



ax•i•cō | ak-see-co | verb

1. guiding principles for the the delivery of tailored insurance, mortgage and investment solutions
2. certainty of outcome for your personal, family, business or commercial financial future

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AMP AUTHORISED FINANCIAL ADVISER ADVISER BUSINESS STATEMENT

**DARRYL PHIPPS
FSP58681**

**Prepared at 20 June 2011
Amended 1st October 2014**

Part 1: My Adviser Business Role

Type of Service

I operate as a Financial Adviser providing advice and services in the following areas:

- **Investments – short, medium and long term**
- **Lending – residential and commercial mortgages**
- **Financial planning – including cash and debt management**
- **Retirement planning**
- **KiwiSaver**
- Estate planning – will, powers of attorney, trusts and other estate planning tools
- **Risk management – including life, trauma disability, income protection and health insurance**
- **Business insurance – including shareholder protection, key person cover, debt protection and buy/sell agreements.**
- **Commercial and domestic insurance – public liability, professional indemnity, home and contents, and other relevant covers.**

My advice includes both a statement of opinion and recommendations. Those areas in bold are areas in which I am currently active – other areas are not a current focus but are areas in which I am qualified to provide advice if required, and in which I may well seek business in the future.

Some of the above areas of advice will be provided with a recommendation that plans are only established after the receipt of professional legal, accounting or trust advice.

I provide a Disclosure Statement to every client at the initial contact or interview and updated disclosure statements during the engagement or ongoing business relationship as and when necessary. A disclosure statement is available free of charge to clients or prospective clients on request.

A list of financial products in respect of which I may provide financial adviser services (**AMP Approved Products List**) is attached at appendix B. This includes both AMP and some third party products. I am only permitted to provide financial adviser services in respect of those products that my AMP Practising Certificate accredits me to advise on.

I am able to provide financial advice by virtue of my education and qualifications. I maintain my ongoing education development by achieving the necessary professional development hours required by both the Institute of Financial Advisers Standards of Professional Practice, and the requirements of my AMP Practising Certificate.

Axico Limited has in excess of 1900 clients of whom approximately 30 - 40% of clients are provided with financial adviser services.

My relevant qualifications and experience are as follows:

- 20 years' experience in Financial Services including three years in the property market. In that time I have been responsible for providing advice on various technical, investment and risk issues to trustees, corporate management, employee groups and individual clients.
- Certificate Financial Planner (CFP[™]) - 2004
- Graduate Diploma in Business Studies (personal Financial Planning) Massey University - 2003
- Adviserlink – Business Financial Services - 2003
- Authorised Financial Adviser – Financial Markets Authority
- Product Accreditation by various product providers

How my services are provided

Initial engagement is by way of a personal face to face interview, at which time a Fact Find document is completed to provide sufficient information to uncover a need for my advice and services, or to confirm a need for advice or services as requested by the client. The Fact Find document contains a Scope of Service Advice that:

- Confirms the need for sufficient relevant factual information to enable the giving of appropriate advice
- Restricts the services provided to those agreed by the Client and Adviser
- Confirms the confidentiality and security of the information provided
- Confirms the client has been provided with a current Disclosure Document with version noted
- Is signed by Client and Adviser

I also utilise other communication methods such as telephone, post and email where appropriate.

When providing financial adviser services I generally follow the following steps as set out in the AMP Professional Standards Manual (PSM), as amended from time to time by AMP:

1. Provide Disclosure Statement
2. Complete fact-finding and risk profile
3. Prepare Statement of Advice by analysing the data gathered and providing recommendations
4. Present Statement of Advice (or Statement of Amended Advice if appropriate) and explain how it meets the client's needs
5. Implement agreed advice
6. Conduct a regular review of the client's portfolio as specified in the Scope of Service

This advice process requires me to determine and consider the client's personal circumstances, conduct appropriate investigation of the client's needs, objectives and financial situation and consider alternatives to the advice that is to be provided before making an appropriate recommendation.

Where I consider that additional information should be provided to a client to enable them to make an informed decision about whether to use my financial adviser services, I will ensure that any appropriate additional information is disclosed.

I maintain records on compliance with the advice process and copies of all documents created as part of that process. Records are maintained for a minimum of 7 years in accordance with the code requirements.

