial Report for the Year Ended 31 December 2021

Qualified opinion

We have audited the financial report of AMP Limited (the Company) and its subsidiaries (collectively the Group or AMP), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended; notes to the financial statements, including a summary of significant accounting policies; and the directors' declaration.

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of their financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for qualified opinion

The Company's investment in China Life Pension Company (CLPC), a foreign associate accounted for using the equity method, is carried at \$416 million on the consolidated statement of financial position as at 31 December 2021. The Company's share of CLPC's post-tax net income of \$52 million is included in the Company's income for the year then ended. We were unable to obtain sufficient appropriate evidence about the Company's share of CLPC's net income for the year and consequently the carrying amount of the Company's investment in CLPC as at 31 December 2021 to the extent this share of net income is included in the carrying amount, because the financial statements of CLPC are still in the process of being audited by CLPC's auditor at the date of this report. Whilst we have been able to perform limited procedures on the equity accounted results of CLPC, in the absence of the completed audit we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for qualified opinion*, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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CREDIT PROVISIONS

Financial report reference: Section 2.1: Loans and advances, Section 3.3 Financial Risk Management

Why significant	How our audit addressed the matter
<p>As disclosed in section 2.1 of the financial report, the Group has loans and advances as at 31 December 2021, against which provisions for expected credit losses are required to be booked in accordance with Australian Accounting standards.</p> <p>This was a key audit matter due to the value of the provisions, and the degree of judgment and estimation uncertainty associated with the provision calculation.</p> <p>Key areas of judgment included:</p> <ul style="list-style-type: none"> – the application of the impairment requirements of AASB 9 <i>Financial Instruments</i> within the Group's expected credit loss methodology; – the identification of exposures with a significant deterioration in credit risk; – assumptions used in the expected credit loss model (for exposures assessed on an individual or collective basis); and – the incorporation of forward-looking information to reflect current and anticipated future external factors, including economic scenarios adopted and the probability weighting determined for each scenario. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> – We assessed the alignment of the Group's expected credit loss model and its underlying methodology against the requirements of AASB 9, with consideration of the ongoing impact of the COVID-19 pandemic. – We assessed the following for exposures evaluated on a collective basis and associated overlays: <ul style="list-style-type: none"> – significant modelling and forward-looking macroeconomic assumptions; – the basis for and data used to determine the provision as at 31 December 2021; and – We involved our actuarial specialists to test the mathematical accuracy of the model and to benchmark key assumptions. – We examined a sample of exposures assessed on an individual basis by: <ul style="list-style-type: none"> – assessing the reasonableness and timeliness of internal credit quality assessments based on the borrowers' particular circumstances; and – evaluating the associated provisions by assessing the reasonableness of key inputs into the calculation, with particular focus on collateral values, work out strategies and the value and timing of recoveries. – We considered the associated financial report disclosures.

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PROVISIONS, AMORTISATION & CONTINGENT LIABILITIES

Financial report reference: Section 2.3 Intangibles, 6.3 Right of use assets and lease liabilities, 6.4 Provisions and contingent liabilities

