



Change of guard as CEO Cameron retires

Company/ASX Code	Suncorp Group Limited/SUN
AGM date	26 September 2019
Time and location	Sofitel Hotel Brisbane
Registry	Link Market Services
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Sally Mellick assisted by Mike Stalley and Shirley Watson
Pre AGM Meeting?	Planned with Chair Christine McLoughlin and Director Ian Hammond

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Suncorp has been on a path of becoming a more customer focussed digital business for banking and insurance. The focus, established under retiring CEO Michael Cameron's leadership, will continue under his replacement, Steve Johnston, who acted in the role until his appointment was confirmed.

Financial performance

The 2019 net profit after tax for the shareholders of the company is \$175m, a decrease of 83% on the 2018 result. The contributors to this loss are described under key events below. Ongoing operations increased by \$12m, an increase of 1%. Cash profit was \$1,115m.

Before accounting for the loss on the sale of a ceased operation, the 2019 financial results for Suncorp included a strong second half-year performance, with profit after tax increasing by 80% for the business segments (functions) when compared to the first half of the 2019 year. The operating expenditure remained steady in the second half-year result for a full-year decrease of 0.6%. Contributions to the profit after tax were: Insurance (Australia) function \$588m/49.1%, Banking and Wealth function \$364m/30.4% and Insurance (New Zealand) function \$245m/20.5%.

A special dividend of 8 cents has been paid from the proceeds of the Australian Life Business. The ordinary dividend for 2019 was 70 cents, compared to 73 cents in 2018.

Net profit after tax movement by business segment (function)

	2019	2018
Banking and wealth (\$5M)		-1.36%
New Zealand \$110M		81.5%
Insurance (Australia) (\$93M)		-13.7%

Cash earnings remained stable, increasing by \$12M or 2%.

2019 ending cash position and Statement of Financial Position remain in a good situation despite reducing from 2018.

Governance and Culture

The banking environment post the Banking Royal Commission has had to adjust to new regulatory requirements and expectations about appropriate cultural changes required to deliver new standards of banking and financial services. Following the Banking Royal Commission, the Suncorp Board have set up a Customer Committee to further focus the company on good customer outcomes.

The 2019 Annual Report refers to the expenditure of \$155m for regulatory and remediation costs. It is more than was anticipated; however, the new CEO has confirmed the better outcomes for customers than expected. Valuable information about possible group regulatory impacts is outlined on pages 44 and 45 of the 2019 Annual Report.

Key events

In February 2019, Suncorp completed the sale of Australian Life Business, Suncorp Life and Superannuation to TAL. Shareholders have been rewarded with a special dividend and further likely capital return following the AGM.

Net loss on the sale of ceased operations includes a loss on sale of the Australian Life Insurance and Participating Wealth Business (Jun-19: \$765m, Dec-18: \$145m) and gain on sale of Resilium (Jun-19: \$11m, Dec-18: n/a).

Key Management Changes

In May 2019, the CEO and Managing Director Mr Michael Cameron resigned.

The acting CEO Mr Steve Johnston assumed the position until the Board completed the replacement search, and was successful in securing the role on a permanent basis.

Dr Switkowski has been a director of the Group since September 2005, and Chairman since October 2011. He retired from the Board after the AGM on 20 September 2018.

Ms McLoughlin has been a director of the Group since February 2015 and succeeds Dr Switkowski as Chair after the AGM in September 2018.

Ms Sylvia Falzon was formally elected to the Board. Mr Ian Hammond joined the Board in October and will seek formal election at the AGM in September 2019. This results in four of the eight Directors coming onto the Board in the last two years.

Based on their shareholding as at 30 June 2019, all non-executive directors are progressing to meet the minimum shareholding requirement as per Section 8.4 of the remuneration report.