I primarily work from the office of Axico Limited and visit client homes or workplaces as appropriate.

I may provide ongoing limited advice or service as requested by the client, and the client records are noted accordingly. Such advice is always related to an existing product that has been provided earlier on the basis of a Fact Find Document, Statement of Advice and Client Acknowledgement of that Advice.

New clients are generally sourced via referrals from existing clients, frequently at a time that their own plans are reviewed.

How my time is spent

Currently I spent my time as follows:

- Risk Management 50%
- Commercial and Domestic Insurance 40%
- Investment Advice 5%
- KiwiSaver 5%

Overview of my business

I am Director, Managing Principal and Financial Adviser of Axico Limited. Axico Limited (formerly G5 Financial Services Ltd) was established in 2005 and is a privately owned financial services business. It has an agreement with AMP Services (NZ) Limited to represent AMP and other financial service product providers as part of the AMP Connect program.

Axico Limited has two contracted Authorised Financial Advisers. It also has a Practice Manager and Client Services staff member.

As well as my role as Authorised Financial Adviser to Axico Limited, I am a nominated representative of the AMP QFE and hold a Practising Certificate issued by AMP. This Practising Certificate specifies the financial products in relation to which I am permitted to provide financial adviser services and is issued on the basis that I have certified that I will comply with AMP's Professional Standards Manual (attached as Appendix A).

How I am remunerated or rewarded

Axico Limited is paid commissions and fees by AMP in respect of the financial adviser services provided and financial products sold by its advisers. This includes financial products sold from other product providers in the AMP Connect system. In addition, Axico may receive annual performance bonuses or volume bonuses from AMP and AMP Connect product providers if certain sales targets are met. From this income Axico must pay operating expenses, staff wages, access fees to product providers and other regulation and business related costs.

As a contractor to Axico, I am remunerated by way of commission and /or fees. Also, as a shareholder of Axico Ltd I may earn dividends from time to time.

Axico Limited will charge a fee for the financial adviser service I provide to you, which will be calculated on the following basis.

Depending on the level of service you and Axico Limited agree upon, Axico Limited may charge you fees as follows:

Fees are not charged for life, income, critical care, medical insurance and mortgage services, but may be charged for services where a commission is not payable by the products provider.

In these situations fees are calculated on the basis of the time and expertise required to meet the services provided. The current hourly rate is \$250 plus GST.

Axico and I are prohibited from holding direct agreements, or receiving remuneration directly from product suppliers other than AMP without prior approval.

Some advice fees may be paid directly to me or Axico Limited.

The following is a breakdown of remuneration I would generally receive over the course of a year:

Salary	100%
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How my remuneration may vary

My remuneration may vary for many reasons, including overall new business levels generated, market/consumer confidence or satisfaction, amendments to commission terms and structures by product providers or other parties, impact of competition or economic conditions on existing clients/business levels and the success of marketing efforts to obtain new clients.

Rewards

I and Axico Limited have access to a range of financial and non-financial benefits through initiatives run by AMP throughout the year. These may be broadly categorised into the following three types:

1. Performance based: Meeting certain sales targets for AMP branded/manufactured products may mean I am invited to attend conferences, seminars and sporting or cultural events. AMP may also run sales incentives competitions with the chance to win prizes based on meeting pre-determined sales volumes. Prizes in the past have included cash, travel, shopping vouchers or tickets to high profile events.
2. Marketing support: Axico Limited may receive financial assistance to provide seminars for clients or run regional scholarship prizes.
3. Personal or Business Development: I may attend conferences that are subsidised by AMP. These conferences provide opportunities for meet my continuing professional development obligations.
4. In addition to the above, other product providers under the AMP Connect system may invite me to seminars, training courses or provide me with gifts in appreciation of my support for their products.

Conflicts of interest that may arise

As an AMP Adviser there may be incentives (as noted above) for me to recommend AMP financial products over other (possibly more suitable) products. This potential conflict of interest would generally only arise in respect of risk insurance products. More information about potential conflicts of interest and how these are identified and managed is provided under the heading 'Ethical Behaviour' on page 9.

