

# DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity (or **Group**), being Suncorp-Metway Limited (the **Company**) and its subsidiaries, for the financial year ended 30 June 2018 (**2017–18**) and the auditor's report thereon. Suncorp Group Limited (**SGL**), the Company's ultimate parent entity, is the listed holding company of the Suncorp Group of companies. SGL and its subsidiaries is referred to as the **Suncorp Group** or **Suncorp**. Terms that are defined appear in bold the first time they are used.

## 1. Directors' profiles

The names of the people who served as directors of the Company at any time during or since the end of the 2017–18 financial year are set out below. All non-executive directors are members of the Nomination Committee.



**Dr Zygmunt E Switkowski AO**

BSc (Hons), PhD,  
FAICD, FAA, FTSE  
Non-executive  
Chairman

Dr Switkowski has been a director of the Group since September 2005, and Chairman since October 2011. He is Chairman of the Nomination Committee and an ex-officio member of the Audit, People and Remuneration, and Risk Committees. He is Chairman of NBN Co Limited, a non-executive director of listed companies Tabcorp Holdings Limited (since October 2006) and Healthscope Limited (since April 2016), and Chancellor of RMIT University. He brings to Suncorp expertise in governance and public policy, as well as broad corporate experience and technology insights. During his extensive career Dr Switkowski held several senior executive positions in the communications industry as CEO of both Telstra Corporation and Optus Communications, and previously Kodak Australasia. He was previously a director of Oil Search Limited (November 2010–December 2016). Dr Switkowski was made an Officer of the Order of Australia in 2014 for his contribution to the arts, sciences, tertiary education and the telecommunications and business community. He will retire from the Board at the conclusion of the Annual General Meeting on 20 September 2018.



**Michael A Cameron**

FCPA, FCA, FAICD  
CEO & Managing  
Director

Mr Cameron was appointed CEO & Managing Director of Suncorp Group in October 2015, and prior to this he had been a non-executive director on the Suncorp Group Board since April 2012. He has deep local and international experience across financial services and property. Mr Cameron was previously CEO & Managing Director of The GPT Group, one of Australia's largest Real Estate Investment Trusts. He has held the roles of Group Chief Financial Officer of the Commonwealth Bank of Australia and Group Executive of their Retail Bank Division. He was also Chief Financial Officer at St George Bank. Prior to these roles, Mr Cameron held a number of senior executive positions within Lendlease. He is a director of the Great Barrier Reef Foundation, and has held the position of Chairman of the Federal Government's Financial Sector Advisory Council.



### Audette E Exel AO

BA, LLB (Hons)  
Non-executive director

Ms Exel has been a director of the Group since June 2012 and is a member of the Risk Committee. She brings to Suncorp deep business experience in banking, insurance and reinsurance, investment management and corporate advice. Ms Exel was Managing Director of Bermuda Commercial Bank (1993–1996), Chairman of the Bermuda Stock Exchange (1995–1996) and served on the board of the Bermuda Monetary Authority (1999–2005). She began her career as a lawyer specialising in international finance. Ms Exel founded the Adara Group, a pioneering organisation which exists to support people living in poverty, and is Chief Executive Officer of Adara Advisors Pty Ltd and Adara Partners (Australia) Pty Ltd, and Chair of Adara Development. She is the recipient of numerous awards. In 2013 she was awarded an honorary Order of Australia for service to humanity.



### Sally A Herman

BA, GAICD  
Non-executive director

Ms Herman has been a director of the Group since October 2015. She is Chairman of the Risk Committee, and a member of the People and Remuneration, and Audit Committees. She brings to Suncorp strong expertise in running retail banking and insurance products, setting strategy for financial services businesses and working with regulators and customers. Ms Herman has deep executive experience running customer-facing financial services businesses in the US and Australia. She has held board positions (including on subsidiary boards) of financial services organisations for over 20 years, with responsibilities including governance, regulation and compliance. Her current ASX-listed company directorships include Breville Group Limited (since March 2013), Premier Investments Limited (since December 2011), and Evans Dixon Limited (since May 2018).



### Simon C J Machell

BA (Hons), FCA  
Non-executive director

Mr Machell has been a director of the Group since April 2017 and is a member of the Audit Committee, and the People and Remuneration Committee. He is a non-executive director of Tesco Bank and Chairman of Tesco Underwriting in the UK, a non-executive director of Prudential Corporation Asia, and a senior independent director of Pacific Life Re. Mr Machell brings to Suncorp contemporary insights from an international perspective on industry trends in insurance, and insights into the risks and opportunities associated with emerging technologies and new business models. He was CEO of Norwich Union General Insurance in the UK from 2005–2007, and CEO of Aviva's businesses in Asia and Eastern Europe from 2007–2013. He was Chairman of the UK Motor Insurers Bureau from 2001–2007.



### Christine F McLoughlin

BA, LLB (Hons),  
FAICD  
Non-executive director

Ms McLoughlin has been a director of the Group since February 2015 and has been nominated to succeed Dr Switkowski as Chairman at the conclusion of the Annual General Meeting in September 2018. She is currently Chairman of the People and Remuneration Committee and a member of the Risk Committee. Ms McLoughlin brings to Suncorp her experience having been a company director with expertise across a range of sectors including financial services, insurance, mining, infrastructure, telecommunications and health. Ms McLoughlin's current directorships include listed company nib holdings limited (since March 2011). She is Chairman of Venues NSW. Ms McLoughlin is a member of the Australian Securities & Investments Commission's Non-Executive Director Advisory Panel, a fellow of the Australian Institute of Company Directors, a member of Chief Executive Women, and is also involved in not-for-profit organisations. Her former directorships include Whitehaven Coal Limited (May 2012–February 2018) and Spark Infrastructure RE Limited (October 2014–October 2017). She was also inaugural Chairman of the Australian Payments Council. Prior to her non-executive career, Ms McLoughlin spent her executive career predominantly in the financial services and telecommunications sectors.



### Dr Douglas F McTaggart

BEcon (Hons), MA,  
PhD, DUniv, FAICD,  
SF Fin  
Non-executive director

Dr McTaggart has been a director of the Group since April 2012. He is Chairman of the Audit Committee and a member of the People and Remuneration Committee. He brings to Suncorp great insight around government engagement, the economic landscape, organisational efficiency and financial management. Dr McTaggart has an extensive background in financial markets and has deep academic and commercial experience as a former CEO of QIC, Under Treasurer of the Queensland Department of Treasury, and a director of UGL Limited (September 2012–August 2015). He is currently Chairman of Spark Infrastructure RE Limited having been a director since December 2015, QIMR Berghofer Medical Research Institute Council and SunCentral Maroochydore Pty Ltd. He serves on the Australian National University Council and the Expert Advisory Panel, Indigenous Home Ownership Capital Funding.



### Lindsay J Tanner

BA (Hons), LLB  
(Hons), MA (Melb)  
Non-executive director

Mr Tanner has been a director of the Group since January 2018 and is a member of the Risk Committee. He is Chairman of Essendon Football Club, and a non-executive director of Virgin Australia International Holdings, and listed company Covata Limited (since January 2017). He brings to Suncorp an acute appreciation of the technological, regulatory and political changes shaping the financial services industry. Mr Tanner has worked at the highest levels of government and business for over 35 years. He is a recognised authority on corporate governance and, as Minister for Finance and Deregulation from 2007–2010, he played a significant role in regulatory reform in the financial services sector. Mr Tanner has been a Special Adviser for financial advisory firm Lazard (Australia) for the past eight years. He was also a non-executive director of Lifebroker, the life insurance broking company, from 2011–2013.

## Former non-executive directors

Messrs William J Bartlett and Ewoud J Kulk were directors of the Group since July 2003 and March 2007 respectively. Both Mr Bartlett and Mr Kulk retired at the Annual General Meeting on 21 September 2017.

## 2. Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each director (or former director) of the Company during 2017–18 are set out in the table below.

	Board of Directors		Audit Committee		Risk Committee		People and Remuneration Committee <sup>1</sup>		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
	Dr Z E Switkowski AO	11	11	5	4	5	5	5	4	5
M A Cameron <sup>2</sup>	11	11	5	5	5	5	5	5	-	-
W J Bartlett	3	3	2	2	2	2	1	0	-	-
A E Exel AO	11	11	-	-	5	4	-	-	5	5
S A Herman	11	11	5	5	3	3	4	4	5	5
E J Kulk	3	2	-	-	2	2	1	1	-	-
S C J Machell	11	10	3	3	-	-	-	-	5	4
C F McLoughlin	11	11	-	-	5	5	5	5	5	4
Dr D F McTaggart	11	11	5	5	-	-	5	5	5	5
L J Tanner	5	5	-	-	2	2	-	-	4	4

A Number of meetings held during the year while the director was a member of the Board or Committee

B Number of meetings attended by the director during the year while the director was a member of the Board or Committee

<sup>1</sup> Since the conclusion of the reporting period, the Remuneration Committee became the People and Remuneration Committee with an expanded remit.

<sup>2</sup> The CEO & Managing Director attends the Audit Committee, Risk Committee, and People and Remuneration Committee meetings at the invitation of those committees. There are no management representatives appointed as members of any Board Committee.

## 3. Directors' interests

The relevant interest of each director in the shares, debentures, interests in registered schemes and rights or options over such instruments issued by the Company, as notified by the directors to the Australian Securities Exchange (**ASX**) in accordance with section 205G(1) of the *Corporations Act 2001* (Cth) (**Corporations Act**), as at 30 June 2018, is as follows.

	Fully paid ordinary shares
Dr Z E Switkowski AO	311,599
M A Cameron <sup>1</sup>	1,072,230
A E Exel AO	17,253
S A Herman	20,000
S C J Machell	30,000
C F McLoughlin	26,000
Dr D F McTaggart	26,408
L J Tanner	2,200

<sup>1</sup> Includes 817,230 restricted shares held by the trustee of the Suncorp Group Equity Incentive Plan Trust. Beneficial entitlement to these shares remains subject to satisfaction of specified performance hurdles.

Based on their shareholding as at 30 June 2018, all non-executive directors are on track to meet the minimum shareholding requirement as outlined in section 5.1 of the Remuneration Report.

## 4. Company Secretary

Details of the Company Secretaries during 2017–18 and as at the date of this report are set out below:

Mr Darren Solomon LLB was appointed Company Secretary in 2010. Mr Solomon commenced with Suncorp in 1989 as a senior lawyer in the legal department before moving to the Company Secretariat team in 2006.

Ms Kristy Huxtable FGIA, MAICD, MBA, Grad Dip Corp Gov, Grad Dip HR was appointed Company Secretary on 1 August 2016 and has been with the Company Secretariat team since January 2014. Ms Huxtable has extensive corporate governance experience in financial services.

The Company Secretaries are directly accountable to the Board, through the Board Chairman, for all governance matters that relate to the Board's proper functioning.

## 5. Remuneration Report

The Suncorp Group Remuneration Report is set out on pages 17 to 41 and forms part of the Directors' Report for 2017–18.

## 6. Principal activities

The Company is an Authorised Deposit-taking Institution (**ADI**). The principal activities of the Group during the course of the financial year were the provision of banking and related services to the retail, commercial, small and medium enterprises and agribusiness sectors in Australia. The Group conducts the Banking operations of the Suncorp Group. There were no significant changes in the nature of the Group's activities during 2017–18.

### 6.1 Company's objectives

The objectives of the Company are to deliver outcomes related to the Banking and Group-wide overall objectives of the Suncorp Group.

Suncorp's purpose to create a better today extends to its customers, shareholders, communities and people. Suncorp helps families, individuals and businesses connect with the products, services, tools and experiences that enable them to enjoy the life they have today, and plan for the life they want tomorrow.

Suncorp's vision to become the destination for the moments that matter builds on its heritage of being there for customers and communities when they need it most.

To achieve this vision, Suncorp is focused on three strategic priorities:

- **Elevate the Customer** – striving to deliver more personalised customer experiences, providing greater choice and more seamless access to products and services across stores, contact centres and digital platforms.
- **Inspire our People** – focusing on building the workforce and workspace necessary to deliver Suncorp's strategy, which includes providing the skills, technology and way of working needed now, as well as into the future.
- **Drive Momentum and Growth** – building and protecting Suncorp's reputation for excellence in financial services in Australia and New Zealand. Focusing on meeting regulatory commitments, investing in core systems, improving operational excellence through the Business Improvement Program (**BIP**) and engaging in disciplined portfolio management.

## 7. Dividends

A 2017 final dividend of \$181 million (67 cents per share) and a 2018 interim dividend of \$117 million (43 cents per share) was paid during the financial year. A 2018 final dividend of \$76 million (28 cents per share) has been determined by the directors.

Further details of dividends on ordinary shares provided for or paid are set out in note 3 to the consolidated financial statements.

## 8. Operating and financial review

### 8.1 Overview of the Group

The Group delivered profit after tax of \$346 million (2016-17: \$394 million) driven by a 4.4% increase in net interest income which was delivered by above system lending growth, offset by upfront investment in the business and lower non-interest income.

### 8.2 Review of principal business

At call deposits growth of 7.1% resulted from new product offerings, enhanced digital functionality, and simplified processes. Home lending growth of 6.2%, was driven by the increased focus on process optimisation and customer retention. Business lending growth of 7.0% was driven by targeted commercial growth, primarily in small business and property investment.

The upfront investment in process efficiencies and digital capabilities through the BIP and an increase in regulatory costs resulted in an increase in operating expenses of 6.8%. The upfront investment in the BIP will deliver benefits in the 2018–19 financial year.

The consumer lending portfolio contracted primarily due to the divestment of the margin lending portfolio.

Net interest margin (**NIM**) was broadly flat, with a favourable shift in the funding mix and selected portfolio repricing, offset by the elevated bank bill swap rate (**BBSW**) and increased price competition during 2017–18.