Summary

(As at FYE)	2019	2018	2017	2016	2015
NPAT (\$m)	175	1,059	1,075	1,038	1133
Share price (\$)	13.47	14.59	14.82	12.18	13.43
Dividend (cents)	78	81	73	68	88
TSR (%)	-2%	4	28	-4	5
EPS (cents)	13.54	82.17	83.84	81.19	93.4
CEO total remuneration, actual (\$m)	5,098	4,236	4,165	3,158	9,810

For 2019, the CEO's total actual remuneration was **57.8 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

Resolution 1	Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

Suncorp has undertaken a review of their remuneration framework during last financial year and present their revised framework in the current Annual Report. The structure is presented in a simple to read table. The pay mix for executives is 33% fixed, 34% short-term incentive (STI) and 33% long-term incentive (LTI) which is paid as 55% cash and 45% equity. Suncorp Executives receive a mix of fixed pay; Short Term Incentives based on performance on a Balanced Score card and paid to CEO as half cash and half deferred rights; and LTI based on a relative total shareholder return (TSR) score earned at three years and paid at 4 years. The improvement for 2019/20 is the addition of a second performance measure of cash ROE achievement worth 50% of the award for the CEO's LTI.

On accepting the position, Acting CEO, Steven Johnston was given a one-off equity award of performance rights to the value of \$300,000. These will vest in 12 months subject to malus and clawback, provided he remains employed.

Some of the issues that remain for ASA with this remuneration framework:

- Financial measures for STIs are being reduced from 60% to 50% of the award and the remainder of the award will come from non-financial measures. This barely represents a majority of financial performance metrics to determine STI payment but is required to meet Bank Executive Accountability Regime (BEAR) requirements

- While score card measures appear to align the company performance and interests of shareholders, some of the performance measures lack specificity. There is no comment on the validity and reliability of the measures being used.
- ASA prefers the use of statutory financial figures for determining incentive payments for KMPs rather than underlying figures, given KMPs ability to influence entire business.
- LTI hurdles are over 3 years not 4 or 5.
- Dividends accrue on performance rights
- LTI payments for rTSR begin at the 50th percentile and are maximum at the 75th percentile, not the ASA preferred 85th percentile for maximum.

Suncorp board is complying with remuneration requirements as these are being promulgated. Once all expected requirements are final, a stable framework will be fully developed.

Remuneration framework

The table below represents the remuneration framework for the new CEO.

	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%

[^]as released in CEO employment agreement 9 September 2019, excludes additional equity awarded for acting in role
 *Maximum opportunity assumed in line with executive 150% FR as outlined 2018/19 annual report. The amounts are the statutory amounts that appear to be 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. The figures have not been verified with Suncorp at time of publishing.

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

Summary of ASA Position

Steven Johnston is Acting CEO and has not been appointed to the Board in this position. However, the Board is seeking approval for the rights he would have been entitled to in his position as Chief Financial Officer. This amounts to a grant of \$1,000,000 worth of performance Rights. The number of performance rights are calculated from volume weighted average price (VWAP) in the last 5 trading days of June 2019. The performance period continues to be three years and rights earned will vest the following year. Vesting will be tested on two measures allocated 50% of the rights on offer: cash ROE and relative TSR against a peer group drawn from ASX100. TSR vesting is unchanged with half rTSR earned at 50% and then sliding scale allocation for performance to the

75th percentile where full vesting on rTSR is earned. Cash ROE measures are not disclosed, but there will be a target performance at which 50% of the rights are earned and a stretch performance level at which 100% of the rights will vest. Cash eROE performance each year will be a weighted average of 20% from year1, 30% from year 2 and 50% from year 3.

An additional LTI measure is a positive step in the Remuneration framework. Suncorp continues to hold shareholders to ransom over the granting of performance rights given that if shareholder approval is not given, then the equivalent earned amount will be paid in cash.

Resolution 3a	Re-election of Ms Sally Herman as a Director
ASA Vote	For

Summary of ASA Position

Sally Herman was appointed to the Board in 2015. She is Chairman of the Risk Committee and a member of the Audit, Customer, and People and Remuneration Committees. She has extensive experience in retail banking, in Australia and Overseas, most recently with Westpac Bank. She has particular experience in dealing with customer and regulators in banking functions.

Ms Herman is a Director on five ASX listed Companies including Suncorp: Premier Investments, Breville Group, Evans Dixon and Investec Property Fund. The value of her shareholding in Suncorp is in excess of one year of her Suncorp remuneration. Her experience is appropriate and relevant to Suncorp particularly during this time of transition to a developing digital customer service.