Business Relationships

Structure

Axico Limited is 100% owned by myself and Phipps Business Trust. Axico Limited is a limited liability company (trading entity) that holds the agency and contractual agreements with product providers, owns any assets and ongoing rights to contractual income streams, enters into commercial agreements for the provision/receipt of professional business services, and employs administration and support staff.

People who are key to my business:

Internal:

Contracted Adviser: Simon Yarrell

Practice Manager: Robyn Hodge
Client Services: Stephanie Spain

I have responsibility for Key Compliance and Best Practice

External:

Apart from AMP and Axico, there are no external people or organisations that are key to my business.

The Advisers and Adviser Business Association (“AABA”) represents the collective interests of AMP Advisers and AMP Adviser Businesses in discussions with AMP

Exclusive or preferential arrangements

As a nominated representative of the AMP QFE, I am only permitted to provide financial adviser services in the manner set out in my Adviser Contract. This includes providing financial adviser services in respect of financial products on the AMP Approved Products List only.

Potential conflicts of interest arising from my business relationships are set out on page 5

Products and Services

Product Classes

I provide financial adviser services in respect of both category 1 and category 2 products. A list of financial products I am permitted to provide financial adviser services in respect of is attached at Appendix B.

Approximately 30 - 40% of my business currently would involve providing financial adviser services in respect of category 1 products, compared to 60 - 70% for category 2 products.

My financial adviser services in respect of investment products with varying degrees of complexity and consumer risk, is currently generally restricted to the advice and services related to KiwiSaver products only. This situation may however change in the future.

Handling of client money

I do not handle any client money or property directly, with all funds being payable directly to product providers.

Restrictions in respect of providers/products

I am only permitted to provide financial adviser services in respect of financial products on the AMP Approved Products List (approved by AMP's Investment and Advice Committee) that I am accredited to advise on under the terms of my AMP Practising Certificate. I am free to recommend any of these products based on a client's needs.

Clients

Client Types

I provide financial adviser services to retail clients only, and they represent 100% of my business.

Client recruitment

Clients may be recruited through the following methods:

- Distribution of marketing material produced by AMP.
- Distribution of marketing material produced by Axico Limited and approved by AMP.
- Distribution of my own marketing material approved by AMP.
- Purchase of a book of clients from another financial adviser.
- Referral from another financial adviser or AMP.
- Referral from existing clients, friends and associates



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Nature of the relationship with my clients

I am a contractor of Axico Limited. All clients are clients of Axico Limited and the primary relationship with clients may either be with me or with Axico Limited.

Vulnerable Clients

There are no particular clients who I deal with who have a greater need for financial advice or are more vulnerable to poor advice.

Marketing and promotional activities

All my marketing activities are directed at my retail clients. Marketing and promotional activities carried out in respect of my business are noted under the subheading 'Clients recruitment' above and under the heading 'Marketing and Branding' on page 10. All marketing material is approved by AMP prior to distribution.

Part 2: Compliance Arrangements

Ethical behaviour

Managing potential conflicts of interest

As noted in Part 1 section Remuneration & Reward, I have a number of potential conflicts of interest. As an AMP Adviser there may be incentives for me to recommend AMP financial products over other (possibly more suitable) products. This potential conflict of interest would generally only apply in respect of risk insurance products where commissions payable in respect of non-AMP products, are restricted to levels below that which is payable in respect of AMP products. From time to time this situation can be refused as product providers re-price their products and commissions payable.

I identify potential conflicts of interest when providing advice and services by utilizing the internationally recognized Advice Process to assess a client's needs and determine suitability of AMP and non-AMP products.

Any potential conflicts of interest that may arise are avoided and managed in the following ways:

- I do not face any prescribed quotas or similar arrangements that require a minimum proportion of sales be placed with a particular provider.
- I am required to follow an advice process whereby client needs and objectives are identified and product recommendations are made on the basis of those needs.
- I must disclose and explain any perceived or potential conflicts of interest to each client when completing the advice process with that client.
- In respect of AMP Category 1 products available on WealthView, advisers do not receive preferential rates Commission is not paid on investment products distributed through WealthView. Instead, Advisers are remunerated through an advice fee and portfolio-servicing fee which is negotiated directly with the client.
- Axico Limited advice process requires me to ascertain the best product fit for a client regardless of remuneration.
- Using ratings from independent research houses to guide me in my decisions – using only the top three rated products regardless of fees or commissions.
- Being transparent in my dealings with suppliers.