Why significant	How our audit addressed the matter
<p>As disclosed in section 2.3, 6.3 and 6.4, the Group has recorded provisions, amortisation and disclosed contingent liabilities as follows:</p> <ul style="list-style-type: none"> – provisions for client remediation and compliance matters; – accelerated amortisation of intangible assets; – provisions for onerous lease contracts; and – contingent liability disclosures in relation to existing class actions, ASIC civil penalty proceedings, industry and regulatory matters and indemnities and warranties to Resolution Life. <p>This was considered a key audit matter due to the judgment required to determine the reasonable estimates.</p> <p>Key areas of judgment included:</p> <ul style="list-style-type: none"> – the decision as to whether to recognise a provision and/or disclose a contingent liability, including whether there is a present obligation as a result of past events and whether sufficient information existed to allow a provision to be reliably measured; and – key assumptions used to determine provisions or amortisation acceleration, including: <ul style="list-style-type: none"> – the estimates of compensation amounts and costs required to complete the remediation programs; – the useful life and future economic benefits associated with intangible assets; and – vacancy periods, sub-lease rental estimates increase for onerous lease provisions. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> – We held discussions with management, reviewed Board of Directors and Board committee minutes, reviewed correspondence with regulators and attended Board Audit Committee and Board Risk and Compliance Committee meetings to understand key regulatory, compliance and legal matters. – We assessed the Group's key assumptions used to determine provisions or accelerated amortisation, which included benchmarking vacancy periods and rental estimates and the assessment of the reasonableness of useful lives. – For those matters where the Group determined that either a present obligation as a result of a past event does not exist, or where a sufficiently reliable estimate of the amount of the obligation cannot be made and for which no provisions have been recognised, we assessed the basis for the conclusions. – We considered the disclosures within the financial report related to these provisions and contingent liability disclosure.

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TAXATION

Financial report reference: Section 1.4: Taxation

Why significant	How our audit addressed the matter
<p>As presented in the consolidated statement of financial position and Section 1.4 of the financial report, the Group has significant tax balances as at 31 December 2021, being a current tax asset of \$221 million, a current tax liability of \$67 million, a deferred tax asset of \$655 million, and a deferred tax liability of \$136 million.</p> <p>Due to the complexity and high level of judgment required in the following areas, we considered this to be a key audit matter:</p> <ul style="list-style-type: none"> – The tax consequences of recent changes to the entities within the AMP Limited tax consolidated group; – Estimating future taxable income and assessing the recoverability of tax losses and other deferred tax assets in future years; and – The adequacy of provisioning and assessing the recoverability of current tax. 	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> – We involved our tax specialists to assess the application of tax laws and regulations in the determination of the Group's tax balances, including the Group's assessment of the impact of entities leaving and joining the tax consolidated group on the determination of tax balances. – We examined the Group's deferred tax asset recoverability assessment and evaluated the reasonableness of key assumptions, including: <ul style="list-style-type: none"> – analysing the Group's growth and other key assumptions and reviewing tax adjustments made to the Group's profit forecasts to determine future taxable income; and – reviewing and assessing the Group's analysis to determine the period over which deferred tax assets attributable to tax losses are forecast to be utilised. – We considered management's assessment of the recoverability of current tax assets including the underlying tax principles applied and management forecasts. – We considered the associated financial report disclosures.

INFORMATION TECHNOLOGY (IT) SYSTEMS AND CONTROLS OVER FINANCIAL REPORTING

Financial report reference: n/a

Why significant	How our audit addressed the matter
<ul style="list-style-type: none"> – The Group's operations and financial reporting processes are primarily reliant on IT systems for the processing and recording of a high volume of transactions. – The group-wide IT environment is complex in terms of the scale and nature of IT systems relied upon. IT General Controls (ITGCs) support the continuous operation of the automated and other IT dependent controls within the business processes related to financial reporting. Effective ITGCs are needed to ensure that IT applications process business data as expected and that changes are made in an appropriate manner. – The possibility of IT application users gaining access privileges beyond those necessary to perform their assigned duties may result in breaches in segregation of duties, including inappropriate manual intervention, unauthorised changes to systems, data or programmes. 	<ul style="list-style-type: none"> – We focused our audit procedures on those systems and controls that are significant to the Group's financial reporting process. – We involved our IT specialists, as audit procedures over IT systems and controls require specific expertise. – We assessed the design and tested the operating effectiveness of the Group's IT controls, including those related to user access, change management, IT operations and data integrity. – Where we identified design or operating deficiencies in the IT control environment, we performed additional procedures to: <ul style="list-style-type: none"> – Assess the integrity and reliability of the systems and data related to financial reporting; and – Assess alternative controls that were not reliant on the IT control environment.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report (including the remuneration report) that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of AMP for the year ended 31 December 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

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Andrew Price
Partner

Sydney
10 February 2022