Australian Shareholders' Association

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Building futures and protecting what matters

Company/ASX Code	Suncorp Group/SUN
AGM date	Friday, 23 September 2022*
Time and location	1:00 pm* AEST Hilton Brisbane, Ballroom, Level 5, 190 Elizabeth Street, Brisbane, Queensland, and Online*
Registry	Link Market Services
Type of meeting	Hybrid
Poll or show of hands	Poll on all items
Monitor	Shirley Watson
Pre AGM Meeting?	Yes with Chair Christine McLoughlin and Sophie Bastin-Byrne of Investor Relations.

*Changed from initial details due to announcement of original date as National Day of Mourning, in honour of Her Majesty, Queen Elizabeth II

Monitor Shareholding: The individual involved in the preparation of this voting intention has a shareholding in this company.

Summary of issues for meeting

The intensity of natural hazards of recent years reached a new level during FY22 in which there was an extraordinary 35 separate natural hazard events across Australia and New Zealand. Included in this was the Eastern Australian flood disaster - the worst weather event in Suncorp's over 100 year history.

Despite unprecedented disruption and change presented by extreme weather events, market impacts and COVID-19, there continues to be a clear sense of achievement and success in supporting people through these difficult times including the newly established Event Control Centre.

Following a $4.9 Billion offer by the Australian and New Zealand Banking Group (ANZ), the Group announced the sale of its Bank in July 2022

Proposed Voting Summary

No.	Resolution description	
1	Remuneration Report	For
2	Approval of the Suncorp Group Equity Incentive Plan and modifications to performance rights given the announced sale of Suncorp Bank.	For
3	Grant of performance rights to the Group Chief Executive Officer & Managing Director, Steven Johnston.	For
4 a	Re-election of Non-executive director, Ian Hammond.	For
4 b	Re-election of Non-executive director, Sally Herman	For
5	Renewal of proportional takeover provisions in the constitution.	For

Consideration of accounts and reports - No vote required

Suncorp is a well-capitalised Queensland based company within the financial services sector. It has a dominant market position in Australian and New Zealand general insurance and as a regional bank. Suncorp has successfully progressed its three-year (FY21-23) Plan to drive growth and efficiencies across its 3 core businesses. Included in this has been attention to growing the Group's existing digital and data capability. Suncorp enjoys some brand loyalty, especially in Queensland.

Governance and culture

Suncorp publishes a comprehensive Governance Statement each year. It appears to be well governed and to act in the best interests of shareholders. There is a diverse skilled board with at least 30% female directors and a 40% target. The company discloses and outlines to stakeholders any possible conflicts of interest for board members and lists obligations that are adhered to for potential, perceived or actual conflicts. A board skills matrix, setting out the key skills, expertise and qualities discloses the evaluation process for the composition of the board and for director selection to provide for the company's current and future strategic priorities. There is a minimum shareholder requirement for Directors of a Suncorp shareholding of 50% of one year's base fee within two years and 100% within 4 years.

Suncorp's **culture** is committed to building the financial, social and natural hazard resilience of its people and communities. This was clearly evident in the pre-AGM meeting where enabling our people and supporting our customers is central. The company delivered on a key strategic initiative of full support for customers, many displaced by the impact of La Nina weather patterns. At the end of FY22 the company had completed 57% of the 130,000 natural hazard related claims.

The Board takes a comprehensive approach to ensuring diversity is managed and achieved as much as possible in all aspects of the company's functions. Focus areas are Inclusion, Gender Equality, Age Diversity, First Nations Commitment, and Cultural & Linguistic Diversity. There is an increasing number of female leadership positions across the organisation with 46 % of women now in leadership positions with the FY23 target to reach 48%. 12.5% of staff are Mature Age employees. Suncorp has received awards for its excellence in Workplace Diversity and Inclusion.

Informed by lessons from COVID-19, workforce flexibility and planning, together with improved technology infrastructure, has supported their people in the transition to the new workplace environment. A visit to Suncorp's new building, Heritage Lanes, shows how this culture is encapsulated into a modern workplace of the future.

Financial performance

Although the underlying business has remained strong, the weather events, together with the negative impact of Investment Markets have resulted in the Group's FY22 cash earnings being down by 36.7% to $673 million and net profit after tax reduced by 34.1% to $681 million.

From a Group FY22 Net Profit of $681 million, down 34.1%, from the FY21 Net Profit of $1,033 million. Net Profits of the 3 Core business were:

1) Insurance (Australia) - $174 million – down 68.2% from FY21 of $547 million
2) Suncorp Bank - $368 million - down 12.2% from FY21 of $419 million
3) Suncorp New Zealand Insurance - NZ$165 million – down 15.3% from FY21 of $200 million.