My code of ethics

I am a member of the Institute of Financial Advisers, and as such subscribe to the IFA Code of Ethics, together with the IFA continuing professional education requirements to ensure ongoing compliance with these principles.

As an IFA member I voluntarily subscribe to the core principles of:

- Placing the clients' interests first
- Being truthful and trustworthy
- Always acting in the clients best interests
- Maintaining the necessary skill, knowledge and business expertise
- Respecting others
- Protecting private information and confidentiality
- Maintaining an ethical reputation and professionalism

I am also bound by the IFA's independent complaints process that is tasked with upholding these values.

I am also a member of the AMP Adviser and Adviser Business Association and am need to adhere to their constitutions and bylaws.

Positive professional behaviour

In order to help me maintain positive professional behaviour to assist in the achievement of suitable client outcomes, I comply with the rules and standards outlined in the PSM (attached at Appendix A).

The PSM contains AMP's key operating policies and procedures and details the minimum professional standards required from Advisers and employee advisers. This includes, among other matters, acting in a lawful, diligent and professional manner, exercising due skill, honesty, integrity and care and complying with all relevant legislation.

The PSM also sets out requirements around:

- The Advice Process;
- Replacement business rules;
- Approved products and services;
- Complaints process;
- Quality Assurance programme; and
- Managing client funds

I also ensure any advisers employed by or contracted to Axico Limited comply with the PSM

Marketing and Branding

Marketing activities carried out in order to attract new clients are set out under the heading of "Clients" on page 7

I attempt to keep in touch with as many of my clients as possible over any 12 month period. That verbal or face to face contact is always an opportunity to market my services to them and anyone they may refer to me.

Any marketing material I produce must be approved by the AMP marketing sign-off process.

This process is designed to ensure the material meets the legislative requirements and is not misleading, deceptive or confusing, and to make sure the material does not state or imply that I or my services are independent if they are not.

The type of approval required depends on the type of material and the level of risk associated with the material. Some of the material I produce will require legal, marketing, product owner and distribution sign-off before it is distributed.

I keep records of all marketing and promotional activities I carry out, and the necessary approvals for that I am not aware of any past issues arising regarding my marketing material, and there have been no suggestions of misleading or confusion information being distributed in my material for a period of at least 7 years. The AMP marketing team also keeps hard copies of both the material and the approval form.

I am not aware of any past issues arising regarding my marketing material, and there have been no suggestions of misleading or confusing information being distributed in my material.

Disclosure

I design my disclosure statements with the assistance of AMP.

I have a high level of personal input into my disclosure statements. I begin preparing my disclosure statements by using the templates provided by AMP and the Institute of Financial Advisers. I then complete a Disclosure Statement adapting it to my personal circumstances and check carefully for compliance with the legal requirements. This template then receives external legal sign-off as arranged by AMP.

Before seeking external sign-off, I discuss the document with my colleagues to ensure that it is in tune with the operational requirements and business objectives of Axico Limited.

Providing my disclosure statements to clients

Providing my disclosure statements is the first step I take when providing advice or services to my clients. I provide my disclosure statements at the first meeting I have with every client, if not before, unless it is not practicable to do so (in which case I provide it as soon as practicable after the first meeting).

I provide the primary disclosure statement at my first interview with the client and the secondary disclosure statement at subsequent recommendations interview.

My disclosure statements comply with the requirements of the Financial Advisers Act 2008.

Reviewing and updating my disclosure statements

Whenever a material change occurs in relation to my situation or the advice and services I provide which requires disclosure, I prepare and issue a new disclosure statement.

AMP informs me of any changes to approved products, advice processes, remuneration or other AMP-related processes that will need to be disclosed in my disclosure statements,

I undertake periodic reviews of my disclosure statements every 12 months.

Advice or service

I follow the AMP Advice Process when providing advice and services to clients. This supports me in providing clear, timely advice that helps my clients to make informed decisions, and it is aligned to regulatory and best practice requirements for the provision of financial adviser services. Following this process helps me to ensure the quality and suitability of my advice and services.

