



Droughts, fires, floods – A tough year by any measure

Company/ASX Code	Suncorp Group/SUN
AGM date	Thursday 22 October 2020
Time and location	10am Brisbane, Online
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitors	Sally Mellick, Len Roy and Shirley Watson
Pre AGM Meeting?	Yes, with Chair Christine McLoughlin, Director Ian Hammond and staff members Amanda Revis and Karen Munsie.

Please note any potential conflict as follows: The individual(s) (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

Item	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

If this financial year had not already dealt the bank-assurance company with sufficient challenges, along came COVID-19! Suncorp is recognised for its good systemic response to dealing with natural hazards that face the customers, but this year provided a number of additional significant challenges at company level.

Development of the marketplace solution envisaged by former CEO Michael Cameron had put the company in a very good position to cope with the technology demands placed on it through community COVID-19 management. This in turn led to challenges to meet the needs of staff working out of office, as well as the customers who were further directed away from personal contact. While we have all no doubt experienced accelerated learning having been forced into new technology, it is likely that many of these changes will have some permanence. The Annual Report highlights some of the accelerated digital functions embraced through this year.

The company has continued to develop the Board Customer Committee under the leadership of Director Lindsay Tanner. As an early adopter of this customer focussed function, the Board reports increased penetration into the customer experience which is shared with staff to encourage greater resilience in staff-customer relationships.

Governance and culture

Suncorp publishes a detailed and comprehensive Governance Statement each year. A risk analysis is included in the Governance Report based on a Lines of Defence Model, and risks are further detailed in the Annual Report. The Board takes a comprehensive approach to ensuring diversity is managed and achieved as much as possible in many aspects of the company's function.

Financial performance

Suncorp Group Ltd has had to navigate two successive challenging years.

Following the sale of the Life Business February 2019 SUN initiated a capital return of \$610m to shareholders. The first stage of the return was May 3 2019 with a special dividend of 8 cps fully franked. The second stage & final capital return of 39 cps unfranked was paid October 24 2019. A share consolidation in October 2019 protected the (before and after) interests of shareholders¹.

The sale of the Life Business resulted in a \$910m after tax non cash loss taken up in the FY19 Financial Statements. FY19 cash earnings were \$1.115 billion and NPAT \$175 million.

There has been an increase in the severity and frequency of natural hazard events and SUN have proactively increased relevant allowances and purchased additional cover with increase in re-insurance

The 1H FY20 showed good progress within the three business units - Insurance (Australia) Profit after tax \$123m, Banking & Wealth \$171m and New Zealand \$108m. In addition, the 1H FY20 results were boosted after a tax profit gain of \$293m following the sale of Capital S.M.A.R.T and ACM Parts. Group NPAT for 1H FY20 was \$642m.

Considering the successive droughts, fire, storms, floods and COVID-19 pandemic, Suncorp achieved FY20 cash earnings \$749m with NPAT \$913m and pre dividend excess common equity tier 1 capital of \$941m. One-off items included \$60m provision for the Pay and Leave entitlement review and \$160m provision for Covid-19 operating environment. Claims paid to customers in FY20 totalled \$8.7 billion.

SUN was removed from the S&P/ASX20 Index in the Quarterly Balance as at September 21, 2020.

Considering the onerous complexity of Royal Commission outcomes and upgraded regulatory requirements of APRA and ASIC, plus the natural hazard events, we considered SUN had managed the new business environment in a proactive manner.

Key Board or senior management changes

There have been a number of staff changes at Executive level. The appointment of Lee Hatton to head Suncorp's banking and wealth was short lived as she exited in May after 3 months. Clive van Horen was appointed to the vacated position. Adam Bennett was appointed Chief Information Officer replacing Sarah Harland who departed in March after a little over three years. Changes in the executive team has resulted in a revision of the management model with some adjustment to roles and responsibilities.

Steve Johnston was appointed CEO in September 2019 having fulfilled the role in the interim after the departure of Michael Cameron. With the number of changes at Executive level, an internal appointment appears a good option to stabilise the team.

Some Board renewal has taken place with Elmer Funke Kupper appointed to the Board in January 2020 and providing some greater breadth in business skill to the Board. Audette Exel retires at the

¹ SUN Fact Sheet September 26 2019 <https://www.asx.com.au/asxpdf/20190926/pdf/448w8tyj6wb7gd.pdf>

end of September 2020 to focus on her own business challenges. From our discussions prior to the AGM, the Board have considered the particular skills they are seeking in the new appointee, and these will include some internet technology background.