Group natural hazard costs in FY22 were $1,081 million, up from $1,010 million in FY21 and $101 million above the Group's allowance of $980 million. The natural hazard allowance for FY23 has increased to $1.160 million.

The net loss from capital market volatility was $190 million compared to a profit of $45 million in FY21. The mark-to-market losses are expected to unwind over FY23.

Suncorp has declared a fully franked dividend of 17 cents per share for 2H22. This brings the FY22 total ordinary **dividend to 40 cents per share**, representing a payout ratio of 75% which is at the top end of the target payout range of 60-80% for a total dividend payout of $905 million. This is down from the 66 cents per share paid in FY21.

Although Suncorp is well-capitalised, the reduced dividend indicates conservative capital management as the company navigates through the inflationary environment, labour shortages, investment volatility and retention of capital against reinsurance costs. Despite the increasing insurance claims, the FY21-23 plan to drive growth and efficiencies has been well progressed. Insurance Australia Gross Written Premiums (GWP) was $9.25 Billion, an increase, excluding portfolio exits, of 9.2%. Suncorp New Zealand GWP was NZ$2.13 Billion up 14.1%. Retention and renewal rates have held steady. Concern over the large events may indicate that insurance is becoming a less discretionary item to consumers.

Suncorp Bank had 2H22 growth in home lending of 12.4% giving a full year home lending portfolio growth of 9%. Customer-focused initiatives, competitive rates and development of digital banking functionality have contributed to Total Bank Deposits growing by 15.9% in FY22 to $48.1 billion while at-call transaction accounts grew 20.6% to $20.8 billion.

From its competitive advantage of scale, brand awareness and customer loyalty, the company locked in terms for motor and home repairs. With its 'preferred repair panel' inflation has been kept to 4% - 5% with industry motor inflation of 7% - 8%. Premiums have increased to improve underlying margins – targeting underlying margins of 10% - 12 % in FY23 up from 9%.

Risk

A clear and detailed risk analysis is shown in the Annual Report. Suncorp Group carries concentrated **natural hazard**, weather related and earthquake risk in Australia and NZ. In discussions, Board and Management clearly recognise the increasing **frequency and intensity** of weather events and the onset of climate change. Climate change is a strategic issue for the Suncorp Group Board and a governance process and reports for review and decision-making are identified.

The company's responses to other external risks, such as supply chain challenges, macro-economic trends, workforce changes, cyber risk and changes in consumer behaviour are reported upon.

Under these risk conditions of impacted livelihoods and devastated communities, **new technology** (enhanced webchat capabilities, new self-service Options, Proactive Messaging and Geospatial imagery and AI) has enabled a faster and **more efficient claims process** and an improved customer experience during these disasters and improved productivity for the business. The group has invested in a new insurance pricing engine to provide a full view of customers, real-time data and increased personalisation which will improve pricing and underwriting. A strong push to migrate technology services to the cloud has more than 60% of systems now hosted externally.

There is the encouragement of the use of 'the app' for more streamlined service and accessibility for consumers. With **increasing online** adoption and reliance on digital services, the Group is very aware of and concerned with the opportunities for more frequent and severe **cyberattacks.** It has actively monitored internal systems and contingency planning and testing to mitigate cybersecurity risk and maintain a resilient technology.

Key events

Sale of Suncorp Bank

In the previous 2 years, The Group has driven simplification and conservatism by the sale of a number of non-core businesses and exiting several underperforming portfolios and products. Although it was announced after the end of FY22, it is appropriate to refer to the sale of the Suncorp Bank. The transaction is still subject to a range of regulatory approvals. This is the result of a comprehensive strategic review by the Board with a focus on creating future value for shareholders. Some key reasons given for this decision included - the Bank required a disproportionate amount of capital; lack of a level playing field with the major banks for borrowings; the Group has been moving towards separate operation of the 3 businesses for some time; Suncorp is a big brand but a small Bank; ANZ made the proposal at a fair price of $4.9 billion.; there is not a lot of cross-selling between insurance and banking.

Benefits for shareholders will be a company entirely focused on insurance to become the leading trans-Tasman insurance company; a stronger voice in advocating for greater resilience and natural hazard mitigation measures. On completion of the process, shareholders may expect a return of capital.

In relation to any shareholder vote on the sale, the ASX had reviewed the transaction and confirmed it doesn't meet the criteria for a mandatory shareholder vote. In questions around this issue, the Chairman was able to satisfy me with adequate reasons why not proceeding to a vote was an appropriate Board decision, given the nature of the Suncorp business.