The advice process I follow is set out under the heading 'Role' on page 2.

I rely on AMP to provide the research that supports the advice process I follow. The process is based on a form recommended by the Institute of Financial Advisers which AMP has enhanced to provide extra support. It is regularly updated by AMP to incorporate new legislative requirements or recognised best practice.

I only provide advice on products and areas that I am competent to do so, and conduct my own analysis of the suitability of product recommendations. In order to ensure my knowledge and understanding of the products I work with is current and objective, Axico Limited and I subscribe to the following research methods:

- Xplan risk researcher
- Industry magazines and periodicals
- Various industry websites
- AMP, Asteron, Fidelity supplier accreditation and product training programmes
- AMP conferences and professional development days
- Institute of Financial Adviser professional development opportunities

I ensure I collect enough information to understand a client's requirements by requiring every client to complete a Fact Find, Customer Needs Analysis and AMP Risk Profile Questionnaire, as required by step two of the AMP Advice Process. The primary purpose of the first meeting I have with every client is for me to commence a data gathering process determine the customer's needs, goals, objectives and their financial situation. I then seek confirmation from the client of the facts collected and obtain the client's signature on the Scope of Service Form attached to the Fact Find Document. As soon as possible after the interview, I review my detailed file notes of the interview and add to them from subsequent reflection after the interview if appropriate. If I have any gaps in my notes and need to seek further information I communicate with the client to ensure my information is complete and adequate for analysis prior to making recommendations via the Statement of Advice.

I provide advice to clients through a Statement of Advice which is a written recommendation provided to clients. The recommendations I give must always have a reasonable basis, be supported by analysis and be suitable for the client, and the recommended products must be fit for the purpose. I always discuss the Statement of Advice with the client and ensure they understand how the recommendations are designed to address their needs, objectives and financial situation.

Whenever I provide a Statement of Advice to a client, I make sure I:

- Address any questions the client may have;
- Provide relevant product disclosure statements for the client's review;
- Explain all forms that will require the client's signature;
- Provide the client with the opportunity to consider the Statement of Advice and any associated documents such as product information or investment statements in their own time; and
- Ensure the client fully understands the recommendations and the alternatives.

Providing a Statement of Advice is intended to help the customer to make an informed decision about whether to proceed with the implementation of the advice. Where a customer decides not to proceed with the Statement of Advice, I document the customer's reasons not to proceed.

Where no suitable product or service is available for a particular client's need, objectives and financial situation, I have them sign a Client Acknowledgement Form acknowledging that they have read and understood my recommendations, but have elected not to follow my advice.

I understand that when I am dealing with different client types, products, services and types of advice (for example highly personalised advice) I sometimes need to adopt a different approach. In such situations I am flexible with my advice and services and I tailor the process and the documentation to match the particular requirements of the client.

AMP Quality Assurance Programme

The AMP Quality Assurance Programme also provides a review mechanism for my work. As part of the programme a sample of my files are reviewed at least once a year.

My individual client files are assessed against a set of weighted criteria which mirror the advice process. These reflect the importance of each element of the process in supporting the provision of quality financial advice, and an average score is generated for my work. This process also checks that the advice implemented was the same as the advice that was agreed to by the client.

If as a result of these review processes I am made aware that my advice or services could be improved in any way, I take such feedback into account and may modify the process and documentation I use for clients. To date I have no reason to change the process I follow as a result of the AMP Quality Assurance Programme.

Complaints

I deal with complaints using AMP's formal complaints handling process.

Through this process, all customer complaints are managed by the Customer Response team following a process that involves:

The recording of complaints in a purpose-built database;

Complaints that are not resolved at the first point of contact are triaged by an AMP Customer Response team member before being assigned to an AMP Complaints Arbitrator;

When a complaint cannot be answered within five days an interim reply is issued;

Comprehensive information is captured and added to the complaint record (notes, phone recordings, documentation, notices sent to the customer, correspondence, etc).

If a complaint is not resolved to a customer's satisfaction it is reviewed by the AMP Customer Response Manager (and/or an authorised individual/Committee, e.g. AMP Claims Review Committee). If a client of mine has made a complaint, I would be in regular contact with the AMP Customer Response Team to ensure that everything is being done to resolve the complaint to the satisfaction of the client

If such a review does not change the position, and the complaint is within the terms of reference of the Insurance and Savings Ombudsman (ISO), details of the ISO Scheme are provided to the customer using a standard wording.

