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28 November 2019

## 2019 Annual General Meeting

Attached are the Chairman and Chief Executive Officer addresses to shareholders to be presented today at the IOOF 2019 Annual General Meeting (AGM).

The AGM will be video webcast live from 9:30am AEDT and can be accessed at the following link <https://webcast.openbriefing.com/5628/>.

A recording of the webcast will be available later today at the same link.

-ENDS-

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### About IOOF Holdings Ltd

IOOF has been helping Australians secure their financial future since 1846. During that time, we have grown substantially to become one of the largest groups in the financial services industry.

IOOF provides advisers and their clients with the following services:

- **Financial Advice** services via our extensive network of financial advisers;
- **Portfolio and Estate Administration** for advisers, their clients and hundreds of employers in Australia; and
- **Investment Management** products that are designed to suit any investor's needs.

Further information about IOOF can be found at [www.ioof.com.au](http://www.ioof.com.au)

## **Chairman's Address to the AGM – 28 November 2019**

Good morning again ladies and gentlemen.

Firstly, let me open by saying how proud I am to Chair the Board of IOOF. It has been a year of significant change and upheaval and we couldn't have gotten through it without the hard work and dedication of the whole IOOF team and without you, our shareholders - support.

On behalf of the Board of IOOF – thank you for your ongoing support over this past year.

### **Introduction**

I am acutely aware that I stepped into the role of Chair suddenly this year in unexpected circumstances. I thought I would begin by talking a little about my career to date and what I feel I bring to the Board of IOOF.

My financial services career commenced in 1969 at the Bank of NSW in Fremantle WA.

Over the ensuing years I worked across Insurance, Banking, Superannuation and Funds Management living and working in WA NSW QLD and VIC. This culminated in being appointed CEO of Aviva Australia in early 2003 until sold to NAB in late 2009. I then became Managing Director South Asia for Aviva PLC based in Singapore until my retirement from executive life in 2013.

I have been asked numerous times this year why did you take this role on, my answer is consistent. This is a great business with great staff, advisers and supporters and we will come through this.

### **Continuing to earn your trust**

Let me turn now to the most important task that IOOF has had and will continue to have in the near future – restoring trust.

IOOF and all participants in the wealth management industry faced significant scrutiny following the Hayne Royal Commission. The external commentary has been scathing which gives us the important task of regaining the trust of our stakeholders. We are confident that we can do this.

Over the past year, we have been working hard with our Regulators on our Governance structures and we are holding ourselves to higher standards. We had previously focussed on managing conflicts, when we should have dealt with them.

I believe that the work we are doing will leave us with a governance model that is best practice within the industry. Other participants in the industry should take note, if they haven't already, as I believe that this will be the standard expected going forward.

We have taken very positive steps to improve relationships with all stakeholders. In particular, I have personally been involved in multiple discussions with both APRA and ASIC and I believe we are making significant positive steps to develop those relationships.

### **Executive team changes**

There have been significant changes made to the IOOF executive team over the year.



In April 2019, our former Managing Director, Christopher Kelaher, departed the company. I would like to acknowledge the significant contribution Chris made to this company. Chris steered the company through numerous acquisitions and significant organic growth and delivered substantial value for you – our shareholders – over his tenure as Managing Director.

In appointing a successor for Chris, we interviewed and considered a number of very high-quality candidates. We considered both internal and external applicants. Ultimately, the Board was unanimous in its belief that Renato had the vision and industry experience to lead us on our next phase of transformative growth.

Renato brings great energy to the role – at 44, he is one of the youngest CEOs of an ASX 200 company – and he has tremendous ambition and vision for our advice-led business. With his close ties to our advice network, he understands the needs of our advisers and ultimately, that is of vital importance in the years ahead as we transform the advice industry.

I have no doubt that he is the right person for the job. Renato has also undertaken to complete a full review of his Executive Team, which the Board is very supportive of. It is important that we have the right leadership in place to develop the culture of the organisation.