Key Board or Senior Management changes

During FY22, Bridget Messer was appointed to the role of Group Chief Risk Officer to complete the executive leadership team.

The board has remained unchanged since the FY21 AGM. There is only one executive director. There is a good mix of fresh and longer serving board members who bring in a variety of skills and fresh perspectives.

ASA focus issue

ESG

Overall Suncorp produces comprehensive ESG plans which show the responses and progress for the various actions.

As it does regularly, the Group conducted in FY22, a comprehensive and independent ESG materiality assessment which reflects its changing operational environment, the evolving priorities of stakeholders and issues important to its business.

Assessment, set out in the Annual Report, follows a process of Identification, Prioritisation and Validation.

The group is committed to tackling environmental issues towards sustainability and supports, with a clear action plan, **transition to a net-zero** emissions economy by 2050.

Suncorp is also investing in reskilling and upskilling employees to support them and manage their career by building skills for the future working environment through their **Future Ready** learning initiative.
In 2022 Suncorp published its second **Modern Slavery Agreement** to address issues regarding Suncorp's operations and supply chains across Australia and New Zealand.

A **Reconciliation Action Plan (RAP**) was set up with the vision to empower Aboriginal and Torres Strait Islander peoples to participate in the economy.

Suncorp is also a supporter of SES Qld and in Victoria

In the meeting I gained a clear impression that ESG matters are just part of management and that progressing these actions will provide better outcomes for the company and shareholders into the future.
No FY23 earning guidance is given, as the outcome is somewhat dependent on any continuance of the La Nina weather pattern.

Summary table

(As at FYE)	**2022**	**2021**	**2020**	**2019**	**2018**
NPAT ($m)	681	1033	913	175	1,059
Share price ($)	10.98	11.11	9.23	13.47	14.59
Dividend (cents)	40	66	36	78	81
Simple TSR (%)	2.4	27.5	-28.8	-2.3	3.9
EPS (cents)	53.8	80.86	71.93	13.54	82.17
CEO total remuneration, actual ($m)	3.747	2.903	2.317	5.098	4.236

For 2022, the CEO's actual remuneration was 51 times the Australian Full time Adult Average Weekly Total Earnings (based on May 2022 data from the Australian Bureau of Statistics).

Item 1: Adoption of Remuneration Report

Key Management Personnel (KMP's) are remunerated with a combination of fixed pay, Short-Term Incentives (STI) and Long-Term Incentives (LTI). **Target STI** and maximum STI opportunity of 100% and 150% of fixed pay respectively, earned over a 1-year period, for Group CEO and most Senior Executives. This is delivered as a mix of cash and share rights. Share rights are deferred over a 1- to 2-year period. The Group CEO is paid 50% cash and 50% share rights and Senior Executives 65% cash and 35% share rights. Outcomes are based on a scorecard with 50% of the STI award on financial measures and 50% on non-financial measures around Customer, Risk and People and Culture company performance. The Code of Conduct acts as a gateway.

LTI opportunity is 100% of fixed pay for CEO and Senior Executives and is delivered as performance rights which are tested for performance after a 3-year period to fit with the company's business plan. Performance measures below are weighted one-third each:

(1) Relative Total Shareholder Return (TSR) against the 50 largest ASX 100 companies excluding real estate and resources companies.

(2) (2) Relative TSR against 12 ASX 100 financial organisations with banking and/or insurance operations.

(3) (3) Cash RoTE.

LTI is granted at face value and a **further one-year deferral period** applies, taking the total period to four years. 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 straight line until the 75th percentile. 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.

Both the Relative TSR and the RoTE targets and vesting schedules are shown in the Annual Report. All performance Targets for FY23 have been disclosed.

A considerable amount of detailed information on remuneration is presented in the Annual Report and the basic structure is shown in Appendix A.

Item 2: Approval of the Suncorp Group Equity Incentive Plan and modification to performance rights given the announced sale of Suncorp Bank.

The Board wishes to receive shareholder approval of the SGEIP for this resolution which is designed to provide appropriate treatment of unvested equity following the announcement of the sale of Suncorp Bank. The revised structure is to provide a successful transition and develop a sustainable business for Suncorp following the sale of the Bank, including retention of critical talent. The proposed modification is applied to the FY21 and FY22 performance rights with continuity of employment conditions.