Impairment losses at 5 basis points (**bps**) of gross loans and advances remain below the long-term operating range of 10 to 20bps.

### 8.3 Review of financial position

**Total assets increased by \$2,684 million or 4.2% to \$66,105 million compared with June 2017.**

**Cash and cash equivalents decreased by \$397 million to \$506 million** reflecting strong lending growth.

**Investment securities decreased by \$502 million to \$4,058 million** reflecting maturities of floating rate notes and amortisation of residential mortgage backed securities.

**Loans and advances increased by \$3,401 million to \$58,598 million** driven by a 6.2% increase in home lending and a 7.0% increase in business lending.

**Total liabilities increased by \$2,939 million or 5.0% to \$62,236 million compared with June 2017.**

**Deposits and short-term borrowings increased by \$616 million to \$46,043 million** driven by above system 7.1% increase in at-call deposits over the financial year from investment in new product offerings, enhanced digital capabilities and functionality including the introduction of digital wallets. This was partially offset by an 11.0% reduction in short-term wholesale securities. The Group continued to rebalance the customer deposit portfolio to reduce reliance on relatively more expensive term deposits.

**Securitised liabilities increased by \$1,760 million to \$4,848 million** due to the establishment of Apollo Series 2017-2 Trust in September 2017 and Apollo Series 2018-1 Trust in April 2018, partially offset by repayments made on the underlying securitised mortgages within the Apollo trusts and the termination of the Apollo Series 2018-2P Trust during July 2017 and Apollo Series 2008-3 Trust during February 2018.

**Debt issues increased by \$638 million to \$9,854 million** due to a \$1,092 million increase in senior unsecured floating rate notes on issue, partially offset by a \$454 million reduction in covered bonds on issue.

**Total equity decreased by \$255 million or 6.2% to \$3,869 million compared with June 2017.**

**Capital notes decreased by \$275 million** due to the buy back of capital notes of \$450 million issued to SGL in 2012, partly funded by the issuance of an additional \$175 million in capital notes to SGL.

## 8.4 Review of capital structure

Suncorp Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure there are sufficient capital resources to maintain and grow the business, in accordance with risk appetite.

The Group is subject to, and complies with, external capital requirements set and monitored by the Australian Prudential Regulation Authority (**APRA**). The Group has complied with external capital requirements which it is subject to during the current and prior financial years.

The Group's Internal Capital Adequacy Assessment Process (**ICAAP**) provides the framework to ensure that the Group as a whole and each regulated entity, is capitalised to meet both internal and external requirements. The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the Group's capital requirements.

A range of instruments and methodologies are used to effectively manage capital including share issues, dividend policies and Tier 1 and Tier 2 instruments. Capital targets are structured according to risk appetite, business lines regulatory frameworks and APRA's Non-Operating Holding Company conditions.

For regulatory purposes, capital is classified as follows:

- CET1 comprising accounting equity with adjustments for intangible assets and regulatory reserves
- Tier 1 Capital comprising CET1 plus Additional Tier 1 Capital such as hybrid securities with 'equity-like' qualities
- Tier 2 Capital comprising certain securities recognised as Tier 2 Capital, together with specific Bank reserves eligible as regulatory capital
- Total Capital is the sum of Tier 1 Capital and Tier 2 Capital.

CET1 has the greatest capacity to absorb potential losses, followed by Additional Tier 1 Capital and then Tier 2 Capital.

The Group's CET1 ratio was 9.07% (2017–18: 9.23%), above its target operating range of 8.5% - 9.0% of Risk Weighted Assets.

The Group's Basel III APS 330 Public Disclosures are available at [suncorpgroup.com.au/investors/reports](http://suncorpgroup.com.au/investors/reports).

## 9. Significant changes in the Group's state of affairs

There have been no significant changes in the state of affairs of the Group during 2017–18, other than as disclosed in this Directors' Report and Financial Statements.

## 10. Events subsequent to reporting date

There has not arisen in the interval between the end of the 2017–18 financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## 11. Likely developments

The Group continues to target the following operating metrics:

- sustainable lending and deposit growth above system
- a cost to income ratio of around 50%, subject to regulatory costs in the short-term
- NIM at the low end of a 1.80% to 1.90% range
- a stable and diverse funding profile with a NSFR comfortably above 105%
- a return on CET1 capital of 12.5% to 15.0%.

Above system growth in transactional banking will remain a priority as the Group leverages the investments made in digital and payment capabilities. Home lending growth is expected to moderate over 2018–19 due to a slowing market and increased regulatory reform. Home lending may be impacted by an increasing trend of accelerated customer repayments given the Group's higher proportion of principal and interest lending. Notwithstanding these factors, the Group continues to target above system growth in home lending.

The Group will seek to optimise its lending mix through targeted, above system growth across commercial, small business and agribusiness lending. Heightened pricing competition and adverse BBSW movements are expected to place higher than previously anticipated pressure on margin in the short term. The stable, diverse and flexible funding options available to the Group are expected to somewhat mitigate likely NIM headwinds.

The Group will continue to maintain responsible lending practices through disciplined credit selection in line with prudent risk management practices. Impairment losses are expected to remain at or below the bottom of the through-the-cycle operating range of 10 to 20 bps.

Discussions continue with APRA on the Group's adoption of Basel II Advanced Accreditation. The Basel III reforms and APRA's roll-out of unquestionably strong benchmarks, communicated to the market from mid-2017, require further consideration as they are expected to reduce the gap between standardised and advanced bank capital requirements. Expected impacts cannot be confirmed before APRA releases the draft standards, which are expected in early 2019.

The Group remains committed to reducing the cost-to-income ratio through the delivery of significant operational efficiencies from the investment in BIP, notwithstanding the expected increase in regulatory compliance. Regulatory costs are expected to increase through 2018–19.

## 12. Key internal and external risks

The risks the Group manages include strategic, strategic execution, credit, counterparty, market, asset and liability, liquidity, operational, and compliance and regulatory-related risks. Policies, procedures, limits and other controls are in place at either the Suncorp Group or Functional level to manage these risks and align to the Board's risk appetite.



Key strategic risks that may impact our business strategies or financial prospects include the following:

- **Shifts in customer expectations, technology and competitors.** Competition is heightened as the industry races to embrace technology and disrupt traditional business models. Suncorp's customer strategy and the BIP positions the Group well against these risks as it focuses on making it easier, faster and more convenient for customers (including through physical and digital channels). Suncorp is also simplifying, automating and digitising processes as part of its strategic priority 'Elevate the Customer' which will enable the Group to leverage customer insights, create greater personalisation and deliver better customer experiences. Suncorp actively monitors strategic risks and responds through various initiatives, incorporating these into the strategy and business planning process.
- **Risks relating to the prioritisation and execution of strategic initiatives.** To achieve its vision of being the destination for moments that matter, Suncorp Bank must effectively prioritise investment and deliver key initiatives. As the internal and external environment shifts, a level of agility will be required around these investment decisions. Program management capability, tools and governance driven by the Program Excellence Function mitigate this risk.
- **Risks relating to the failure to meet government or regulatory expectations.** The business has programs in place to ensure the implementation of regulatory change, with the 2019 financial year project portfolio heavily weighted to regulatory change imperatives. The 'Enterprise Compliance Strategy' has increased Suncorp's capability to satisfy regulatory expectations by enhancing awareness and standardising the management of compliance obligations across the Group.
- **Maintaining an engaged workforce** (including partners and intermediaries), with appropriate culture, conduct and capability to execute the strategy. 'Inspire Our People' is one of Suncorp's three strategic priorities and is driving various initiatives to connect people with our purpose, deliver the Suncorp experience and build the workforce and workspace of the future.
- **Loss, compromise or unavailability of data, systems and business operations.** Suncorp's Technology, Data and Labs Function actively monitors internal systems and cyber security threats, and is continually investing in systems, processes and controls to maintain a secure and resilient technology environment. The importance of and accountability for security is reinforced to all employees through policy, procedures and education. Contingency planning and testing is performed in case of disruption to critical systems and business processes.
- **Economic instability and a continued low-yield environment.** Financial performance is significantly affected by changes in investment markets and economic conditions both globally and in Australia. Suncorp consistently monitors these risks by examining market conditions and adopts appropriate financial management strategies to help protect the business.
- **Physical impacts of climate change, significant weather events and natural hazards that exceed expectations.** Suncorp's Climate Change Action Plan has been released (refer to section 14.2) which forms the basis for maturing the assessment, management and disclosure of climate change risks and opportunities. Suncorp reduces financial volatility through the effective management of capital and provisioning.
- **Suncorp's ability to maintain its external reputation and confidence of customers, investors and regulators.** Meeting expectations of our stakeholders by doing the right thing, improving customer experience, delivering operational excellence and leveraging the strength of Suncorp's core business will contribute to mitigating this risk. Suncorp's ongoing focus on customers, conduct and culture will help maintain confidence, in an environment of deteriorating trust in financial services.

- **Suncorp's ability to deliver on its strategy and achieve financial targets.** To remain a sustainable business that customers can count on in the moments that matter, Suncorp needs to maintain momentum and continue to drive growth across the business. Disciplined portfolio management, operational excellence and investment in core systems contribute to Suncorp's strategic priority 'Drive Momentum and Growth'. Suncorp Group actively manages its liquidity and funding positions and ensures appropriate contingency arrangements are maintained.
- **Credit Risk – a systemic change in the property market or business environment, resulting in a heightened level of loan defaults.** Suncorp performs ongoing monitoring of the external environment and its lending portfolio. Credit Policy is applied to ensure responsible lending to customers. Stress testing, capital management and underwriting strategies help protect against systemic changes in the external environment.

### 13. Impact of legislation and other external requirements

The Group operates within a highly regulated industry.

There continue to be significant and numerous domestic and global legislative and regulatory reforms and proposals, as well as numerous government and regulator consultations, reviews and inquiries which may result in changes or proposals that could or may impact the Group now and in the future.

Some of the matters that could or may impact the Group and its entities include the following:

- the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry and the potential findings and recommendations of the Commission
- the introduction of the Bank Executive Accountability Regime legislation, which will impose additional duties and behavioural expectations on ADIs and their executives and give APRA stronger enforcement powers to impose substantial penalties if those duties are breached
- the Australian Bankers' Association (**ABA**) 'six-point initiatives/plan' intended to implement comprehensive new measures to protect consumer interests and increase transparency and accountability in the banking industry
- the ABA's Better Banking program initiatives of which the ABA's six-point initiatives/plan forms part
- the continued implementation of the various Basel III reforms by APRA including the introduction of the Net Stable Funding Ratio and the introduction by APRA of measures to strengthen lending standards for ADIs
- the implementation of Open Banking in Australia which will give ADI customers a right to direct that the information they already share with their ADI be safely shared with others they trust
- the Federal Government's commitment to the implementation of a national Consumer Data Right, allowing consumers to control their data including who can have it and who can use it
- the establishment of mandatory data breach notification obligations and the Office of the Australian Information Commissioner's focus on implementing an effective data breach response
- the focus of APRA to implement a cross-industry framework for the management of information security
- the passage of Federal legislation intended to strengthen the crisis management powers of APRA in relation to banks, insurers and registrable superannuation entities

- the Australian Securities & Investments Commission (**ASIC**) and Australian Small Business and Family Enterprise Ombudsman inquiry into small business loans, including the ABA endorsement of the recommendations made by that inquiry
- the Report on affordable capital for small and medium enterprises growth led by the Australian Small Business and Family Enterprise Ombudsman
- the establishment of a new dispute resolution framework for financial disputes which includes a 'one stop shop' for the determination of customer disputes in the financial services sector – the Australian Financial Complaints Authority
- the introduction into Federal Parliament of the Banking System Reform (Separation of Banks) Bill 2018 which proposes to separate retail commercial banking activities from wholesale and investment banking activities
- the ABA's commission of the Retail Banking Remuneration Review (product sales commission and payments) and publication of the report on the review (the Sedgwick Report)
- the Common Reporting Standard and Foreign Account Tax Compliance Act regime concerning Australia's obligation in the automatic exchange of financial account information with foreign jurisdictions
- the Federal Treasury annual consultation on proposed financial industry supervisory levies that will apply for the 2017–18 financial year
- the introduction of legislation into the Federal Parliament by the Federal Government to enhance whistleblower protections and the inquiry into whistleblower protections led by the Australian Government Parliamentary Joint Committee on Corporations and Financial Services
- the introduction of the mandatory comprehensive credit reporting regime for ADIs
- the introduction of a toolkit published by the Financial Stability Board to strengthen governance frameworks to mitigate misconduct risk
- the review by ASIC of the significant breach self-reporting requirements for financial services licensees
- the passing of legislation giving ASIC the power to designate significant financial benchmarks and make rules regarding the administration of those designated financial benchmarks
- the introduction into Federal Parliament by the Federal Government of a bill which will increase the current legislative ownership cap for ADIs
- APRA's consultation on proposed changes to the large exposures prudential framework, which is likely to come into effect from 1 January 2019
- the introduction of new measures by APRA to reinforce sound residential mortgage lending practices
- the imposition by APRA of new capital and maximum requirements in respect of residential mortgage lending
- the Federal Government's proposed new Design and Distribution obligations which in broad terms will require identification of target markets for financial products, having regard to the features of products and consumers in those markets, selection of appropriate distribution channels and periodic review of arrangements to ensure they continue to be appropriate
- the Productivity Commission inquiry into increasing competition in the Australian financial system
- the Australian Consumer Law (**ACL**) review and various reforms and proposed reforms to the ACL
- the passage of legislation through Federal Parliament to amend the misuse of market power provisions of the Competition and Consumer Act 2010

- the passing of legislation by Federal Parliament to reform competition laws and simplify the provisions on cartel conduct and better target anti-competitive conduct
- the Federal Government's proposed amendments to the National Consumer Credit Protection Act 2009 (**Credit Act**) to enhance the consumer protection framework for small amount credit contracts and consumer leases
- the passing of amendments to the Credit Act by Federal Parliament to ensure greater consumer protection with respect to the issuance and limit increases of personal credit cards.
- ASIC's consultation on proposed credit card lending assessments
- the review into the financial hardship arrangements and how they interact with the consumer credit reporting framework led by the Attorney-General's Department
- the ongoing Federal Senate inquiry into Australia's banking, insurance and financial services sectors
- the Federal Government's steps to lift the professional, ethical and education standards in the financial services industry
- the Federal Government's focus on improving consumer outcomes and competition in the home loan market
- the Federal Government's continued focus on developing legislation to address fintech developments such as crowdfunding
- the new crowd-sourced funding regime in Australia
- the Australian Attorney-General's Department and the Australian Transaction Reports and Analysis Centre's consultation on anti-money laundering and counter-terrorism financing laws.