Going forward, we are currently reviewing our executive remuneration structure with a view to removing short term incentives, as well as introducing a minimum of 50% non-financial measures on long term incentives with a longer vesting period – in advance of the introduction of the expected accountability regime for financial services executives. We believe that this will align our executive remuneration practices with long term performance for clients and shareholders.

## **Board changes**

On the Board, we appointed Andrew Bloore and Michelle Somerville. Andrew is an IT entrepreneur - and a farmer - who has designed, built and sold a number of businesses, including superannuation administration and superannuation software design. This is an area we haven't had specific expertise in at Board level so I am delighted Andrew has agreed to join our Board.

Michelle was previously a Partner at KPMG. As you will know, Jane Harvey has been on the IOOF Holdings Board for 13 years now and she currently Chairs the Audit Committee. Jane will retire after the successful transition of the Audit Committee Chair duties to Michelle. With Michelle's deep accounting knowledge and expertise, she is the logical successor for Jane as Chair of the Audit Committee.

As this will therefore be Jane's last AGM, I would like to acknowledge her tremendous work on the IOOF Holdings Board over the past 13 years and personally thank her for her significant contribution over her tenure. Her deep knowledge of the Company has been of exceptional value to me and the rest of the Board.

Also, as previously announced, our former Chairman, George Venardos, will retire at today's AGM. George has brought a considerable range of financial services and corporate experience to the IOOF Board. He has Been a Director of IOOF for 10 years and has played a pivotal role in our growth through numerous acquisitions and divestments. He has served the IOOF Board with integrity and professionalism and I would like to thank him for his dedication over the past 10 years.



## **Reshaping the business**

In October, we received the no objection notices from OPC Trustees and ANZ Bank for the acquisition of the ANZ Pensions and Investments business. APRA approval is now the remaining condition precedent. This transaction will deliver significant benefits for clients of the combined group – and therefore deliver significant value to you - our shareholders.

We also continue to focus on the core assets that fit with our advice-led strategy.

This resulted in the successful sale of our holdings in AET Corporate Trust, Ord Minnett and Perennial Value Management. Renato will talk more about the ANZ transaction and our core business in his remarks to follow.

## **The IOOF Foundation**

The IOOF Foundation continued it's fantastic work during 2019.

Since its establishment, the IOOF Foundation has donated more than \$14 million to community groups across Australia. It is not-for-profit – all expenses are funded by IOOF so all investment goes to the community groups we support. We offer grants in areas important to the history of IOOF which have included; aged care, families, children & youth and mental health. We also support organisations like the Aboriginal Literacy Foundation which focuses on improving literacy and numeracy in indigenous communities.

I would like to thank Trish Briggs who manages the Foundation and also Angie Dickschen, Chair, and the rest of the Foundation Board for continuing to undertake this important work over the past year.

## **Climate change**

I'd like to take a moment to talk about an important issue; no doubt it's one which I expect members of the audience will have an interest in.

Climate change is a significant challenge for companies and investors, of which IOOF is both. The IOOF board is mindful of the risks (including financial risks) associated with climate change.

As an advice-led business, our purpose is to understand and look after our clients and secure their future. It goes without saying that to do this we must identify and address the long-term impact of climate change on our operations.

As part of the governance uplift that we are undertaking, we are taking steps to improve our ESG disclosures. In addition, we developed a Responsible Investment Statement for all of our investment funds, including our MySuper option.

We are a supporter of the Taskforce on Climate-related Financial Disclosures (the TCFDs) and we have an ESG clause in all of our Investment Management Agreements with external fund managers to integrate ESG practices into their investment process.

We know that we are only part of the way on the journey to embedding our response to climate change. We acknowledge the imperative for action. Climate change risks are deeply entrenched across the financial system and the response is complex. But let me reiterate, we are committed to addressing the risks of climate change.



## Summary

In closing, we have learnt a lot from the past year. However, we are looking forward. I believe Renato's strategy for the future of our company will lead to better outcomes for our people, members, clients, advisers and as a result – will deliver significant value for our shareholders.