I note all complaints received in my 'complaints register' and make sure I update the register to reflect any actions taken or progress with the complaint.

I have not received any complaints about my advice or services in the last 12 months – in fact I have never received a complaint. If I did receive a complaint I would do everything possible to improve my advice and services to avoid further complaints.

Client money, Property and Information

I do not handle or hold client money directly, nor do I utilise any trust accounts for clients' funds or property. Any client money received at Axico is posted directly to the appropriate product provider.

For any personal information that I collect about clients, I abide by the Information Privacy Principles contained in the Privacy Act 1993, and all clients are asked to sign an acknowledgement of the use of their personal information and of their rights under that Act.

I store client information by hard copy files which are stored securely in the Axico office at:

40 Hinau St
Riccarton
Christchurch 8041

Each individual client paper file contains copies of all letters, reports, application forms, interview notes. Clients have access to the information contained within the file in accordance with the requirements of the privacy Act.

All confidential and personal hard copy client information that is no longer required to be held, is shredded and placed in a waste recycling bin.

Client information about my clients is also stored in an electronic client database Xplan which is a web based client management system managed by the AMP Group through Australian based ASX listed company Iress. All access is individually password protected.

Record Keeping

I retain records of the entire advice process I go through with each of my clients and I personally keep all the documents that are created as part of that process. I keep these documents in hard-copy and electronic copy.

The records I retain include:

- My disclosure statement as provided to each client;
- The Client Needs Analysis;
- Scope of Service;
- Statement of Advice;
- Client Statement of Advice Acknowledgement;
- Records of any information requested from the customer that is not provided to me (which must be signed by the customer); and
- All application forms completed by or on behalf of the customer.

These documents are retained for a minimum of seven years.

In some respects, and in addition to the above, I rely on AMP for my record keeping. AMP maintains comprehensive records, including:

- The AMP Vetting and Quality Assurance teams retain any copies of advice process documentation that is sent for vetting or quality assurance;
- Where I submit material for review by the Marketing team, the Marketing team keeps hard copies of both the material and the sign-off form;
- Any complaints received are held in the Customer Response database and the Complaints team produces monthly reports;
- The Distribution Operations team holds records of any breach cases, including all documentation and correspondence;
- The AMP Academy team maintain credit and criminal record and reference checks undertaken on prospective and current AMP advisers, and maintains training logs.
- All records held by the AMP teams as above are accessible through the relevant teams and are backed-up daily.

Competence, Knowledge and Skills and Continuing Professional Training

I have undertaken the following training, as part of meeting AMP's minimum training requirements:

- I have obtained a Graduate Diploma in Business Studies, endorsed in Personal Financial Planning from Massey University.
- I am a Certified Financial Planner

My qualifications exceed AMP's minimum training requirements.

I ensure my competence is maintained and tested on an ongoing basis through my continuing professional development plan. My plan is developed, maintained and kept up-to-date by:

- Undertaking and evidencing a minimum of 20 continuing professional development hours per year which involves a combination of structured and unstructured learning;
- Completing and maintaining a personal record of my development needs and progress towards meeting those needs;
- Using (from 2011) AMP's online facility in Education Exchange which will allow me to plan and record by own development activity, will show progress against my continuing professional development requirements and will show whether I am behind or on target to meet those requirements;
- Regulatory training I receive that is arranged, administered and paid for by AMP in line with legal requirements and AMP's own standards of professionalism;
- The AMP Academy team and managers who are alerted as to whether my training has been completed or is overdue; and
- I receive frequent and regular communications to update me on regulatory changes.

If I do not have the competence, knowledge or skills to provide a professional level of service to a client, I advise the client that I will refer them to a specialist who can assist in the first instance and then refer them back to me if appropriate.