### **Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry**

The Royal Commission was established on 14 December 2017. The focus of the Royal Commission's hearings has been the actions of financial service entities, inquiring into whether any conduct of financial services entities might have amounted to misconduct and whether any conduct, practices, behaviour or business activities of financial services entities fall below community standards and expectations.

Suncorp has provided submissions to, and has been called before various rounds of the Royal Commission. The Commissioner is due to provide an interim report no later than 30 September 2018, and will provide a final report by 1 February 2019. Whilst it is anticipated that it is likely that the Royal Commission will make recommendations that may have an impact on the broader financial services industry, it remains too early to predict what legislative or regulatory changes will flow from the Royal Commission and the detailed impact that they may have on Suncorp's individual businesses, reputation and financial performance. In addition, inquiries such as the Royal Commission can result in additional costs and can adversely affect investor confidence. Suncorp continues to monitor any developments and remains committed to supporting the Commission.

### **Open Banking System**

The Australian Government is committed to the introduction of an open banking regime in Australia that will give customers a right to direct the information they already share with their banks to others by providing their consent. The Australian Government released the final Report of the Review into Open Banking in Australia on 9 February 2018 and has agreed to the recommendations of the Review, both for the framework of the overarching Consumer Data Right and for the application of the right to Open Banking. The Open Banking regime is likely to be implemented and will apply to the Group from July 2019 onwards.

## Basel III capital and liquidity reforms

APRA has continued to implement the prudential framework applicable to Australian banks under the Basel III capital and liquidity reforms established by the Basel Committee on Banking Supervision (**BCBS**).

In respect of the Basel III reform proposals, the BCBS has advised that it is delaying its review of some of the elements of the Basel III reform proposals. The Basel III reforms impose, or will impose, various (and in some cases higher) regulatory capital and liquidity requirements for the Group than existed under previous regulatory regimes.

## 14. Environmental and Corporate Responsibility reporting

Suncorp believes in conducting business responsibly in a way that protects and sustains the environment for current and future generations. The Group therefore endeavours to:

- manage its impacts to ensure the sustainable growth of both the business and the communities in which it operates, and
- manage its operational portfolio in compliance with relevant laws and regulations in relation to environmental performance, management and reporting.

The Group has a responsibility to continue to reduce its environmental impact, and be transparent about its environmental performance.

### 14.1 Environmental Performance Plan

In 2018 Suncorp Group published an Environmental Performance Plan (**EPP**) that aims to proactively reduce the environmental footprint of its business operations, foster innovation and partnerships, engage and educate its people, and track and openly disclose its environmental performance.

The EPP outlines specific actions and timeframes for 2018–19 and will be refreshed annually;

### 14.2 Climate Change Action Plan approved

The Board-approved Suncorp Group Climate Change Action Plan (**CCAP**) was published in April 2018.

The CCAP:

- forms the basis for maturing Suncorp's assessment, management, and disclosure of climate change risks and opportunities using the framework published by the Financial Stability Board Task Force on Climate-related Financial Disclosures (**TCFD**), and
- supports the implementation of Suncorp's Responsible Investment Policy, which includes commitments to increase climate-related investment and apply a shadow carbon price to manage risk.

### 14.3 Improving climate risk disclosures

In 2017–18 Suncorp expanded the boundaries of its Scope 1 and Scope 2 greenhouse gas emissions reporting to include New Zealand operations and Suncorp Insurance Ventures.

Suncorp Group also:

- publicly discloses information on its climate-related risks and opportunities to CDP, an independent, international not-for-profit organisation focused on transparency and environmental sustainability
- is committed to meeting the recommendations of the TCFD, and

- is making progress on the integration of a climate risk and opportunity assessment into risk management and governance processes.

Suncorp Group reports greenhouse gas emissions and energy consumption in Australia under the *National Greenhouse Emissions Reporting Act 2007* (Cth) annually.

#### 14.4 Responsible Investment Policy launched

Suncorp Group's Board-approved Responsible Investment Policy was launched in August 2017. This policy:

- details Suncorp's approach to the long-term sustainability of investment returns and management of the environmental, social and governance (**ESG**) risks and opportunities in its investment portfolios
- ensures ESG considerations are factored into investment manager selection and the evaluation of investment risks and opportunities.

During 2017–18 Suncorp Group's investment mandates with external investment managers were amended to exclude tobacco, land mines, cluster munitions, and biological and chemical weapons; these were divested from Suncorp portfolios. Additionally, a shadow carbon price was introduced to manage the risk of stranded assets as the Suncorp Group responds to a transition to a net-zero carbon emissions economy.

### 15. Indemnification and insurance of officers and directors

Under the Constitution of the ultimate parent entity, each person who is or has been a director or officer of the Company is indemnified. The indemnity relates to all liabilities to another party (other than the Company or a related body corporate) that may arise in connection with the performance of their duties to the Company and its subsidiaries, except where the liability arises out of conduct involving a lack of good faith. The Constitution stipulates that SGL will meet the full amount of such liabilities, including costs and expenses incurred in successfully defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the *Corporations Act 2001*.

SGL has also executed deeds of access, indemnity and insurance with directors and secretaries of the Company and its subsidiaries, and deeds of indemnity and insurance with directors of related bodies corporate and joint venture companies. Those deeds, which are subject to certain conditions and limitations, provide an indemnity to the full extent permitted by law for liabilities incurred by that person as an officer, including reasonable legal costs incurred in respect of certain legal proceedings and an entitlement to directors' and officers' liability insurance. The deeds containing access rights provide access to company records following the cessation of the officer's position with the relevant company.

During 2017–18 SGL paid insurance premiums in respect of a directors' and officers' liability insurance contract. The contract insures each person who is or has been a director or officer (as defined in section 9 of the *Corporations Act*) of the Company against certain liabilities arising in the course of their duties to the Company and its subsidiaries. The directors have not included details of the nature of the liabilities covered or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

### 16. Suncorp's Corporate Governance Statement 2017–18

The Board believes high standards of corporate governance are essential for achieving business objectives, sustaining long-term share price performance and creating value for shareholders. The Board understands the important role it plays in Suncorp's social licence to operate, corporate culture and

corporate governance. The Board is committed to maintaining a corporate governance framework and a corporate culture that value ethical behaviour and integrity. The Board is responsible for the corporate governance framework which operates under Board-approved policies, charters and practices. The Board Committees help the Board fulfil its governance role.

During 2017–18 Suncorp Group complied with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations* (3rd edition).

## 17. Non-audit services

During the year, KPMG, the Company's auditor, performed certain services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the financial year by the auditor and, having received the appropriate confirmations from the Audit Committee, is satisfied that the auditor's provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure that they do not impact the integrity and objectivity of the auditor.
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid or due and payable to the auditor of the Company, KPMG, and its related practices for non-audit services provided during the financial year are set out below.

### SERVICES OTHER THAN STATUTORY AUDIT

	2018	2017
<b>Audit-related fees (regulatory)</b>		
APRA reporting	565	359
Australian financial services licences	13	21
Other regulatory compliance services	18	18
	596	398
<b>Audit-related fees (non-regulatory)</b>		
Other assurance services	496	722
<b>Other services</b>		
Tax compliance	12	12
	508	734
	<b>1,104</b>	<b>1,132</b>

## 18. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 42 and forms part of the Directors' Report for 2017–18.

## 19. Rounding of amounts

The Company is of a kind referred to in *Australian Securities & Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and, in accordance with that legislative instrument, amounts in the Directors' Report and the consolidated financial statements have been rounded to the nearest one million dollars unless otherwise stated.

# REMUNERATION REPORT

Dear Shareholder

The Board is pleased to present the Suncorp-Metway Limited Remuneration Report for the financial year ended 30 June 2018 (2017–18).

Suncorp-Metway Limited and its subsidiaries are subject to the remuneration framework determined by the Suncorp Group, being Suncorp Group Limited (**SGL**) and its subsidiaries (defined as either the **Suncorp Group** or **Suncorp**). The composition of the Board of the Company is consistent with that of SGL. Throughout this Report, for consistency, references are made to the Suncorp Group's remuneration arrangements rather than the Group's remunerations arrangements. References in the Report to the CEO & Managing Director, Senior Executives and the Board are to the Suncorp Group CEO & Managing Director, Suncorp Group Senior Executives and Suncorp Group Board.

In undertaking our remuneration review, the Board has given additional attention to strengthening the remuneration framework and ensuring that it reinforces executive accountability, responsible business practices, a constructive company culture and effective risk management. In doing so, the Board has taken into consideration broad stakeholder feedback and insights from recent public inquiries and reviews into the operation of various parts of the Australian financial services sector.

The Board has adopted the remuneration deferral requirements of the Banking Executive Accountability Regime (**BEAR**)<sup>1</sup> for the CEO & Managing Director and the Senior Executives<sup>2</sup> earlier than required by the legislation. The long-term incentive deferral period will be extended to four years for grants made in 2018–19 and beyond, reflecting the BEAR requirements. In addition, the accountability mapping and supporting statements for Suncorp's Australian operations under the BEAR will be completed and ready for application from 1 July 2019. This process will identify all accountable persons, define their core responsibilities and set out the reasonable steps that accountable persons will take to ensure the effective execution of their accountabilities.

The People and Remuneration Committee<sup>3</sup> also evaluated a number of alternative remuneration structures over the year, including introducing a second measure to the long-term incentive plan to operate alongside relative total shareholder return. Given the increasing complexity of current external factors potentially impacting on remuneration, the Board has decided to defer any changes to the remuneration structure in 2018–19, with the intention of aligning with any future regulatory recommendations. For the coming year also, there will be no change to the CEO & Managing Director's remuneration, or to Board fees for non-executive directors.

Furthermore, to address industry concerns around conduct risk, more than 75% of Suncorp's front-line employees in Australia have been transitioned onto incentive plans that reward performance against a balanced scorecard of measures, with the scorecard having a greater focus on the customer experience. All front-line employees in Australia will be on such plans from 1 January 2019.

During 2017–18, a streamlined executive team was announced to fast track the delivery of the Company's strategy and drive an ongoing improvement in customer experience. The CEO & Managing Director and Senior Executives are jointly accountable to achieve the strategy and deliver the business plan and have agreed Suncorp Group-wide targets as approved by the Board. The CEO & Managing Director assesses the contribution of each Senior Executive towards the achievement of the business plan, in addition to assessing the contribution each has made towards strengthening Suncorp's culture and effective management of risk.

Suncorp Group's remuneration framework supports the achievement of the Company's strategic objectives and is fair, transparent and responsible, as expected by our shareholders and the wider community. Feedback from our stakeholders, including the wider community, regulators and shareholders, is actively encouraged and used in the development of our remuneration practices. In response to feedback received, this report provides further information on the level of achievement against short-term incentive measures in 2017–18.

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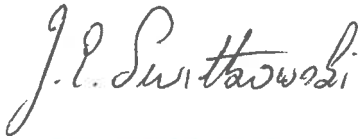
1 As introduced by APRA. The BEAR will apply to Suncorp from 1 July 2019.

2 Being those people described as Senior Executives in this Remuneration Report.

3 As noted in the Directors' Report, since the conclusion of the reporting period, the Remuneration Committee became the People and Remuneration Committee with an expanded remit. This committee is referred to as the 'People and Remuneration Committee' throughout this report.



We trust that you will find the information provided in this report informative and that it demonstrates the strong alignment that Suncorp's executive remuneration practices have with performance outcomes, community expectations and shareholder returns.



**DR ZIGGY SWITKOWSKI AO**

Chairman of the Board

9 August 2018



**CHRISTINE MCLOUGHLIN**

Chairman of the People and Remuneration Committee

## Remuneration Report for 2017–18

This Remuneration Report explains Suncorp Group's remuneration structure for key management personnel (**KMP**) and articulates the strong alignment between Suncorp's strategy, performance objectives and executive remuneration outcomes. KMP are the people who have authority and responsibility for planning, directing and controlling the activities of the Suncorp Group and includes the non-executive directors. The KMP are outlined in the remuneration tables in this report. For the purposes of this report, 'executive' means the CEO & Managing Director and Senior Executives.

Suncorp's external auditor, KPMG, has audited sections 2–6 of this report against the disclosure requirements of the Corporations Act.