With a transformational acquisition on the verge of completion, we are excited for the future and the unique opportunity that we have to firmly re-establish ourselves as Australia's leading advice-led wealth manager.

I am proud of the efforts of all of the team at IOOF during challenging circumstances over the past year. Our advisers and our people have stood tall in spite of intense scrutiny on our industry and our company. Each of the Directors on each of our Boards has embraced and welcomed significant change with enthusiasm to deliver our purpose – to understand our clients, to look after them and to secure their future.

I would like to acknowledge all of their commitment and hard work over the past year.

The lessons we have learned will only make us stronger and better in serving the hundreds of thousands of Australians who depend upon us. Our purpose and our passion – to provide prosperity and security for Australians throughout their life journey – remains unchanged.

On behalf of the Board, once again thank you for your ongoing support.

I'll now invite Renato to make his address.



## CEO's Address to the AGM – 28 November 2019

Thank you Chairman and good morning ladies and gentlemen.

This is my first AGM as CEO of IOOF and it is a privilege to be here today representing the efforts of nearly 2,000 people, who collectively have worked very hard to restore the fortunes of the organisation over the past 12 months.

As the Chair has noted, the past year has been challenging on a number of fronts. As someone who feels a strong connection to IOOF's heritage and purpose – I firmly believe there is much more to IOOF than just the recent events.

Over the last 12 months, we have been leading a way forward that looks to learn from the past and restores our reputation and relevance to all our stakeholders.

### Introduction

I will take the Chairman's lead and spend a few moments to share with you my path to CEO of IOOF.

Having spent the early part of my career in investment banking and wealth management strategy roles, in the early 2000's I sought a role where I could leverage my corporate skills and also know I was making a difference in the community through wealth management.

In joining IOOF in 2003, I joined a small but ambitious wealth manager, with a deep history of helping the community. Having recently demutualised and about to list on the ASX, IOOF seemed like a perfect fit.

I've now been with the Group for over 16 years I am fortunate to have been part of an IOOF that has grown and adapted. There have been challenging periods along that journey, however throughout the one constant has been the belief and passion that people at IOOF have for each other and our clients.

Outside of IOOF, I'm lucky to be a husband to an amazing wife and father to two beautiful girls. The only thing that gets close to my passion for family or IOOF is my passion for the Socceroos.

Having stepped into the role of Acting CEO in December of last year, I faced the stark reality that as an organisation we had let down our stakeholders - our clients, the communities we serve, regulators and as a consequence we had also let down our shareholders.

We have been working very hard to regain the lost trust through: engagement; transparency; and delivering on what we say we will do.

Last week, I appeared before the House of Representatives Economics Committee where I outlined the significant work we have been doing as part of uplifting our governance and holding ourselves to higher standards. This work is creating a stronger and more relevant IOOF for years to come.

The changes we have made focused on 4 key areas:

- removing and avoiding conflicts where possible;
- product design;
- improving the quality of advice; and
- culture and reward.



Having seen how the organisation has responded over the past 12 months, I think there are very few (if any) organisations that could have delivered on the programme of work that has been delivered at IOOF. We have had to learn some hard lessons, and our response has been swift.

### **In terms of conflicts...**

We are removing potential conflicts of interest from our business through the establishment of new trustee Board structures and management that is independent of IOOF's Board and management. This includes the appointment of new independent directors to these Boards.

This will ensure that IOOF is held to account on delivering to the expectations of the trustee Boards and better member outcomes. This is already in place for our superannuation trustee and we are currently implementing the same for our investments business.

### **In terms of products...**

All IOOF products have been re-built to allow for the unbundling of commissions. In other words, all commissions can be passed back to clients when turned off. This is an important pre requisite to ensuring all banned commissions flow back to clients.

### **In terms of advice...**

From 1 January all financial advisers under an IOOF licence will be required to implement an annual client service agreement – well before the proposed 1 July implementation date.