Summary

(As at FYE)	2020	2019	2018	2017	2016
NPAT (\$m)	913	175	1,059	1,075	1,038
Share price (\$)	9.23	13.47	14.59	14.82	12.18
Dividend (cents)	36	78	81	73	68
TSR (%)	-28.8	-2.3%	3.9	27.7	-4.2
EPS (cents)	71.93	13.54	82.17	83.84	81.19
CEO total remuneration, actual (\$m)	2.317	5.098	4.236	4.165	3.158

For 2020, the CEO's total actual remuneration was **25 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Note - For May 2020, the Full-time adult average weekly total earnings (annualised) was \$91,983 (<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>, "Full-time adult average weekly total earnings").

Item 1	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The remuneration structure remains unchanged from last year apart from the fact that STIs will not be paid in cash as a result of COVID-19. Fixed remuneration will remain at its present level. The remuneration framework is presented clearly in the Annual Report and the structure is shown in the table below. Two thirds of the CEO's pay is at risk with lesser proportions for other executive KMPs. STIs target an equal split between cash and equity, and is paid on performance against a Group Scorecard of measures. The Code of Conduct acts as a gateway. Only 50% of the STI award comes from financial measures. Non-financial measures sound as if they are aligned with the company performance and interests of shareholders they are not described in much detail.

Long Term Incentives (LTI) for the CEO are awarded as an equivalent amount to fixed pay (see item 2) for performance on two measures: (1) Relative Total Shareholder Return (TSR) against a group of top 50 ASX companies excluding real estate and resources companies and (2) average cash (Return on Equity) ROE over the three year period. Relative TSR is paid according to a vesting schedule, with 50% of the relevant award being paid when the 50th percentile is achieved and then pro-rata until the 75th percentile. The performance period is three years and the payment is

deferred for a further year. The vesting schedule for cash ROE is not disclosed as commercial in confidence, and as it was only introduced in 2019 as a second measure, shareholders are yet to view the measure in operation. For LTI incentive plan, ASA prefers LTI hurdles that are measured over at least 4 years, and schedules for payment of LTI to commence at the 51st percentile and be paid pro-rata until the 85th percentile.

The remuneration outcome for this financial year was subdued as you would expect as the COVID-19 shutdown made an impact on the Australian economy. The CEO earned 45% of his Target STI and no LTI award. Banking Executive Accountability Regime (BEAR) requires the lesser of 20% of total remuneration or 40% of variable remuneration is deferred for four years. For this financial year the Board decided to award all earned STI as deferred equity, the cash portion of STI deferred for one year.

For FY20, the amount shown as STI (cash and equity) in the table below will be paid entirely as deferred equity with no cash component.

The amount that would have been paid as cash will be subject to a deferral period of one year. The equity portion of the payment will split into two payments. The first tranche of deferred equity is subject to a one year deferral period and comprises 50% of the reward. The remaining 50% of the equity payment is subject to a two year deferral period.

CEO rem. Framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.8	33%	1.8	24%
STI – Cash	0.9	17%	1.35	18%
STI – Equity	0.9	17%	1.35	18%
LTI	1.8	33%	1.8	40%
Total	5.4	100.0%	6.3	100%

The amounts in the table above are the statutory amounts that are envisaged in the design of the remuneration plan. *Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting.

Item 2	Approval of LTI grant to CEO/Managing Director Steven Johnston
ASA Vote	For

Summary of ASA Position

The meeting is seeking approval to award the CEO Mr Steven Johnston 192,098 performance rights to shares in Suncorp under the remuneration LTI plan. The rights will vest in three years' time subject to performance hurdles and employment conditions and are subject to one year deferral which includes an equivalent dividend payment for the vested shares for the LTI period. The number of rights is calculated based on the CEOs fixed pay divided by the VWAP for the five days leading up to the first of July 2020.

While the ASA prefers that dividends only accrue on vested shares, it is not a sufficient cause for an Against vote. However, failure to approve the grant of performance rights will mean an equivalent cash payment for any rights that vest, leaving the voter feeling unnecessarily manipulated.

Item 3 a	Re-election of Elmer Funke Kupper as a Director
ASA Vote	For

Summary of ASA Position

Elmer Funke Kupper was appointed an Independent Director to the Suncorp Board in January 2020. He has had varied experience that embraced senior and executive positions in management consultancy, banking, ASX Limited and Tabcorp. He has been a Director of the Business Council of Australia and is presently a Director at MYOB Group. He brings a breadth of both regulatory and technological insights to the Board. He is a member of the Audit and Nomination Committees.

Item 3 b	Re-election of Simon Machell as a Director
ASA Vote	For

Summary of ASA Position

Simon Machell was appointed to the Suncorp Board in 2017 and has had extensive insurance and banking experience throughout Europe and Asia. He holds Board appointments in Banking/Insurance Companies in Singapore and the UK, the more recognisable to Australian shareholders being Tesco Underwriting and Tesco Personal Finance.

Mr Machell is on the Audit and Nomination Committees and Chair of the People and Remuneration Committee.

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