



**Building futures and protecting what matters**

<b>Company/ASX Code</b>	Suncorp Group/SUN
<b>AGM date</b>	Thursday 23 September 2021
<b>Time and location</b>	1.30pm AEST Virtual
<b>Registry</b>	Link Market Services
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Shirley Watson assisted by Ben Lee
<b>Pre AGM Meeting?</b>	Yes with Chair, Christine McLoughlin, Sylvia Falzon and Andrew Dempster

One individual involved in the preparation of this voting intention has a shareholding in this company.

	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

**Summary of ASA Position**

During FY21 Suncorp achieved a significant turnaround in performance with Group cash earnings of \$1,064 million up 42% and Net Profit after Tax of \$1,033 million up 13% reflecting growth in the Insurance (Australia) and Banking businesses.

Despite unprecedented disruption and change presented by COVID-19, as well as adverse weather events, there was a clear sense of achievement in supporting people through these difficult times.

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 in regional banking. Suncorp is well known and enjoys some brand loyalty, especially in Queensland. It has achieved good turnaround results from 1 July 2020 under its new model, built around 3 core businesses.

- 1) Insurance (Australia) - 47%
- 2) Banking and Wealth - 36%
- 3) Suncorp New Zealand - 17%

**Governance and culture**

Suncorp publishes a comprehensive Governance Statement each year. There is a diverse skilled board with at least 30% female directors and an increasing number of female leadership positions across the organisation. 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 broad skills matrix discloses the evaluation process for the composition of the board and for director selection. Directors are required to acquire a minimum value Suncorp shareholding of 50% within two years and 100% within 4 years of one year's base fee.

Suncorp's **culture** is committed to building the financial, social and natural hazard resilience of its people and communities. 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. There is the **Diversity & Inclusion Plan** with five focus areas: Inclusion, Gender Equality, Age Diversity, First Nations Commitment, and Cultural & Linguistic Diversity. In 2021, a Cultural Roadmap was developed to support the effective delivery of their strategy. Informed by lessons from COVID-19, workforce flexibility and planning, together with improved technology infrastructure, has supported their people in the transition to work-from-home.

### **Financial Performance**

Suncorp has declared a fully franked **dividend of 40 cents** per share.

This brings the FY21 total ordinary dividend to 66 cents per share, representing a payout ratio at the top end of the target payout range of 60-80%. In addition, the company plans to pay a fully franked special dividend of 8 cents per share and conduct an on-market share buyback of up to \$250m. In total, FY21 dividend payments and the share buyback equate to almost \$1.2B returned to shareholders

Suncorp's outlook for the future appears to be strong despite COVID-19 implications as it believes it is in a strong position to continue to support its customers, people and shareholders. **Capital Management** will continue to be conservative throughout FY22 as the economy navigates COVID-19. Financial impacts of COVID-19 were broadly neutral in FY21, as reduced motor claims frequency and lower home theft claims were offset by additional provisions to cover uncertainty around business interruption claims. The group has made a financial provision for potential claims of \$211m and will continue to monitor legal proceedings and assess all claims in accordance with policy terms and circumstances.

Suncorp continued to drive simplification and conservatism in FY21, announcing an agreement for the sale of its Australian Wealth business and Suncorp Portfolio Services Limited (SPSL). Total consideration is estimated at \$45 million. After allowing for separation and transaction costs, the impact of the transaction on Group profit is expected to be broadly neutral. The company also exited several underperforming portfolios and products.

These divestments have enabled Suncorp more efficient capital management on delivering stronger returns in the core insurance and banking businesses. This can be seen in Suncorp's recent financials, with an increase of the share price from \$9.23 to \$11.11, net assets increasing from \$12,784m to \$13,448m and total equity increased from \$12,784 to \$13,448, signifying a sound balance sheet.

Despite increasing natural hazards that have increased insurance claims – which make up a large portion of Suncorp's cash outflows – and COVID-19 related support as well as the ongoing effects of COVID-19 to our economy, their retained profits increased significantly from \$82m to \$662m. Overall Suncorp's figures indicate it has recovered and has been performing and operating their business well after last year's underperforming economy.

In FY21, Suncorp supported 14,000 bank customers impacted by COVID-19 through loan repayment deferrals. This represented 10% of the Bank's overall customer base and at the close of the financial year, almost all these customers no longer required extra COVID-19 related support. A range of relief and support options were also provided in more than 37,000 instances to home and motor insurance customers.

Despite total liabilities of Suncorp increasing from \$82,963m to \$83,409m, total borrowings have decreased from \$20,129m to \$18,746m indicating that less debt is being taken on for them to finance their activities.