In February I commissioned an external review into the quality of advice with the goal of identifying any instance of inappropriate advice, fee for no service or poor documentation. We are committed to ensuring that all identified deficiencies are fully resolved in a timely manner. To date we have estimated this exposure at \$223m.

Following ASIC's 515 report into adviser oversight we are implementing higher advice audit standards, with the new standards having recently been independently tested to ensure that we can better identify any advice issues in the future.

### **And finally, from a culture and reward perspective.**

As leaders, one of the greatest responsibilities we have is the tone we set for the business and standards we hold ourselves to. Since June, I have been undertaking a review of our senior executive team to ensure we have the right people to lead IOOF.

To date there have been two new executives join the Group, Mel Walls – IOOF's new Chief People Officer and Adrianna Bisogni the Group Company Secretary who has re-joined after a 10 year absence. I expect to make further leadership changes before finalising the review next month.

As our Chair noted, we are also in the process of reviewing our executive remuneration structure.

### **Business performance**

Despite the challenging operating environment and significant changes over the past year, our business performance remained strong.

Underlying net profit after tax was \$198.0 million, up 3.4% from 2018 and we saw FUMA grow 18.7% to \$149.5 billion – bolstered by the addition of the ANZ advice licensees.



This strong financial performance delivered total dividends of 44.5 cents per share – fully franked.

Importantly, we continued to see positive net flows of \$1.4 billion into our proprietary platforms and \$520 million via our advice groups.

I was also encouraged to see that our adviser net promoter score was +17% vs an industry average of -30%. As an advice-led business, to see our advisers continuing to be positive about IOOF during a difficult time for the industry was pleasing.

### **Simplifying and cost management**

A focus on business simplification and cost management will continue to be key to our success and are areas where I believe we lead the industry.

During the year, we made a number of divestments of non-core businesses in order to focus on our advice-led strategy. We sold AET Corporate Trust for \$51.6 million, Ord Minnett for \$115 million and our associate stake in Perennial Value Management.

We announced our intention to reduce the number of operating environments from 2 to 1 by 2021. This will deliver reduced complexity and improved efficiency for the benefit of all stakeholders.

For many years, we have had a mantra of “invest money like it’s our own” and as CEO, I intend to preserve our financial discipline, as a key pillar of our business success.

### **ANZ Pensions & Investments business acquisition**

We continue to work towards completion of the ANZ P&I acquisition and on 17 October 2019, we received "No Objection" notices from One Path Custodians and ANZ Banking Group Limited.

We also announced a revised purchase price of \$825 million, down \$125 million from the original price.

This leaves APRA approval as the only remaining condition for the acquisition to complete.

This acquisition represents a transformational opportunity for IOOF and I am excited by the benefits that the combined group will deliver to all stakeholders.

### **Outlook**

I would like to finish up by making some comments about our future.

As an organisation, we currently have an opportunity to truly lead the industry through our advice-led strategy and set standards for others to follow - the result of which I am confident will be superior outcomes for all stakeholders – including shareholders.

At our results briefing in August, I announced a multi-year strategy designed to deliver IOOF to a position of industry leadership. Within this advice-led strategy I described three discrete phases – **Stabilise, Transform, Prosper**.

We have made significant progress to stabilise the business over 2019 and this work will continue into 2020.





We have started our transformation with platform simplification underway and reinvention of our advice business. The completion of the ANZ P&I acquisition will complement this transformation.

I am confident that by executing on our strategy, IOOF will create for itself an opportunity to impact the lives of millions of Australians, contribute to a better society and build a business that will continue to prosper for years to come.

It has certainly been a challenging and volatile year for IOOF. I am incredibly thankful for the commitment and dedication of our people. Our teams have worked incredibly hard over the past year through intense scrutiny and uncertainty.

I want to thank them for their efforts and also thank the Board and Executive Team for their personal support.

To our shareholders – thank you for your continued support in what has been a very trying year. I and the team at IOOF are committed to transforming the prospects of our business, for the benefit of all stakeholders including its owners – our shareholders.

Thank you. I will now pass back to our Chair.