### 1. 2017–18 Executive remuneration snapshot

#### 1.1 Executive remuneration arrangements

<p><b>OBJECTIVE</b></p> <p>To provide competitive rewards that motivate executives to deliver superior and sustainable returns to shareholders and that support alignment with Suncorp Group's purpose, vision and strategy.</p>					
<p><b>REWARD PRINCIPLES</b></p> <table border="1"> <tr> <td> <p>Align reward with sustainable performance</p> <hr/> <p>Build a competitive advantage</p> </td> <td> <p>Align effective risk management with reward</p> <hr/> <p>Ensure gender pay equality</p> </td> <td> <p>Balance stakeholder interests</p> <hr/> <p>Support Suncorp's Our Compass behaviours (Think Big, Show You Care, Kick Goals, Be Your Best)</p> </td> </tr> </table>			<p>Align reward with sustainable performance</p> <hr/> <p>Build a competitive advantage</p>	<p>Align effective risk management with reward</p> <hr/> <p>Ensure gender pay equality</p>	<p>Balance stakeholder interests</p> <hr/> <p>Support Suncorp's Our Compass behaviours (Think Big, Show You Care, Kick Goals, Be Your Best)</p>
<p>Align reward with sustainable performance</p> <hr/> <p>Build a competitive advantage</p>	<p>Align effective risk management with reward</p> <hr/> <p>Ensure gender pay equality</p>	<p>Balance stakeholder interests</p> <hr/> <p>Support Suncorp's Our Compass behaviours (Think Big, Show You Care, Kick Goals, Be Your Best)</p>			
<p><b>Fixed remuneration</b></p> <ul style="list-style-type: none"> <li>→ Consists of base salary, salary-sacrificed benefits and superannuation.</li> <li>→ Reflects the role scope and individual's skills and experience and is set in the context of market remuneration levels.</li> </ul> <p>See section 2.2 for further detail.</p>	<p><b>Short-term incentives (STI)</b></p> <ul style="list-style-type: none"> <li>→ Rewards the achievement of Group, function and individual outcomes over a 12-month period.</li> <li>→ Group Scorecard based on Profit and Financials, Customer, Risk and People measures.</li> <li>→ 50% of the CEO &amp; Managing Director's STI, and 35% of the Senior Executives' STI, is deferred into share rights, with 50% vesting on the first anniversary and 50% vesting on the second anniversary of the date of grant.</li> <li>→ The deferred portion of the STI is subject to potential malus<sup>1</sup>.</li> </ul> <p>See section 2.3 and 3.4 for further detail.</p>	<p><b>Long-term incentives (LTI)</b></p> <ul style="list-style-type: none"> <li>→ Rewards the creation of long-term shareholder value.</li> <li>→ Performance rights are granted which vest subject to the achievement of service-based and performance-based conditions over a three-year period<sup>2</sup>.</li> <li>→ The performance measure is relative total shareholder return (TSR) against the top 50 listed companies by market capitalisation in the S&amp;P/ASX 100 (excluding real estate investment trusts and mining companies).</li> <li>→ The LTI award is subject to potential malus<sup>1</sup>.</li> </ul> <p>See section 2.4 and 3.4 for further detail.</p>			
<p><b>REMUNERATION POSITIONING</b></p> <p>Total target remuneration for the CEO &amp; Managing Director and Senior Executives is evaluated on an annual basis against relevant roles in Suncorp's comparator group, defined as the financial services companies in the S&amp;P/ASX 100, excluding real estate investment trusts.</p>					

<sup>1</sup> The term 'malus' was introduced to replace 'clawback' to reflect alignment with market practice. Malus refers to the potential reduction of unvested deferred incentives (down to zero) to protect the Group's financial soundness and to provide the ability to respond to unforeseen significant issues.

<sup>2</sup> The LTI deferral period has been extended to four years for the 2018-19 grant. See section 1.3 for further detail.

## 1.2 Executive remuneration outcomes

Remuneration component	2017–18 Summary
Fixed remuneration	<p><b>CEO &amp; Managing Director:</b> There was no change to fixed remuneration.</p> <p><b>Senior Executives:</b> To take into account expanded accountabilities under a new streamlined executive team and to ensure market competitiveness, fixed remuneration levels were reviewed:</p> <ul style="list-style-type: none"> <li>– Ms Marlow received an 11% increase upon appointment to the new role of Chief Executive Officer Customer Marketplace. This is an expanded role that combined the previous functions of Customer Platforms, Customer Experience and Strategic Innovation. The increase was determined in light of expanded accountabilities and internal and external benchmarks.</li> <li>– The Chief Executive Officer Banking &amp; Wealth, Chief Executive Officer New Zealand, Chief Risk Officer, and Chief Information Officer received a fixed remuneration increase, while the Chief Executive Officer Insurance, Chief Financial Officer, Chief People Experience Officer, and Chief Program Excellence Officer had no change to their fixed remuneration. The average fixed remuneration increase across these executives was 3.2%.</li> </ul>
STI	<p><b>Performance outcomes:</b> STI outcomes were determined in the context of outcomes against ambitious targets in the Suncorp Group Scorecard as well as broader financial performance:</p> <ul style="list-style-type: none"> <li>– Suncorp Group's reported net profit after tax (<b>NPAT</b>) before non-controlling interests was \$1,072 million. Adjusted NPAT which is used for STI purposes was \$1,095 million. See section 2.3 for further information on Adjusted NPAT.</li> <li>– Cash return on equity (<b>ROE</b>) was 8.0%.</li> <li>– The total ordinary dividend declared for 2017–18 is 73 cents per share, consisting of a 33 cent per share fully franked interim dividend and a 40 cent per share fully franked final dividend.</li> <li>– Suncorp Group Common Equity Tier 1 (CET1) was \$448 million in excess of targets. As a result, the Board declared a fully franked special dividend of eight cents per share.</li> </ul> <p>See section 2.3 for outcomes against the Customer, Risk and People measures in the Suncorp Group Scorecard.</p> <p><b>STI outcomes:</b> Considering the performance outcomes outlined above and in section 2.3, the CEO &amp; Managing Director's actual STI outcome as recommended by the People and Remuneration Committee and approved by the Board was 87% of target. For current Senior Executives, the STI outcome ranged between 86% and 92% of target. Including both current and former Senior Executives, the STI outcome ranged between 75% and 92% of target. STI outcomes for Senior Executives were recommended by the CEO &amp; Managing Director, endorsed by the People and Remuneration Committee and approved by the Board.</p>
LTI	<p><b>Performance outcomes:</b> The 2014 LTI grant was tested against the relative TSR performance condition on 30 September 2017. Suncorp's TSR was below the median of the peer group of companies.</p> <p><b>LTI outcomes:</b> There was nil vesting against the 2014 LTI grant, and all performance rights relating to this grant were forfeited.</p>

## Remuneration paid, or vested, for the Executives over 2017–18

	Remuneration earned in respect of 2017–18 <sup>1</sup>			Past 'at-risk' remuneration vested in 2017–18		Actual remuneration received or earned in 2017–18 <sup>4</sup>	Future 'at-risk' remuneration awarded in 2017–18 <sup>5</sup>	
	Fixed	Other	incentives	Deferred STI (cash) <sup>2</sup>	LTI / RSP (equity) <sup>3</sup>	2017–18 <sup>4</sup>	2017–18	LTI / RSP
							STI (equity)	(equity)
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Executive director</b>								
Michael Cameron <sup>6</sup> <i>CEO &amp; Managing Director</i>	2,100	-	914	-	1,222	4,236	943	3,500
<b>Senior Executives</b>								
David Carter <i>CEO Banking &amp; Wealth</i>	786	-	450	83	35	1,354	250	750
Gary Dransfield <sup>7</sup> <i>CEO Insurance</i>	1,050	-	584	285	-	1,919	324	1,050
Sarah Harland <i>Chief Information Officer</i>	686	-	414	-	270	1,370	230	650
Lisa Harrison <sup>8</sup> <i>Chief Program Excellence Officer</i>	597	-	357	64	291	1,309	198	600
Steve Johnston <sup>9</sup> <i>Chief Financial Officer</i>	1,000	-	575	325	-	1,900	320	1,000
Pip Marlow <sup>10</sup> <i>CEO Customer Marketplace</i>	970	-	556	-	776	2,302	309	900
Amanda Revis <i>Chief People Experience Officer</i>	800	-	473	270	-	1,543	263	800
Paul Smeaton <i>CEO New Zealand</i>	828	-	474	70	-	1,372	263	800
Fiona Thompson <i>Chief Risk Officer</i>	636	-	372	18	44	1,070	207	600
<b>Former Senior Executives</b>								
Anthony Day <sup>11</sup> <i>CEO Insurance</i>	401	989	183	333	-	1,906	102	1,150
Kate Olgers <sup>12</sup> <i>Chief Legal Officer</i>	211	599	101	-	-	911	56	600
Mark Reinke <sup>13</sup> <i>Chief Customer Experience Officer</i>	240	775	117	225	-	1,357	64	775

- This reflects fixed remuneration (including base salary, salary sacrificed benefits and superannuation), any termination payments and the cash component of STI which relates to 2017–18 performance. Mr Day, Ms Olgers and Mr Reinke received termination benefits in line with contractual entitlements. The cash component of STI represents 50% of the total 2017–18 STI for the CEO & Managing Director and 65% of the total 2017–18 STI for Senior Executives.
- This reflects deferred cash STI awarded in previous years that vested during 2017–18. For Mr Carter, Mr Smeaton and Ms Thompson, a portion relates to vesting of deferred STI awarded prior to their appointment as a Senior Executive. For Ms Harrison, this fully relates to vesting of deferred STI awarded prior to her appointment as a Senior Executive.
- This represents awards made under the LTI or restricted share plan (RSP) (including awards made on commencement at Suncorp in recognition of incentives forgone with the executive's previous employer) that were granted in prior years and that vested in 2017–18. The 2014 LTI grant did not vest on 30 September 2017 as the relative TSR performance measure was not met. Mr Cameron and Ms Harland received the final tranche of their restricted shares granted on commencement at Suncorp, and Ms Marlow received tranche 1 of 3 of her restricted shares awarded on commencement at Suncorp. Mr Carter, Ms Harrison and Ms Thompson's restricted shares that vested during the year relate to awards granted prior to becoming a Senior Executive.
- This refers to the total of remuneration earned in respect of 2017–18 and past 'at-risk' remuneration that vested in 2017–18.
- This includes the deferred equity portion of the 2017–18 STI and LTI grants made in 2017–18. All of these grants are subject to the potential application of malus and the risk of forfeiture over the deferral period. To align the executives with the shareholder experience over the performance period, the total number of rights to be granted in August 2018 as part of the STI is based on the deferred STI amount (plus actual dividends paid in the 2017–18 performance year) divided by the June 2017 volume weighted average price of \$14.48. For former Senior Executives, the LTI granted in 2017–18 was pro-rated on termination to reflect the time worked in the performance period.
- The corresponding fair value of Mr Cameron's 2017–18 LTI grant is \$1.55 million, calculated as the total number of performance rights granted during 2017–18 multiplied by the fair value at grant date (assuming the performance measure is met).
- Mr Dransfield was appointed to the role of Chief Executive Officer Insurance on 13 October 2017. He was a KMP from 1 July 2017, having previously held the role of Chief Executive Officer Customer Platforms.
- Ms Harrison was appointed to the role of Chief Program Excellence Officer on 1 July 2017.
- Mr Johnston assumed responsibility for Legal and Company Secretariat on 13 October 2017.
- Ms Marlow was appointed to the role of Chief Executive Officer Customer Marketplace on 13 October 2017. She was a KMP from 1 July 2017, having previously held the role of Chief Executive Officer Strategic Innovation.
- Mr Day ceased employment on 27 October 2017.
- Ms Olgers ceased employment on 28 October 2017.
- Mr Reinke ceased responsibility as a KMP on 13 October 2017 and ceased employment on 1 June 2018. His fixed remuneration and 2017–18 incentive reflects remuneration as a KMP to 13 October 2017.

### 1.3 Executive remuneration outlook for 2018–19

#### Changes to long-term incentive awards

While LTI awards will continue to be granted as performance rights and will be subject to performance over a three-year period, the deferral period has been extended from three to four years as a result of the Board’s early adoption of the remuneration deferral requirements under the BEAR.

Any performance rights that vest based on the performance measures at the end of Year 3 will become vested rights and be subject to an additional one-year deferral period. Any vested rights will be converted into shares at the end of Year 4. In line with existing arrangements, to more closely align the experience of the executive to shareholders, a payment equal to the dividends earned on any allocated shares at the end of the four-year period will be paid. Malus criteria apply throughout the three-year performance period and the additional one-year deferral period. See section 3.4 for information on the malus criteria.

## 2. Overview of 2017–18 remuneration framework

### 2.1 Executive remuneration strategy and framework

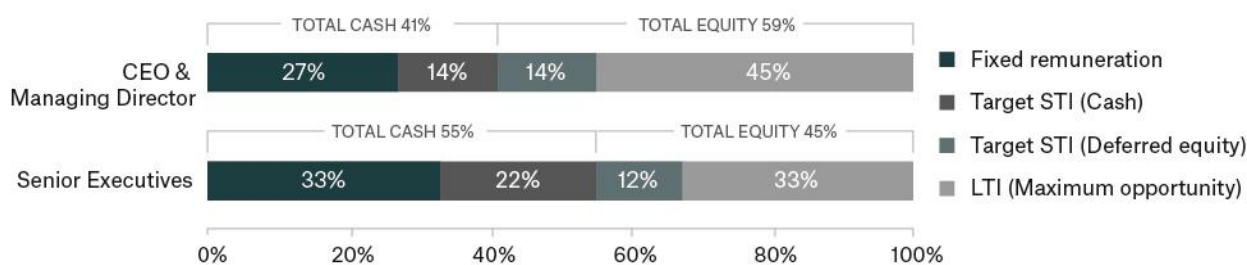
The Suncorp Group Remuneration Policy provides a governance framework for the structure and operation of remuneration plans within the context of the Suncorp Group’s strategy, long-term financial soundness and risk management framework. The Board is committed to a fair, transparent and responsible remuneration framework as expected by our shareholders, customers, employees and wider community.

The remuneration strategy, which is aligned to the business strategy and risk tolerance, ensures that the principles that determine remuneration are focused on delivering performance while demonstrating appropriate behaviours.