## **Risk**

A clear and detailed risk analysis is shown in the Annual Report. Suncorp Group carries concentrated weather and earthquake risk in Australia and NZ. Board and Management recognise the increasing frequency and intensity of weather events and in discussion mentioned an insurance and banking possible loss of 1% per year over the next 10 years.

**Natural hazard costs** in FY21 were \$1,010m which was \$60m over the FY21 natural hazard allowance of \$950m, and an increase of \$190 million compared to the prior period. La Niña resulted in a higher number of smaller natural hazard events during FY21. Large natural hazard events in Australia included the Springfield (Queensland) hailstorm in October 2020 and rain and floods in New South Wales and South-East Queensland in March 2021. In New Zealand, natural hazard claims were \$84 million, which was \$27 million above allowance and \$45 million above the prior year. Large events included the Napier floods in November 2020 and the South Island storm in May 2021. This has resulted in the FY22 natural hazard allowance will be increased by \$30 million to \$980 million, and the FY22 reinsurance program structure remains unchanged.

Recognising increased extreme weather and several natural disasters, displacing homeowners, impacting livelihoods and devastating 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. 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. On 30 June 2021, Suncorp was one of only a handful of non-major banks to deliver Consumer Data Sharing to meet the regulatory milestone of 1 July 2021.

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.

## **ESG**

In FY21, a comprehensive and independent **ESG materiality assessment** was conducted that reflects Suncorp's 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 and sustainability and supports, with a clear action plan, **transition to a net-zero** emissions economy by 2050. Furthermore, in 2021, Suncorp is launching a dedicated grants program to support Australian communities impacted by significant natural disasters in their long-term recovery and resilience building.

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, with more than 1,300 employees participating in the program in FY21 making it between threshold and target.

Employee engagement in the company was also strong, receiving 8 out of 10 – in an externally measured survey – which was the middle range for financial services companies and within 0.3 of global top quartile benchmarks.

In February 2021 Suncorp set up its inaugural **Modern Slavery Agreement** to address issues regarding Suncorp’s operations and supply chains across Australia and New Zealand.

In November 2020, the **Reconciliation Action Plan (RAP)** was launched, setting out Suncorp’s vision for reconciliation which is to empower Aboriginal and Torres Strait Islander peoples to participate in the economy. There was also the expansion of their refugee employment program to include sponsoring vulnerable refugee small business owners and entrepreneurs.

Suncorp is also a supporter of the SES Qld and in Victoria.

### **Key Board or Senior Management changes**

In FY21, there have been three new executives appointed: Adam Bennett as the Chief Information Officer. Clive van Horen joined the group as CEO Banking & Wealth and Jimmy Higgins appointed as CEO Suncorp New Zealand. Also an existing executive, Fiona Thompson was appointed to the new role of Group Executive, People, and Culture & Advocacy.

The board has remained unchanged since 2019, except for some renewal with the retirement of Audette Excel in September 2020 and Duncan West who is up for election. 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.

### **Summary**

(As at FYE)	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
NPAT (\$m)	1,033	913	175	1,059	1,075
Share price (\$)	11.11	9.23	13.47	14.59	14.82
Dividend (cents)	66	36	78	81	73
Simple TSR (%)	27.5	-28.8	-2.3	3.9	27.7
EPS (cents)	80.86	71.93	13.54	82.17	83.84
CEO total remuneration, actual (\$m)	2.903	2.317	5.098	4.236	4.165

For 2021, the CEO’s total actual remuneration was **31 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2021 data from the Australian Bureau of Statistics). Note - For May 2021, the Full-time adult average weekly total earnings (annualised) was \$93,496

(<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>)

<b>Item 1</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

The remuneration structure remained unchanged for FY21. 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 is split 50% each to cash and equity, and is paid on performance against a Group Scorecard of measures. The Code of Conduct acts as a gateway. This Group Scorecard of measures, weighting and rationale is shown in the Report with 50% of the STI award from financial measures and 50% from non-financial measures around Customer, Risk and People and Culture company performance.

With the significantly improved financial outcomes in FY21 the CEO earned 100% of his Target STI.

Long Term Incentives (LTI) for the CEO are awarded as an equivalent amount to fixed pay for performance on two measures: (1) Relative Total Shareholder Return (TSR) against a group of top 50 ASX companies by market capitalisation, 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 50<sup>th</sup> percentile is achieved and then pro-rata until the 75<sup>th</sup> percentile. To align with the company's three-year business planning process, the performance period is three years and the payment is deferred for a further year. Given commercial sensitivities the Cash ROE targets and vesting schedule relating to FY21 will be retrospectively disclosed in the FY23 remuneration report. 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 51<sup>st</sup> percentile and be paid pro-rata until the 85<sup>th</sup> percentile.