We congratulate Ms Herman for showing commitment to the Company with a shareholding in Suncorp well in excess of ASA policy of one year's worth of shares after 3 years on the Board.

Resolution 3b	Re-election of Mr Ian Hammond as a Director
ASA Vote	For

Summary of ASA Position

Ian Hammond joined the Board of Suncorp in 2018. He is a member of the Audit, Customer and Nomination Committees. A career with PwC and as an audit partner has given Mr Hammond appropriate financial services experience. He has also been a member of the Accounting Standards Board. As well as a Directorship with ASX listed Perpetual, Mr Hammond holds some significant roles in the not-for-profit sector.

We congratulate Mr Hammond's showing his commitment to the Company with a shareholding already very close to ASAs policy of ownership of one year's worth of shares after three years on the Board.

Resolution 4	Return of Capital to Ordinary Shareholders
ASA Vote	For

Summary of ASA Position

The return of excess capital to shareholders and associated share consolidation was announced last year as a result of the sale of the Australian Life business. The return of capital is to be applied with a proportionate share consolidation of 1 share for .971 shares. The company has already returned a portion of the capital through a special 8 cent fully franked dividend in May. The Board believes this approach makes sound use of the capital for the company and shareholders.

Resolution 5	Consolidation of Ordinary Shares
ASA Vote	For

Summary of ASA Position

See resolution 4. The consolidation maintains the proportionate interests for each shareholder in the company.

Resolution 6	Selective Capital Reduction in relation to SUNPE
ASA Vote	For

Summary of ASA Position

The Board is seeking advance approval should the decide to proceed with a selective capital reduction in relation to Convertible Preference Shareholders (SUNPE). If taken, the step would be subject to APRA approval. Approval for a selective capital return required approval of shareholders. The SNUPE preference shares were issued in 2014 and are due for exchange in June 2020. The Board would undertake the capital reduction if it is in the best interests of the company and would have no material adverse impact.

Resolution 7	Renewal of proportional takeover provisions
ASA Vote	For

Summary of ASA Position

The company is required by the Corporations Act to refresh the proportional takeover provisions every three years. Proportional takeover provisions would permit a predator to bid for a proportion of shareholders' interest. ASA prefers full takeovers so that shareholders are not left with a controlling shareholder.

Resolution 8	Insertion of additional notice provision in the constitution
ASA Vote	For

Summary of ASA Position

The Company proposes an amendment to the Constitution where a member does not have an address in the register or the Company reasonably believes that a member is not known at the given address, a document is taken as given to the member if it is exhibited in the registered office of the Company for 48 hours. The document is taken as served at the start of that period and need not be addressed to the member.

Seeking correct addresses for shareholder can be a time-consuming exercise at additional cost to the company. This is a timely reminder to all retail shareholders to review their personal details lodged with share registries for accuracy.

Resolution 9a	Insertion of additional notice provision in the constitution
ASA Vote	Against

Summary of ASA Position

An amendment to the Constitution is proposed to enable shareholders to “express an opinion or request information about the way in which a power of the Company partially or exclusively vested in the Directors has been or should be exercised.” The company identified various ways that shareholders can seek information and express their opinion.

Whilst, on the face of it, a resolution to increase shareholder power may appear beneficial to shareholders, under the existing framework, shareholders who wish to raise an issue must propose a constitutional amendment in order to provide for such a power. We are reluctant to vote in favour of changing company constitutions in part due to the limited flexibility of the engagement – our preference is for a public policy consultation on whether there should be a right to more non-binding shareholder resolutions.

Resolution 9b	Fossil Fuel Exposure Reduction Targets
ASA Vote	Against

Summary of ASA Position

This resolution being put to the meeting is contingent on Resolution 9a succeeding. Suncorp has a published Climate Change Action Plan. Should the resolution be put to the meeting, no legal reason for the Company to disclose any investment in or underwriting exposure to fossil fuels has been offered. We expect the Company, especially following the Hayne Royal Commission, to act in the best interests of shareholders and customers.

The individuals (or their associates) involved in the preparation of this voting intention have a shareholding in this company.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.