Remuneration levels, including STI outcomes, for the CEO & Managing Director are recommended by the People and Remuneration Committee and approved by the Board. For the Senior Executives, remuneration levels, including STI outcomes, are recommended by the CEO & Managing Director, endorsed by the People and Remuneration Committee, and approved by the Board.

#### Remuneration mix

The CEO & Managing Director’s remuneration mix is heavily focused on longer term performance and two-thirds of total remuneration for Senior Executives is ‘at-risk’.



### 2.2 Fixed remuneration

Fixed remuneration reflects the role scope and the individual’s skills and experience. It is reviewed each year in line with the Remuneration Policy, individual performance and contribution to Suncorp Group, taking into consideration market competitiveness and other business and talent-critical factors. The peer group used for benchmarking purposes consists of financial services companies in the S&P/ASX 100, excluding real estate investment trusts.

## 2.3 Short-term incentives

<b>Plan</b>	STI awards are made under the Corporate Incentive Plan.
<b>Plan rationale</b>	The plan incentivises the achievement of key performance measures over a 12-month period that create sustainable value for all stakeholders.
<b>STI opportunity</b>	The CEO & Managing Director and the Senior Executives have an STI opportunity of 100% of fixed remuneration if they achieve the targets outlined in their scorecards. If these targets are exceeded, the maximum STI opportunity is 150% of fixed remuneration.
<b>Suncorp Group Scorecard and funding</b>	<p>The Suncorp Group Scorecard consists of Profit and Financials (60%), Customer (20%), Risk (10%), and People (10%) measures. Performance against the Suncorp Group Scorecard, as recommended by the People and Remuneration Committee and approved by the Board, determines the size of the STI pool.</p> <p>As part of its evaluation against the Suncorp Group Scorecard, the Board critically assesses risk management effectiveness in accordance with the Enterprise Risk Management Framework and risk appetite.</p> <p>Further detail on the Suncorp Group Scorecard measures, and performance against these measures, is outlined later in this section.</p>
<b>Performance assessment</b>	<p>The CEO &amp; Managing Director is primarily assessed against the Suncorp Group Scorecard. Each Senior Executive is assessed on their individual and their function's contribution towards the achievement of the Suncorp Group Scorecard.</p> <p>STI outcomes for the CEO &amp; Managing Director and Senior Executives are also influenced by the Board's consideration of other factors including customer outcomes, risk management and individual factors such as adherence to the Suncorp behaviours set out in 'Our Compass'. These are the behavioural expectations that the Board believes form a foundation for successful and sustainable performance.</p>
<b>Performance period</b>	The performance period is for the 12 months ended 30 June 2018.
<b>Delivery mechanism</b>	<p>For the CEO &amp; Managing Director, 50% of the STI is delivered as cash and 50% as share rights. For the Senior Executives, 65% of the STI is delivered as cash and 35% as share rights.</p> <p>To focus executives on total shareholder returns from the start of the performance period, the allocation of share rights is determined based on the volume weighted average price (<b>VWAP</b>) one-month prior to the start of the performance period. The allocation of share rights also reflects the value of dividends paid over the performance period.</p> <p>The share rights vest 50% on the first anniversary and 50% on the second anniversary of the date of grant.</p> <p><b>Legacy awards: Cash deferral</b></p> <p>Prior to 2016–17, a 'cash-based' deferral applied and remains operative in respect of deferred STI awarded for 2015–16 performance. Interest accrues during the deferral period and is payable upon vesting.</p> <p>In the event of resignation, redundancy or retirement, the deferred incentive portion is retained and vests at the end of the original deferral period, subject to Board approval.</p>
<b>Malus</b>	The deferred rights and cash deferral are subject to the potential application of malus. See section 3.4 for further information.
<b>Termination of employment</b>	See section 4 for the treatment of STI on termination.

## 2017–18 Suncorp Group Scorecard measures, weightings and performance outcomes

STRATEGIC DRIVER	MEASURES	WEIGHTING	BELOW THE THRESHOLD	THRESHOLD TO TARGET	TARGET <sup>2</sup>	TARGET TO MAXIMUM	MAXIMUM	2017-18 ACHIEVEMENT
<b>PROFIT AND FINANCIALS<sup>1</sup> 60%</b>								
Deliver targeted Profit after Tax	Adjusted NPAT	40%			✓			The Group delivered a NPAT result of \$1,095 million adjusted for non-controllable items.
Improve shareholder returns	Cash ROE	20%	✓					Cash ROE for the year was 8.0%. This result reflects strong underlying performance impacted by global volatility in investment income.
<b>CUSTOMER 20%</b>								
Create value for customers	Marketplace deliverables	10%		✓				The accelerated Marketplace Program delivered to expectations in 2017–18. Performance reflects the impact of prioritisation decisions made during the year.
	Customer measures	10%	✓					Efforts have focused on removing pain points from the customer experience, whilst concurrently providing products and solutions that create value in the moments that matter. Efforts to uplift the customer experience are being well received, resulting in improved customer advocacy, however overall performance against Customer measures was below threshold.
<b>RISK 10%</b>								
Manage risk within agreed parameters	Achievement of Group Risk Maturity Model measures	10%		✓				Performance against the Group Risk Maturity Model measures reflected the strength of Suncorp’s risk management practices, and provide confidence in Suncorp’s risk culture.
	Demonstration of risk management practices							The Board assessed that Suncorp continues to manage operational, financial and insurance risk categories well, with any breaches being closely monitored.
<b>PEOPLE 10%</b>								
Maintain an organisational culture that aligns performance, risk and customer outcomes	Organisational culture	10%			✓			The Board evaluated Suncorp’s organisational culture based on a wide range of relevant metrics across Performance, Risk and Customer dimensions. Based on this evaluation, the Board assessed that there was appropriate focus on each cultural dimension and determined that Suncorp’s culture is sound.
<b>OVERALL PERFORMANCE OUTCOME</b>				✓				

1 The Board also considers other factors including the operational efficiency and the alignment to strategic plans approved by the Board consistent with the Board’s expressed risk appetite.

2 Target reflects performance between 99% and 101% of target.

## Rationale for scorecard measures

Scorecard Category	Scorecard measure	Rationale
Profit and Financials	Adjusted NPAT	<p>The Board considers Adjusted NPAT to be an appropriate reflection of the Suncorp Group's performance relative to its targets. The measure provides relevant information used internally to evaluate the performance of functions, and to analyse trends in revenue and cash-based expenses, based upon controllable items. It is the basis for operational objectives and is used to allocate resources. As a measure of management performance, it is an effective measure for STI. Adjusted NPAT provides stakeholders with a clear understanding of the Suncorp Group's results. It excludes the effects of a limited range of actions and special items that do not reflect the ordinary earnings of the business. Over time, Adjusted NPAT allows the evaluation of Suncorp's period-over-period operating performance. The Board considers this measure to be useful to shareholders in evaluating the underlying operating performance of the business. Net adjustments over 2017–18 were \$36 million (post-tax) and consisted of investment income, prior year releases, and natural hazards. Adjusted NPAT has been determined on a consistent basis since 2011–12.</p>
	Cash ROE	<p>Cash ROE was chosen because it is a measure of the Suncorp Group's profitability and how efficiently Suncorp utilises investments to generate income. Cash ROE considers all controllable and uncontrollable items.</p>
Customer	Marketplace deliverables	<p>Marketplace deliverables is a digitally enabled strategy designed to achieve better customer outcomes. Measures include:</p> <ul style="list-style-type: none"> <li>– single digital customer experience (the marketplace app)</li> <li>– brand refresh and roll-out in stores and other real estate</li> <li>– integrated offers for customers</li> <li>– third party partnerships such as nib, Petsure and Challenger</li> <li>– reward and recognition programs</li> <li>– digital technologies that enable better customer interactions.</li> </ul>
	Customer measures	<ul style="list-style-type: none"> <li>– <i>Customer net flows</i>: To reflect the impact of integrated offers in key segments, renewal pricing across personal and commercial insurance and increased expansion of key products outside of Queensland.</li> <li>– <i>Percentage of customers retained</i>: As significant customer inflows can mask the impact of customers lost, customer retention is also measured.</li> <li>– <i>Number of connected customers</i>: To reflect Suncorp's strategy to broaden and deepen its relationships with customers by meeting more customer needs.</li> <li>– <i>Net promoter score</i>: To recognise the ongoing implementation of Suncorp's customer strategy.</li> <li>– <i>Customer complaints</i>: To reflect the Suncorp Group's focus on reducing volume and efficient resolution of customer complaints, to ensure customer feedback is addressed quickly and proactively, and that Suncorp resolves customer complaints internally.</li> </ul>
Risk	Achievement of Suncorp Group Risk Maturity Model measures	<p>This provides an objective measurement tool that consistently and transparently assesses and tracks the quality of risk management capability and risk-based performance at a Company level through an aggregated measure of risk maturity.</p>
	Demonstration of risk management practices	<p>The demonstration of risk management practices in the areas of performance, culture, core practices and compliance supports an assessment of the effectiveness of risk management practices and risk culture at Suncorp and how these align with the Board's stated risk appetite.</p>
People	Organisational culture	<p>The organisational culture dashboard provides a means of qualitatively and quantitatively assessing the three cultural dimensions of Performance, Risk and</p>



Scorecard Category	Scorecard measure	Rationale
		Customer, providing an indication of alignment of the dimensions and resulting behavioural outcomes. Assessing the health of Suncorp's culture focuses on the alignment of these cultural dimensions, and the impact this has on Suncorp's ability to achieve the key strategic priorities to Elevate the Customer, Drive Momentum and Growth, and Inspire our People.

### Executive STI performance outcomes in 2017–18

Actual STI outcomes for 2017–18 for the executives are outlined below.

	Actual STI Awarded <sup>1</sup>	Target STI <sup>2</sup>	STI award as % of target STI	Maximum STI <sup>3</sup>	STI award as % of maximum STI	% of maximum STI award forfeited	Amount Deferred <sup>4</sup>
	\$000	\$000		\$000			\$000
<b>Executive director</b>							
M Cameron	1,827	2,100	87%	3,150	58%	42%	913
<b>Senior Executives</b>							
D Carter	692	800	87%	1,200	58%	42%	242
G Dransfield	898	1,050	86%	1,575	57%	43%	314
S Harland	637	700	91%	1,050	61%	39%	223
L Harrison	549	600	92%	900	61%	39%	192
S Johnston	885	1,000	89%	1,500	59%	41%	310
P Marlow	855	1,000	86%	1,500	57%	43%	299
A Revis	728	800	91%	1,200	61%	39%	255
P Smeaton	729	833	88%	1,250	58%	42%	255
F Thompson	572	650	88%	975	59%	41%	200
<b>Former Senior Executives</b>							
A Day <sup>5</sup>	281	375	75%	562	50%	50%	98
K Olgers <sup>6</sup>	156	196	80%	293	53%	47%	55
M Reinke <sup>7</sup>	179	223	80%	334	54%	46%	62

1 This is the total STI before any deferral. For Mr Reinke, the actual STI has been pro-rated to reflect the time he served as a KMP in the performance period.

2 Target STI is 100% of fixed remuneration for the CEO & Managing Director and Senior Executives. For former Senior Executives, the target STI has been pro-rated to reflect the time they served as a KMP in the performance period.

3 Maximum STI for the CEO & Managing Director and Senior Executives is 150% of fixed remuneration.

4 50% of the CEO & Managing Director's STI outcome and 35% of Senior Executives' STI outcome is deferred into share rights for two years with 50% vesting on the first anniversary and 50% vesting on the second anniversary of the date of grant. The value shown does not include actual dividends paid in the 2017–18 performance year. See the table in section 1.2 for the total amount deferred including total dividends paid in the 2017–18 performance year.

5 Mr Day ceased employment on 27 October 2017.

6 Ms Olgers ceased employment on 28 October 2017.

7 Mr Reinke ceased responsibility as a KMP on 13 October 2017.

## 2.4 Long-term incentives

<b>Plan</b>	The LTI plan operates under the Suncorp Group Equity Incentive Plan. For the purposes of this report, this is referred to as the LTI plan.	
<b>Plan rationale</b>	The LTI plan focuses executives on creating long-term shareholder value.	
<b>LTI opportunity</b>	The LTI opportunity for the CEO & Managing Director is \$3.5 million. For the Senior Executives, it is 100% of fixed remuneration.	
<b>LTI instrument</b>	<p>Performance rights are granted. A performance right entitles the executive to one fully paid ordinary share in the Company (or under limited circumstances at the Board's discretion, a cash payment in lieu of an allocation of ordinary shares in the Company) at no cost.</p> <p>Performance rights vest at a set future point, provided service conditions and performance measures are achieved.</p> <p>To more closely align the experience of the executive to shareholders, if performance rights vest and shares are allocated, a payment equal to the dividends earned on those shares during the three-year performance period is paid.</p> <p>For the 2018-19 grant, in line with existing arrangements, a dividend equivalent payment will now be made at the end of the four-year deferral period on any vested rights that convert to shares. See section 1.3 for further information.</p>	
<b>Allocation</b>	The LTI opportunity is divided by the VWAP of the ordinary share over the five days preceding the date of grant. No discount is applied for the probability of achieving the performance measures.	
<b>Performance measure</b>	<p>The performance measure for LTI awards granted during 2017–18 is relative TSR against a peer group of companies (<b>Peer Group</b>).</p> <p>This measure was chosen because it offers a relevant indicator of measuring changes in shareholder value by comparing the Company's return to shareholders against the returns of companies of a similar size and investment profile. It also aligns shareholder returns with reward outcomes for executives over the long term and minimises the impact of market cycles.</p> <p>Executives will only derive value from the LTI awards if the Company's TSR performance is at, or greater than, the 50th percentile (median) of the Peer Group.</p>	
<b>Peer Group</b>	The Peer Group is the top 50 listed companies by market capitalisation in the S&P/ASX 100 (excluding real estate investment trusts and mining companies), as determined at the commencement of each grant. If a company in the Peer Group is suspended or delisted from the ASX during the performance period, it may be removed from the Peer Group (there may, therefore, be fewer than 50 companies in the Peer Group for that period).	
<b>Vesting Schedule</b>	<b>Relative TSR performance outcomes</b>	<b>Percentage of LTI award that will vest</b>
	Below the 50th percentile	0%
	At the 50th percentile (median performance)	50%
	Between the 50th and 75th percentiles	Pro-rata vesting occurs between the 50th and 75th percentiles
	At or above the 75th percentile	100%
<b>Performance and deferral period</b>	<p>For 2017–18, the performance and deferral period for LTI awards is three years. There is no retesting opportunity and any performance rights that do not vest at the end of the three-year performance period will lapse.</p> <p>For 2018–19, the performance period will remain at three years; however, the deferral period will be extended to four years as a result of the Board early adopting the remuneration deferral requirements under the BEAR. See section 1.3 for further information.</p>	
<b>Malus</b>	All performance rights are subject to the potential application of malus. See section 3.4 for further information.	
<b>Termination provisions</b>	See section 4 for information on the treatment of LTI awards on termination.	