CEO rem. framework	Target* \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.8	33%	1.8	29%
STI - Cash	0.9	17%	1.35	21%
STI - Equity	0.9	17%	1.35	21%
LTI	1.8	33%	1.8	29%
Total	5.4	100.0%	6.3	100%

This remuneration can be supported as fairly earned. Under the CEO, Steve Johnston's management in FY21, the Group Scorecard outcomes for both the Adjusted NPAT and Cash RoTE were above the stretch level of performance.

For FY22 there will be a change, including an addition, to the LTIs Performance measure.

- (1) Relative TSR against a broad-based peer group: remains as previously.
- (2) Relative TSR against a customised peer group: The peer group comprises 12 ASX 100 financial organisations with banking and/or insurance operations.
- (3) Cash RoTE: This is defined as cash earnings divided by average equity attributable to owners of the Company, less goodwill and intangibles.

The additional of measure (2) is relevant and agreed to.

There were no adjustments made to non-executive director fees in FY21. Non-executive director base fees excluding superannuation guarantee contribution have remained the same since 2016. The Fee Pool of \$3,500,000 has remained the same since 2007.

<b>Item 2</b>	<b>Grant of performance rights to the Group Chief Executive Officer &amp; Managing Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

The meeting is seeking approval to award Mr Steven Johnston 182,051 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 CEO's fixed pay, which is \$2.0 million for FY22, divided by the VWAP for the five days (\$10.9859) leading up to the first of July, 2021.

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

<b>Item 3 a</b>	<b>Election of Duncan West as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Duncan West brings to the Board extensive experience as a senior executive, CEO and company director in the insurance and financial services sectors in Australia and overseas. Mr West is a non-executive director in a number of other companies and with this election he appears to have reached the ASA maximum recommended workload of a non-executive director. However, at this stage, because of his considerable past experience relevant to this company's businesses and its good governance standards, Mr West's election is voted for.

<b>Item 3 b</b>	<b>Re-election of Sylvia Falzon as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Sylvia Falzon has been a director since September 2018 and is a member of the Customer, People and Remuneration and Risk Committees. She brings to the board extensive experience in the areas of business development, marketing and brand management, customer service, risk and compliance, remuneration and people strategies. Over her 30-year career she has gained valuable insights for working in large consumer-facing and highly regulated businesses within the financial and retail services, as well as life insurance and asset management organisations. Ms Falzon is a non-executive director of Regis Healthcare, Premier Investments and Zebit Inc. Ms Falzon is also Chairman of the Governing Board of not-for-profit Cabrini Health Limited. She holds the required value of company shares.

<b>Item 3 c</b>	<b>Re-election of Christine McLoughlin as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Christine McLoughlin joined Suncorp Group as a director in February 2015 and has been Chairman since September 2018. She has been Chairman of the Nomination Committee and an ex-officio member of the Audit, Customer, People and Remuneration, and Risk Committees. She brings to Suncorp's board 13 years of experience as a director on boards of ASX Top 50 companies in the financial services, resources, health insurance, and infrastructure sectors. Her executive career was in leadership roles in financial services and telecommunications sectors in ASX Top 20 Companies. This has given her the experience and skills in driving the achievements of continuous improvements in organisational culture and performance, as well as focusing on creating value for shareholders. Ms McLoughlin is also the director of Cochlear Limited, chairman of Destination NSW, co-founder and Chairman of the Minerva Network. She holds the required value of company shares.

<b>Item 3 d</b>	<b>Re-election of Douglas McTaggart as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Douglas McTaggart joined the Suncorp Board in 2012. He brings a wide range of skills and experience to the Board from his background in financial markets, commercial, government and academic positions. Mr McTaggart is well skilled in operating in a rapidly changing regulatory environment. He is a member of the Audit, People and Remuneration, and Nomination Committees. Mr McTaggart has now served 9 years and in alignment with the ASA standards for independence, the Board acknowledges that he will not seek re-election after this term. He holds the required value of company shares.

<b>Item 3 e</b>	<b>Re-election of Lindsay Tanner as a Director</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Lindsay Tanner has been a director of the Group since January 2018. He brings knowledgeable experience of technological, regulatory and political changes to the financial services industry to the board from his background of working at the highest levels of government and business for over 35 years including as Minister for Finance and Deregulation from 2007 to 2010. He is Chairman of the Customer Committee and a member of the Risk Committee. Mr Tanner is also Chairman of Certane Group Pty Ltd and special advisor to Lazard Australia. The Board does not believe that the work performed by Certane or Lazard affects the independence of Mr Tanner. He holds the required value of company shares.



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