Remuneration for Axico Limited

Axico Limited may be remunerated by commissions or fees as follows:

1. Commissions

Darryl Phipps of Axico Limited can earn commission in all product groups except AMP WealthView (the remuneration model for this became 'fee only' as of 1 April 2010). Generally, commissions are paid to Axico Limited when customers purchase a new product (initial commission) with further commission paid in following years to recognise servicing duties performed by Axico Limited Advisers over time (servicing commissions).

a) Life Insurance

AMP operates three life insurance commission models. Axico Limited Advisers can choose from the following for each new policy that they sell:

- 'Upfront' - high initial commission with low ongoing/service commission,
- 'Hybrid' - lower initial commission with relatively higher ongoing/service commission,

- 'Level' - initial and servicing commission are set at the same rate.

The levels of initial commission are determined by criteria set by AMP, based on previous years sales results and persistency (ie average annual policy retention across all policies held).

b) Corporate superannuation (NZRT)

There are several components to NZRT commission:

- *Procuration Commission* – This is paid to Axico Limited when new NZRT plans are set up. Payment is based on expected contribution levels to the plan and a reconciliation is completed after three years based on actual contributions received. Rates paid also depend on the degree of ongoing service required by the customer and agreed with Axico Limited.
- *Servicing Commission* - From the second year of the plan's running, Axico Limited is paid a tiered servicing commission based on contributions received during the period.
- *Volume bonus* – Procuration commission rates may be enhanced by up to 50% if Axico Limited sets up a large number of plans over a three-year period.

c) Retail Superannuation, KiwiSaver, Unit Trust Investments (excl WealthView)

Commission is paid on non-WealthView retail investment products. Rates are generally dependent on the type of product sold, the size of client contributions and, in some cases, the time period of the investment. Axico Limited may receive all or some of the following types of commission when investment products are sold:

- Initial Commission – calculated based on entry fee paid by customer
- Assets Under Management commission – calculated on the average monthly balance (net of cash holdings)

d) AMP General Insurance

Axico Limited's commission rates are set based on factors including register size, degree of specialisation, annual productivity and annual growth rate. General insurance policies are typically renewable annually therefore annual servicing commissions do not apply.

e) Lending products

Axico Limited's commission rates for mortgages sold are based on a percentage of loan amount drawn down. A relatively small number of lending products pay servicing commission in each subsequent year the loan is held.

2. Fees

Fees can be charged for a range of services including for advice, product entry and service. The customer pays fees on WealthView, KiwiSaver and corporate superannuation products directly to AMP, which in turn pays Axico Limited. Axico Limited is guided by AMP as to what constitutes reasonable fees for services provided and the Agency Agreement requires proposed fee schedules to be submitted for AMP approval.

As of 1 April 2010, commissions are no longer paid on products in WealthView¹. Axico Limited can now only receive remuneration through advice fees or portfolio servicing fees and both are negotiated between the customer and Adviser. Rates are capped by AMP.

¹ By July 2011 there will be no commission payable on any AMP investment product.

Advice fees on products such as general insurance, lending, and unit trust investments are all paid directly from the customer to Axico Limited.

Annual Performance Bonuses

Two types of annual bonus may be paid by AMP to Axico Limited:

- Revenue Share

Axico Limited may qualify for an annual Revenue Share payment based on growth in inforce annual premium income for AMP manufactured risk insurance products, or growth in net cashflow into AMP investment products and platforms over the prior calendar year. Sales of third party products do not qualify for Revenue Share.

- AMP General Profit Share

Axico Limited may earn a share of the profit generated by its general insurance book over a one-year period. Factors that affect the level of profit earned include incurred claims, policy retention and growth in gross written premium over the year.

Volume Bonuses

There are two forms of commission payable by AMP to Axico Limited that are linked to volume bonuses. These are:

- NZRT Procuration commission. AMP pays Axico Limited this commission when new corporate superannuation plans are set up. In cases where a large number of plans have been set up over a three-year period, Axico Limited can earn up to a 50% enhancement on this procuration commission.
- General Insurance commission. Commission rates are set based on a number of factors including register size, specialisation/qualifications, annual growth rate and historic sales results.

AMP does not pay separate volume bonuses on life insurance products however initial commission rates are partially determined by prior sales results. This means that in order to qualify for the highest initial commission rate, minimum performance criteria must be achieved which include total life insurance product sales in Axico Limited in the past year as well as the average retention rate (“persistency”) of policies over that time.