## 2.5 Performance summary: 2014–2018

Company performance summary over the five financial years to 30 June 2018

Year ended 30 June	NPAT \$M <sup>1</sup>	Closing share price <sup>2</sup> \$	Dividend per share cents
2018	1,072	14.59	81
2017	1,085	14.82	73
2016	1,045	12.18	68
2015	1,140	13.43	88
2014	737	13.54	105

1 Note that the profit figure above is reported NPAT. Adjusted NPAT is the profitability figure used in the STI plan. See section 2.3 for information on Adjusted NPAT.

2 Closing share price at 30 June each year.

Suncorp has outperformed the S&P/ASX 50 Accumulation Index by 13.4% over the five years to 30 June 2018.



The relative TSR performance measure for the executives' October 2014 grant, with a vesting date of 30 September 2017, was not met. Consequently, all 2014 LTI awards lapsed.

## 2.6 Minimum shareholding requirement

To further align executives' interests with those of shareholders, executives are required to have a minimum shareholding in the Company equivalent to at least 100% of one year's pre-tax (gross) fixed remuneration.

Executives are required to meet the minimum shareholding requirement four years from the October following their appointment, with 50% to be achieved after two years. The value of the shares for the purposes of this requirement is the market value of the underlying shares.

Based on their shareholding as at 30 June 2018, all executives are on track to meet the shareholding requirement. Detailed share ownership information for executives is shown in section 6.4.

### 3. Remuneration governance and risk

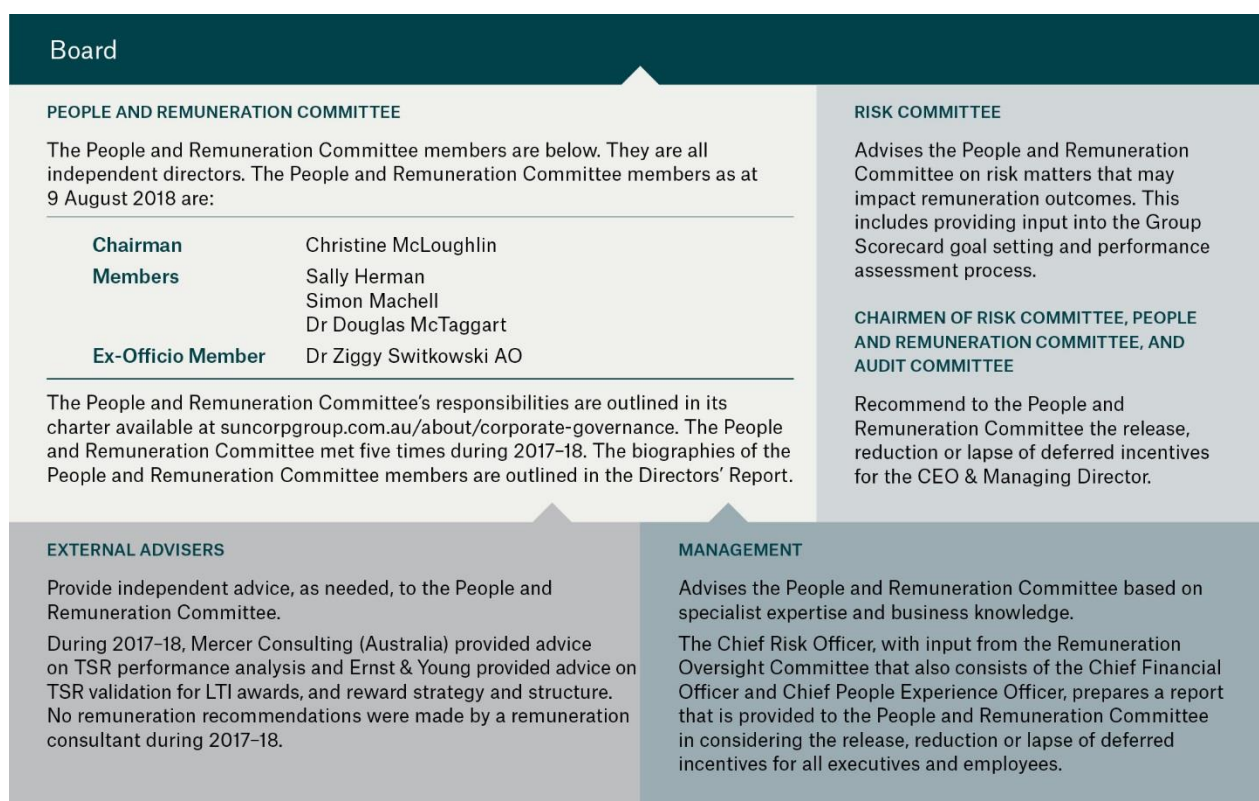
#### 3.1 Remuneration governance framework

During the reporting period, the Board endorsed a review of all Board Committee Charters, including committee structure and composition. As part of this review, and since the conclusion of the reporting period, the Remuneration Committee became the People and Remuneration Committee with an expanded remit.

Further to Ms McLoughlin's upcoming appointment as Board Chairman, succession planning has been considered by the Board and accordingly Mr Simon Machell has been appointed as Chairman of the People and Remuneration Committee following the close of the 2018 AGM.

The People and Remuneration Committee recommends the Suncorp Group's people and remuneration framework and practices to the Board for approval. It assists the Board in fulfilling its responsibilities by ensuring that frameworks are in place that enable the Suncorp Group to attract, motivate and retain talent and support the achievement of the Company's strategic objectives. The remuneration framework is structured to be fair, transparent and responsible, as expected by our shareholders, customers, employees and the wider community.

The People and Remuneration Committee receives input from the Risk Committee, Audit Committee, external advisors and management as illustrated below.



#### 3.2 Remuneration alignment with risk management

Suncorp is committed to effective risk management throughout the Suncorp Group.

The Enterprise Risk Management Framework (**ERMF**) lays the foundation for all Suncorp's risk management processes. The ERMF seeks to ensure the integration of effective risk management across the organisation and incorporates Suncorp's policies (which include risk management policies and the Remuneration Policy). All employees are educated on the importance of managing risk and the link between risk management and the outcomes for our customers, employees and shareholders.

The Board sets the risk appetite for the Suncorp Group and has ultimate responsibility for the effectiveness of the Suncorp Group's risk management practices.

In addition, there are common members between the People and Remuneration, Risk, and Audit Committees.

Suncorp develops its strategy and business plan in consideration of the Suncorp Group's risk appetite and also with regard to the broader external environment.

### **Risk is an important element of the remuneration and performance framework for all employees across Suncorp**

In determining 'at-risk' remuneration, the Board ensures risk management is considered through:

- separately weighted risk measures in the Suncorp Group scorecard
- individual adherence to risk management policies. The application of appropriate risk management practices is assessed to ensure that the CEO & Managing Director, Senior Executives and other employees adhere to the ERMF and the Suncorp Group Risk Appetite Statement and have demonstrated prudent management of the risks that the Suncorp Group faces
- an assessment based on behavioural and cultural measures to ensure performance is aligned to expected ethical standards
- the Board's application of a judgment overlay on the Suncorp Group Scorecard outcome, with risk management considered as a key component of the overall performance outcome, and
- the hedging prohibition (described below).

In determining performance and remuneration outcomes, the People and Remuneration Committee considers all relevant factors to demonstrate alignment with the Suncorp Group's risk appetite and adherence to effective risk management practices to ensure that long-term financial soundness of outcomes is determined, before the Board makes its final determination of the overall STI pool.

### **Risk is considered in the remuneration structure for executives**

In addition to the above, risk is further embedded into the remuneration structure for executives through ensuring remuneration outcomes are balanced over the short and long-term by:

- deferral of a significant portion of executives' short-term incentives, and
- requiring executives to meet the minimum shareholding requirement as outlined in section 2.6.

### **3.3 Hedging prohibition**

The Suncorp Group Securities Trading Policy regulates dealing by directors, employees and contractors in Suncorp securities and prohibits hedging transactions to limit the economic risk of a holding in the Company's securities including unvested rights.

All KMP are reminded of this policy at least twice per year, usually in the month prior to the release of Suncorp Group's annual and half-yearly financial results.

Any subsequent dealing in those shares is subject to the terms of the Securities Trading Policy.

### 3.4 Malus

Deferred incentives (including STI deferred awards, LTI unvested awards, and LTI vested awards subject to further deferral) are subject to the potential application of malus based on the Board's judgment, as outlined below. The term 'malus' was introduced to replace 'clawback' to reflect alignment with market practice. Malus provisions enable deferred incentives to be either forfeited or reduced at the Board's discretion.

<b>Purpose</b>	Malus enables the Board to adjust deferred incentives downwards (including to zero) to protect the Group's financial soundness and to provide the ability to respond to unforeseen significant issues.
<b>Criteria</b>	<p>Circumstances that the Board may consider in applying malus include:</p> <ul style="list-style-type: none"> <li>– the participant's employment is terminated for misconduct</li> <li>– the participant acted or failed to act in a manner which contributed to significantly adversely impacting customers, shareholders and/or the reputation of the Suncorp Group</li> <li>– there was a failure to comply with Suncorp's risk management policies and practices, including undertaking appropriate risk assessments that would have, or would reasonably be expected to have, identified the issues</li> <li>– the employee was aware of the above-mentioned risk management failure, or should reasonably have been aware of that failure</li> <li>– to protect the financial soundness of the Suncorp Group</li> <li>– to respond to significant unexpected or unintended consequences that were not foreseen by the People and Remuneration Committee, and</li> <li>– any other reasonable considerations that emerged prior to, or during, the deferral period.</li> </ul>
<b>Approval process</b>	<p>The Chief Risk Officer produces a report on the relevant matters to be considered for malus and the release of deferred incentives for the CEO &amp; Managing Director, Senior Executives and other employees (as applicable). The Chairmen of the People and Remuneration, Risk, and Audit Committees verify the report information and confirm that all relevant matters have been considered. Based on this report:</p> <ul style="list-style-type: none"> <li>– the Chairmen of the People and Remuneration, Risk, and Audit Committees make a recommendation to the Board for approval of the release (and/or the application of malus where appropriate) of deferred incentives for the CEO &amp; Managing Director, and</li> <li>– the CEO &amp; Managing Director makes a recommendation to the Board, via the People and Remuneration Committee, for approval of the release (and/or the application of malus where appropriate) of deferred incentives for the Senior Executives and other employees (as applicable).</li> </ul>

## 4. Employment agreements – summary

The CEO & Managing Director and Senior Executives are employed by Suncorp Staff Pty Limited, a wholly-owned subsidiary of the Company, under a standard employment agreement with no fixed term.

Where a change of control of the Company occurs, deferred STI and a pro-rata award of current year STI may be awarded to the CEO & Managing Director, and unvested LTI may vest on a pro-rata basis (subject to the satisfaction of applicable performance measures). For Senior Executives, the impact of a change of control on remuneration is at Board discretion. A summary is outlined below.

	CEO & Managing Director	Senior Executives
<b>Notice period/ termination payments</b>	<p><b>Employer-initiated termination</b></p> <p>Incapacity: 9 months</p> <p>Misconduct: none</p> <p>All other cases: 12 months</p> <p><b>Employee-initiated termination: 6 months</b></p>	<p><b>Employer-initiated termination</b></p> <p>Incapacity: 3 months</p> <p>Misconduct: none</p> <p>All other cases: 12 months</p> <p><b>Employee-initiated termination: 3 months</b></p>
<b>Treatment of STI cash on termination</b>	<p><b>Employer-initiated and employee-initiated termination</b></p> <p>Resignation or redundancy: A cash STI award may be received, subject to performance, at Board discretion.</p> <p>Misconduct: No cash STI will be awarded.</p> <p>All other cases: Board discretion.</p>	
<b>Treatment of STI deferral on termination</b>	<p><b>Employer-initiated and employee-initiated termination</b></p> <p><b>Post 1 July 2016 (Equity-based deferral)</b></p> <p>Resignation: Any unvested deferred incentive is forfeited.</p> <p>Redundancy: Any deferred incentive will generally vest at the end of the original deferral period and will remain subject to the potential application of malus.</p> <p>Misconduct: All unvested deferred incentives are forfeited.</p> <p>All other cases: Board discretion.</p> <p><b>Pre 1 July 2016 (Cash-based deferral)</b></p> <p>Resignation or redundancy: Any deferred incentive will generally vest at the end of the original deferral period and will be subject to the potential application of malus, unless the Board exercises its discretion otherwise.</p> <p>Misconduct: All unvested deferred incentives are forfeited.</p> <p>All other cases: Board discretion.</p>	
<b>Treatment of LTI on termination</b>	<p><b>Unvested equity</b></p> <p><b>Qualifying reason<sup>1</sup></b></p> <p>The Board has the discretion to determine that any unvested LTI performance rights will continue until the relevant vesting dates and remain subject to the performance measures and the potential application of malus, unless otherwise determined by the Board.</p> <p><b>Non-qualifying reason</b></p> <p>All unvested awards are forfeited.</p> <p><b>Vested rights</b></p> <p>Any vested rights will continue beyond cessation of employment and convert into shares in the normal course, subject to the potential application of malus.</p>	
<b>Treatment of restricted shares on termination</b>	<p><b>Qualifying reason<sup>1</sup></b></p> <p>The Board has the discretion to determine that any unvested restricted shares will be pro-rated for the time worked in the vesting period and those reduced number of restricted shares will vest at the termination date subject to the potential application of malus, unless otherwise determined by the Board.</p> <p><b>Non-qualifying reason</b></p> <p>All unvested awards are forfeited.</p>	

<sup>1</sup> This includes death, total and permanent disablement, retirement, redundancy as a result of a Suncorp Group restructure, or any other reason determined by the Board.