(1) For FY21 performance rights the Board intends to waive the performance conditions on the 40.1% of performance rights that would have achieved the performance measures and impose an additional one-year service condition so that these rights now vest at the end of the end of the original deferral period being 30 June 2024.These would not be forfeited if resignation occurred before 30 June 2024.

(2) Similarly, for the 55.5% of FY22 performance rights which will now vest at the end of the original deferral period being 30 June 2025 and would be forfeited it resignation occurred before this period.

As these awards remain in equity, there is ongoing shareholder alignment and dependent upon the Suncorp share price.

The Board is also seeking approval for the use of such discretion in relation to future equity grants, eg. Capital reconstructions.

The full explanation behind this resolution is provided in the Notice of Meeting.

This SGEIP restructure would appear justified to product the business under these conditions of change, therefore, there seems to be adequate reason to support this resolution.

Item 3: Grant of performance rights to the Group Chief Executive Officer & Managing Director.

The meeting is seeking approval to award Mr Steven Johnston 187,152 performance rights to shares in Suncorp under the long-term incentive (LTI) opportunity for FY23. The rights will vest in three years' time subject to performance hurdles and employments 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 CEO's fixed pay, which is $2.07 million for FY23, divided by the VWAP for the five days ($11.0605) leading up to the first of July, 2022.

While the ASA prefers that dividends only accrue on vested shares, it is not a sufficient cause for an Against Vote.

Item 4: Re-election of Directors

4.a Ian Hammond joined the Board of Suncorp in 2018. He is Chairman of the Audit Committee and a member of the Risk Committee. With a career with PwC he brings extensive knowledge of the financial services industry and risk management. He has deep experience in insurance sectors and a keen interest in digital and technology trends. He is a non-executive director of Perpetual Limited and Venues NSW and holds board positions on several not-for-profits, including Mission Australia. Ian Hammond has attended all board meetings and all relevant committee meetings.

Mr Hammond's has a shareholding of in excess of ASAs policy of the ownership of one year's base salary worth of shares after 3 years on the board. His re-election is supported.

4.b Sally Herman has been a director of the Group since 2015. She is Chairman of the Risk Committee and a member of the Customer Committee. She has had deep experience running customer-facing financial services in Australia and the United States of America. She has held board positions for over 20 years and has strong experience in retail banking and insurance products, setting strategy and working with customers, shareholders, regulators and government. Sally Herman's' current listed company directorships are Breville Group Limited and Premier Investments Limited. Sally Herman has attended all board meetings and all relevant committee meetings.

Ms Herman holds in excess of the ASA minimum shareholding requirement. Her re-election is supported.

Item 5: Renewal of proportional takeover provisions in the Constitution.

The company is required by the Corporations Act to refresh the proportional takeover provisions every three years. These proportional takeover provisions were inserted into the Constitution at the 2013 AGM and have been renewed 3 yearly since that time and again require shareholder approval to renew at the 2022 AGM. This is standard procedure and is recommended for approval.

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Appendix 1
Remuneration framework detail

The remuneration structure of FY22

Key Management Personnel (KMP's) are remunerated with a combination of fixed pay, Short-Term Incentives (STI) and Long-Term Incentives (LTI).

CEO rem. framework	Target* $m	% of Total	Max. Opportunity $m	% of Total
Fixed Remuneration	2.0	33%	2.0	28.5%
STI - Cash	1.0	17%	1.5	21.5%
STI - Equity	1.0	17%	1.5	21.5%
LTI	2.0	33%	2.0	28.5%
Total	6.0	100.0%	7.0	100%

This remuneration structure can be supported as fair. Under the CEO, Steve Johnston's management in the difficult FY22, the Group Scorecard outcome for the Adjusted NPAT met Target however, Cash RoTE did not. Performance in the areas of Customer Retention (Insurance Australia), Market Share Growth (Suncorp NZ) and Employee Engagement attained Stretch. Target or better was reached in Consumer Brand, Digital Sales and Workforce of the Future. These are good indicators for the future as weather events are cyclical.

In the FY22 STI outcomes $1,200,000 or 40% of the CEO's maximum of $3,000,000 has been forfeited.

Face value on the volume weighted average price (VWAP) is used to calculate the number of performance rights to be allocated.

With 208,914 shares, CEO, Steven Johnston has sufficient 'skin in the game'

There were no adjustments made to non-executive director fees in FY22, except for the Customer Committee Chairman and Member fees increased to $40,000 and $20,000 respectively. Non-executive director base fees excluding SGC have remained the same since 2016. The Fee Pool of $3,500,000 has remained the same since 2007. This amount could become restrictive to Board composition and requiring shareholder approval for an increase; however not this year.