## 5. Non-executive director remuneration arrangements

### 5.1 Remuneration structure

Remuneration component	Description
<b>Fee philosophy</b>	The fee arrangements for non-executive directors are designed to ensure the Suncorp Group attracts and retains suitably qualified and experienced non-executive directors. Fees are based on a number of factors, including the requirements of the role, the size and complexity of the Suncorp Group, and market practice.
<b>Fee structure</b>	<p>Non-executive directors receive fixed remuneration only, paid as director fees, and do not participate in any performance-based incentive plans.</p> <p>The Chairman receives a fee for chairing the Board and is not paid any additional fees for attending Nomination, Audit, Risk, and People and Remuneration Committee meetings as an ex-officio member. Other non-executive directors receive a base fee and additional fees for each additional Committee chairmanship and membership, excluding the Nomination Committee where no additional fee is paid.</p>
<b>Superannuation</b>	<p>SGL pays compulsory superannuation guarantee contributions (<b>SGC</b>) of 9.5% of the director's fee on behalf of all eligible non-executive directors.</p> <p>The Company's general practice is to cap SGC at 9.5% of the Maximum Contribution Base (<b>MCB</b>). Superannuation in excess of the MCB is delivered in the form of voluntary additional superannuation contributions or the non-executive director may elect to take this amount as fees.</p> <p>If a non-executive director ceases to be eligible for SGC payments, the equivalent amount is paid in fees.</p>
<b>Aggregate annual fee pool</b>	Non-executive director aggregate fees are within the shareholder-approved maximum aggregate total remuneration limit of \$3,500,000 including SGC.
<b>Minimum shareholding requirement</b>	<p>Non-executive directors have four years from the October following their appointment to achieve the minimum shareholding requirement, equivalent to 100% of one year's pre-tax (gross) base fees. A 50% shareholding is required to be achieved after two years.</p> <p>Base fees refer to the Board Chairman fee or Board Member fee only excluding SGC. Based on their shareholding as at 30 June 2018, all non-executive directors are on track to meet this requirement. Detailed share ownership information for the non-executive directors is shown in section 6.4.</p>



## 5.2 Remuneration levels for non-executive directors

While the Board periodically reviews the level of fees paid to non-executive directors, there were no changes to fees in the year of 2017–18.

Committee <sup>1</sup>		Board	Audit	Risk	People and Remuneration
		\$000	\$000	\$000	\$000
<b>Chairman fees (C)</b>	Ex-Superannuation	600 <sup>2</sup>	60	60	50
	Associated SGC	57	6	6	5
	<b>Total Fee</b>	<b>657</b>	<b>66</b>	<b>66</b>	<b>55</b>
<b>Member fees (✓)</b>	Ex-Superannuation	220	30	30	25
	Associated SGC	21	3	3	2
	<b>Total Fee</b>	<b>241</b>	<b>33</b>	<b>33</b>	<b>27</b>
<b>Non-executive directors<sup>3</sup></b>					
	Dr Ziggy Switkowski AO	C	Ex-officio	Ex-officio	Ex-officio
	Audette Exel AO	✓		✓	
	Sally Herman	✓	✓	C	✓
	Simon Machell <sup>4</sup>	✓	✓		
	Christine McLoughlin	✓		✓	C
	Dr Douglas McTaggart	✓	C		✓
	Lindsay Tanner	✓		✓	

1 No fee is payable for chairmanship or membership of the Nomination Committee.

2 Includes Board Member base fee.

3 Positions held are as at 30 June 2018.

4 Mr Machell joined the People and Remuneration Committee on 1 July 2018.

## 6. KMP statutory remuneration disclosures

### 6.1 Non-executive director remuneration during 2017–18 and 2016–17

	Year	Short-term benefits		Post-employment benefits		Total
		Salary and fees	Non-monetary benefits	Superannuation - Statutory	Superannuation - Other <sup>1</sup>	
		\$000	\$000	\$000	\$000	
<b>Non-executive directors</b>						
Dr Ziggy Switkowski AO	2018	600	-	20	37	657
<i>Chairman</i>	2017	600	1	20	38	659
Audette Exel AO	2018	250	-	20	4	274
<i>Director</i>	2017	250	1	20	4	275
Sally Herman <sup>2</sup>	2018	314	-	20	10	344
<i>Director</i>	2017	250	1	20	4	275
Simon Machell <sup>3</sup>	2018	243	-	20	3	266
<i>Director</i>	2017	47	-	5	-	52
Christine McLoughlin	2018	300	-	20	9	329
<i>Director</i>	2017	300	1	20	9	330
Dr Douglas McTaggart	2018	305	-	20	9	334
<i>Director</i>	2017	305	1	20	10	336
Lindsay Tanner <sup>4</sup>	2018	120	-	10	1	131
<i>Director</i>						
<b>Former non-executive directors</b>						
William Bartlett <sup>5</sup>	2018	75	-	7	-	82
<i>Director</i>	2017	305	1	20	9	335
Ewoud Kulk <sup>5</sup>	2018	175	-	13	4	192
<i>Director</i>	2017	375	1	20	16	412

1 Superannuation in excess of the quarterly MCB is delivered in the form of voluntary additional superannuation contributions or the director may elect to take this amount as fees.

2 Ms Herman was appointed Chairman of the Risk Committee and a member of the People and Remuneration Committee on 22 September 2017.

3 Mr Machell was appointed as a member of the Audit Committee on 22 September 2017.

4 Mr Tanner was appointed to the Board and as a member of the Risk Committee on 1 January 2018.

5 Mr Bartlett and Mr Kulk retired from the Board on 21 September 2017.

## 6.2 Executive remuneration during 2017–18 and 2016–17

		Short-term benefits		Post-employment benefits		Long-term benefits		Share-based payments			Total remuneration	Performance related %	
		Salary	Cash incentives	Non-monetary benefits <sup>1</sup>	Other <sup>2</sup>	Superannuation benefits	Deferred incentives <sup>3</sup>	Other <sup>4</sup>	Termination benefits <sup>5</sup>	Deferred STI <sup>6</sup>			Equity Granted <sup>7</sup>
<b>Executive director</b>													
M Cameron	2018	2,080	914	28	8	20	19	35	-	793	1,593	5,490	61%
CEO & Managing Director	2017	2,080	983	38	160	20	16	35	-	527	1,657	5,516	58%
<b>Senior Executives</b>													
D Carter	2018	766	450	4	-	20	4	22	-	190	239	1,695	52%
CEO Banking & Wealth	2017	548	348	3	34	15	5	56	-	100	152	1,261	48%
G Dransfield	2018	1,030	584	13	12	20	9	17	-	275	481	2,441	55%
CEO Insurance	2017	997	639	13	45	20	17	84	-	184	458	2,457	53%
S Harland	2018	666	414	-	(1)	20	-	12	-	168	235	1,514	54%
Chief Information Officer	2017	515	328	32	25	20	-	9	-	95	303	1,327	55%
L Harrison <sup>8</sup>	2018	577	357	4	25	20	2	38	-	120	104	1,247	47%
Chief Program Excellence Officer	2017	967	608	1	5	20	18	25	-	176	471	2,291	56%
S Johnston	2018	980	575	-	41	20	10	16	-	266	477	2,385	56%
Chief Financial Officer	2017	967	608	1	5	20	18	25	-	176	471	2,291	56%
P Marlow	2018	950	556	-	4	20	-	17	-	164	683	2,394	59%
CEO Customer Marketplace	2017	254	165	-	3	10	-	4	-	48	1,271	1,755	85%
A Revis	2018	780	473	14	(9)	20	8	13	-	216	381	1,896	57%
Chief People Experience Officer	2017	772	487	15	28	20	15	15	-	141	379	1,872	55%
P Smeaton	2018	804	474	-	(8)	24	6	-	-	222	351	1,873	56%
CEO New Zealand	2017	808	487	8	110	25	7	30	-	141	245	1,861	47%
F Thompson	2018	616	372	7	2	20	2	28	-	161	192	1,400	52%
Chief Risk Officer	2017	515	331	5	16	16	2	86	-	96	129	1,196	47%
<b>Former Senior Executives</b>													
A Day <sup>9</sup>	2018	391	183	8	5	10	10	6	989	346	168	2,116	33%
CEO Insurance	2017	1,077	699	14	(26)	20	19	47	-	202	479	2,531	55%
K Olgers <sup>10</sup>	2018	201	101	2	-	10	-	(7)	599	146	45	1,097	27%
Chief Legal Officer	2017	371	257	4	20	20	-	7	-	74	81	834	49%
M Reinke <sup>11</sup>	2018	232	117	4	(52)	8	7	4	775	229	328	1,652	41%
Chief Customer Experience Officer	2017	735	471	13	25	20	13	27	-	136	349	1,789	54%

1 Non-monetary benefits include costs met by the Suncorp Group for airfares and rebates on insurance premiums.

2 Other short-term benefits refer to annual leave accruals. The annual leave balance for Mr Day, Ms Olgers and Mr Reinke was paid out on termination.

3 The amount of deferred incentives awarded to the CEO & Managing Director and Senior Executives in 2017–2018 relates only to the interest accrued in 2017–18 from the 2015–16 and 2014–15 cash-based deferral. The deferred equity portion of the 2017–18 STI is outlined in 'Share-based payments – Deferred STI'.

4 Other long-term benefits refer to long service leave accruals. The long service leave balance for Mr Day and Mr Reinke was paid out on termination.

5 Termination benefits are paid in accordance with contractual commitments.

6 STI deferred into equity-settled rights is expensed to the profit & loss from the start of the performance period to the end of the deferral period. For former Senior Executives, the disclosed amount for 2017–2018 reflects the total fair value fully amortised. For current executives, total fair value is amortised from the start of the performance period to the end of the deferral period.

7 Equity granted refers to grants under the LTI Plan and RSP. Awards are expensed to the profit & loss based on the fair value at grant date over the period from grant date to vesting date. The assumptions underpinning these valuations are set out in note 10 to the financial statements.

8 Ms Harrison was appointed to the role of Chief Program Excellence Officer on 1 July 2017.

9 Mr Day ceased employment on 27 October 2017.

10 Ms Olgers ceased employment on 28 October 2017.

11 Mr Reinke ceased responsibility as a KMP from 13 October 2017 and ceased employment on 1 June 2018.

### 6.3 Movement in equity plans for Executives

The movement of performance rights, share rights and restricted shares during 2017–18 is outlined below<sup>1</sup>.

	Performance rights/share rights/restricted shares granted			Fair value yet to vest		Market value at date of grant <sup>4</sup>	Vested in year	Forfeited in year	Vested in year
	Number	Grant date	Financial year in which grant may vest	Min <sup>2</sup>	Max <sup>3</sup>				
				\$	\$				
<b>Executive director</b>									
M Cameron <sup>5</sup>	80,000	24 September 2015	30 June 2018	-	-	-	100%	-	80,000
	226,639	24 September 2015	30 June 2019	-	1,271,445	2,805,791	-	-	-
	42,662	15 August 2017	30 June 2019	-	578,497	578,497	-	-	-
	235,017	22 September 2016	30 June 2020	-	1,579,314	2,998,817	-	-	-
	42,661	15 August 2017	30 June 2020	-	578,483	578,483	-	-	-
	270,251	14 September 2017	30 June 2021	-	1,551,241	3,407,865	-	-	-
<b>Senior Executives</b>									
D Carter <sup>6</sup>	5,769	1 October 2014	30 June 2018	-	-	-	-	100%	-
	2,519	1 September 2016	30 June 2018	-	-	-	100%	-	2,519
	6,977	1 September 2015	30 June 2019	-	42,978	87,352	-	-	-
	2,520	1 September 2016	30 June 2019	-	32,126	32,151	-	-	-
	8,125	15 August 2017	30 June 2019	-	110,175	110,175	-	-	-
	775	15 August 2017	30 June 2019	-	10,509	10,509	-	-	-
	2,520	1 September 2016	30 June 2020	-	32,075	32,155	-	-	-
	42,830	29 June 2017	30 June 2020	-	287,818	645,020	-	-	-
	8,124	15 August 2017	30 June 2020	-	110,161	110,161	-	-	-
	775	15 August 2017	30 June 2020	-	10,509	10,509	-	-	-
	774	15 August 2017	30 June 2021	-	10,495	10,495	-	-	-
	57,911	1 September 2017	30 June 2021	-	332,409	756,318	-	-	-
G Dransfield	49,604	1 October 2014	30 June 2018	-	-	-	-	100%	-
	62,022	1 September 2015	30 June 2019	-	382,056	776,515	-	-	-
	10,976	1 March 2016	30 June 2019	-	67,612	130,285	-	-	-
	14,935	15 August 2017	30 June 2019	-	202,519	202,519	-	-	-
	72,463	1 September 2016	30 June 2020	-	486,951	924,628	-	-	-
	14,934	15 August 2017	30 June 2020	-	202,505	202,505	-	-	-
	81,075	1 September 2017	30 June 2021	-	465,371	1,058,840	-	-	-
S Harland <sup>7</sup>	19,584	1 September 2016	30 June 2018	-	-	-	100%	-	19,584
	7,672	15 August 2017	30 June 2019	-	104,032	104,032	-	-	-
	50,920	1 September 2016	30 June 2020	-	342,182	649,739	-	-	-
	7,672	15 August 2017	30 June 2020	-	104,032	104,032	-	-	-
	50,189	1 September 2017	30 June 2021	-	288,085	655,468	-	-	-
L Harrison <sup>8</sup>	5,656	1 October 2014	30 June 2018	-	-	-	-	100%	-
	2,245	1 September 2016	30 June 2018	-	-	-	100%	-	2,245
	18,018	1 September 2016	30 June 2018	-	-	-	100%	-	18,018
	6,216	1 September 2015	30 June 2019	-	38,291	77,824	-	-	-
	2,246	1 September 2016	30 June 2019	-	28,632	28,659	-	-	-
	3,073	15 August 2017	30 June 2019	-	41,670	41,670	-	-	-
	2,246	1 September 2016	30 June 2020	-	28,587	28,659	-	-	-
	3,073	15 August 2017	30 June 2020	-	41,670	41,670	-	-	-
	3,073	15 August 2017	30 June 2021	-	41,670	41,670	-	-	-
	46,328	1 September 2017	30 June 2021	-	265,923	605,044	-	-	-
S Johnston	53,026	1 October 2014	30 June 2018	-	-	-	-	100%	-
	73,651	1 September 2015	30 June 2019	-	453,690	922,111	-	-	-
	14,221	15 August 2017	30 June 2019	-	192,837	192,837	-	-	-
	74,422	1 September 2016	30 June 2020	-	500,116	949,625	-	-	-
	14,220	15 August 2017	30 June 2020	-	192,823	192,823	-	-	-
	77,214	1 September 2017	30 June 2021	-	443,208	1,008,415	-	-	-
P Marlow <sup>9</sup>	52,330	31 March 2017	30 June 2018	-	-	-	100%	-	52,330
	52,329	31 March 2017	30 June 2019	-	693,359	691,279	-	-	-
	3,859	15 August 2017	30 June 2019	-	52,328	52,328	-	-	-
	52,329	31 March 2017	30 June 2020	-	693,359	691,279	-	-	-
	3,859	15 August 2017	30 June 2020	-	52,328	52,328	-	-	-
	69,493	1 September 2017	30 June 2021	-	398,890	907,579	-	-	-

	Performance rights/share rights/restricted shares granted			Fair value yet to vest		Market value at date of grant <sup>4</sup>	Vested in year	Forfeited in year	Vested in year
	Number	Grant date	Financial year in which grant may vest	Min <sup>2</sup>	Max <sup>3</sup>				
				\$	\$				
A Revis	44,895	1 October 2014	30 June 2018	-	-	-	-	100%	-
	56,208	1 September 2015	30 June 2019	-	346,241	703,724	-	-	-
	11,380	15 August 2017	30 June 2019	-	154,313	154,313	-	-	-
	60,712	1 September 2016	30 June 2020	-	407,985	774,685	-	-	-
	11,379	15 August 2017	30 June 2020	-	154,299	154,299	-	-	-
	61,771	1 September 2017	30 June 2021	-	354,566	806,729	-	-	-
P Smeaton	5,656	1 October 2014	30 June 2018	-	-	-	-	100%	-
	54,269	1 September 2015	30 June 2019	-	334,297	679,448	-	-	-
	11,967	15 August 2017	30 June 2019	-	162,273	162,273	-	-	-
	61,406	1 September 2016	30 June 2020	-	412,648	783,541	-	-	-
	11,966	15 August 2017	30 June 2020	-	162,259	162,259	-	-	-
	61,771	1 September 2017	30 June 2021	-	354,566	806,729	-	-	-
F Thompson <sup>10</sup>	1,166	1 October 2014	30 June 2018	-	-	-	100%	-	1,166
	3,277	1 May 2015	30 June 2018	-	-	-	-	100%	-
	1,906	1 September 2016	30 June 2018	-	-	-	100%	-	1,906
	5,426	1 September 2015	30 June 2019	-	33,424	67,934	-	-	-
	1,906	1 September 2016	30 June 2019	-	24,295	24,321	-	-	-
	204	15 August 2017	30 June 2019	-	2,766	2,766	-	-	-
	7,741	15 August 2017	30 June 2019	-	104,968	104,968	-	-	-
	1,906	1 September 2016	30 June 2020	-	24,295	24,321	-	-	-
	34,862	29 June 2017	30 June 2020	-	234,273	525,022	-	-	-
	7,740	15 August 2017	30 June 2020	-	104,954	104,954	-	-	-
	204	15 August 2017	30 June 2020	-	2,766	2,766	-	-	-
	204	15 August 2017	30 June 2021	-	2,766	2,766	-	-	-
	46,328	1 September 2017	30 June 2021	-	265,923	605,044	-	-	-
<b>Former Senior Executives</b>									
A Day	56,561	1 October 2014	30 June 2018	-	-	-	-	100%	-
	73,651	1 September 2015	30 June 2019	-	326,486	663,573	-	28%	-
	16,348	15 August 2017	30 June 2019	-	221,679	221,679	-	-	-
	74,422	1 September 2016	30 June 2020	-	192,736	365,970	-	61%	-
	16,347	15 August 2017	30 June 2020	-	221,665	221,665	-	-	-
	88,796	1 September 2017	30 June 2021	-	26,530	60,363	-	95%	-
K Olgers	6,001	15 August 2017	30 June 2019	-	81,374	81,374	-	-	-
	43,318	29 March 2017	30 June 2020	-	112,184	221,196	-	61%	-
	6,001	15 August 2017	30 June 2020	-	81,374	81,374	-	-	-
	46,328	1 September 2017	30 June 2021	-	13,839	31,488	-	95%	-
M Reinke	38,885	1 October 2014	30 June 2018	-	-	-	-	100%	-
	54,269	1 September 2015	30 June 2019	-	306,817	623,596	-	8%	-
	11,015	15 August 2017	30 June 2019	-	149,363	149,363	-	-	-
	54,837	1 September 2016	30 June 2020	-	215,040	408,320	-	42%	-
	11,014	15 August 2017	30 June 2020	-	149,350	149,350	-	-	-
	59,841	1 September 2017	30 June 2021	-	85,945	195,547	-	75%	-

1 The expiry date for performance rights and the fair value per right can be found in note 10.1 to the financial statements.

2 The minimum value of shares yet to vest is nil, since the service condition or performance measure may not be met and consequently the shares may not vest.

3 For equity-settled performance rights, the maximum value yet to vest is determined as the fair value at grant date, assuming all performance measures are met.

4 Market value at date of grant is calculated based on the number of shares granted multiplied by the closing share price as traded on ASX on the date of grant. Where the date of grant falls on an ASX non-trading day, the closing share price of the preceding trading day is used.

5 Mr Cameron was awarded 240,000 restricted shares upon commencement of employment in recognition of incentives forgone with his previous employer. These shares vested equally over three years from 1 January 2016, subject to service conditions and the Suncorp Group Equity Plan Rules.

6 Mr Carter was awarded 7,559 restricted shares prior to commencing as a Senior Executive relating to his previous Executive General Manager role. These shares vest equally over three years from 31 August 2017, subject to service conditions and the Suncorp Group Equity Plan Rules.

7 Ms Harland was awarded 19,584 restricted shares upon commencement of employment in recognition of incentives forgone with her previous employer. These shares vested on 1 September 2017.

8 Ms Harrison was awarded 24,755 restricted shares prior to commencing as a Senior Executive relating to her previous Executive General Manager role. 20,263 shares vested in 2017-18. 2,245 shares vested on 31 August 2017 and 18,018 shares vested on 26 March 2018. The balance of 4,492 shares will vest equally on 31 August 2018 and 31 August 2019, subject to meeting the service conditions and the Suncorp Group Equity Plan Rules.

9 Ms Marlow was awarded 156,988 restricted shares upon commencement of employment in recognition of incentives forgone with her previous employer. These shares vest equally over three years from 1 July 2017, subject to service conditions and the Suncorp Group Equity Plan Rules.

10 Ms Thompson was awarded 6,884 restricted shares prior to commencing as a Senior Executive relating to previous roles. 3,072 shares vested in 2017-18. 1,906 shares vested on 31 August 2017 and 1,166 shares vested on 30 September 2017. The balance of 3,812 shares vest equally on 31 August 2018 and 31 August 2019, subject to service conditions and the Suncorp Group Equity Plan Rules.

## 6.4 Related party transactions

### Loans to KMP and their related parties

Loans to KMP and their related parties are secured housing loans and asset lines provided in the ordinary course of the banking business. All loans have normal commercial terms, which may include employee discounts on the same terms available to all employees of the Suncorp Group. No amounts have been written down or recorded as provisions as the balances are considered fully collectable.

Details regarding loans outstanding at the reporting date to KMP and their related parties, where the individual's aggregate loan balance exceeded \$100,000 at any time during the reporting period, are outlined below.

	2017-18			
	Balance	Balance	Interest charged	Highest balance
	1 July 2017	30 June 2018	during the year <sup>1</sup>	
\$000	\$000	\$000	\$000	
<b>Senior Executives</b>				
D Carter	955	783	40	1,242
S Johnston	1,200	1,200	-	1,200
A Revis	4,601	4,595	155	4,620
P Smeaton	680	403	18	681
<b>Former Senior Executives</b>				
A Day	1,541	-	27	1,543
M Reinke	163	-	4	163

<sup>1</sup> The loans may have offset facilities, in which case the interest charged is after the offset.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Suncorp Group to KMP and their related parties, and the number of individuals in each group, are outlined below.

	2017-18		
	KMP	Other related parties	Total
	\$000	\$000	\$000
Opening balance	8,090	1,050	9,140
Closing balance	5,931	1,050	6,981
Interest charged	228	16	244
	Number	Number	Number
Number of individuals at 30 June 2018	4	1	5

## Movement in securities held by KMP

The movement during the reporting period in the number of securities in the Company held directly, indirectly or beneficially by each of the KMP, including their related parties, is outlined below.

		1 July 2017 – 30 June 2018				
		Balance	Received as	Purchases	Other	Balance
		1 July 2017	remuneration <sup>2</sup>	(sales)	changes <sup>3</sup>	30 June 2018
		Number	Number	Number	Number	Number
<b>DIRECTORS</b>						
<b>Executive director<sup>1</sup></b>						
M Cameron	Ordinary shares	175,000	80,000	-	-	255,000
	Unvested securities	541,656	355,574	-	(80,000)	817,230
<b>Non-executive directors</b>						
Dr Z Switkowski AO	Ordinary shares	311,599	-	-	-	311,599
A Exel AO	Ordinary shares	14,612	-	2,641	-	17,253
S Herman	Ordinary shares	16,500	-	3,500	-	20,000
S Machell	Ordinary shares	25,000	-	5,000	-	30,000
C McLoughlin	Ordinary shares	20,000	-	6,000	-	26,000
Dr D McTaggart	Ordinary shares	20,011	-	6,397	-	26,408
L Tanner	Ordinary shares	-	-	2,200	-	2,200
<b>Former non-executive director</b>						
W Bartlett <sup>4</sup>	Ordinary shares	26,968	-	-	(26,968)	-
	SUNPE Convertible Preference Shares <sup>5</sup>	323	-	-	(323)	-
E Kulk <sup>4</sup>	Ordinary shares	20,173	-	(12,000)	(8,173)	-
	SUNPC Convertible Preference Shares <sup>6</sup>	3,000	-	-	(3,000)	-
<b>Senior Executives<sup>1</sup></b>						
D Carter <sup>7</sup>	Ordinary shares	34,719	4,520	-	-	39,239
	Unvested securities	63,135	76,484	-	(8,288)	131,331
G Dransfield <sup>8</sup>	Ordinary shares	74,935	456	-	177	75,568
	Unvested securities	195,065	110,944	-	(49,604)	256,405
S Harland	Ordinary shares	-	19,584	-	-	19,584
	Unvested securities	70,504	65,533	-	(19,584)	116,453
L Harrison	Ordinary shares	7,986	20,263	-	-	28,249
	Unvested securities	36,627	55,547	-	(25,919)	66,255
S Johnston	Ordinary shares	72,879	-	-	-	72,879
	Unvested securities	201,099	105,655	-	(53,026)	253,728
P Marlow	Ordinary shares	-	52,330	-	-	52,330
	Unvested securities	156,988	77,211	-	(52,330)	181,869
A Revis <sup>9</sup>	Ordinary shares	50,811	-	(13,976)	27	36,862
	SUNPF Capital Notes	1,962	-	-	-	1,962
	Unvested securities	161,815	84,530	-	(44,895)	201,450
P Smeaton	Ordinary shares	31,122	-	-	-	31,122
	Unvested securities	121,331	85,704	-	(5,656)	201,379
F Thompson <sup>10</sup>	Ordinary shares	2,067	3,072	-	366	5,505
	Unvested securities	50,449	62,421	-	(6,349)	106,521
<b>Former Senior Executives</b>						
A Day <sup>11</sup>	Ordinary shares	115,733	-	(105,190)	(10,543)	-
	Unvested securities	204,634	121,491	-	(326,125)	-
K Olgers <sup>12</sup>	Ordinary shares	-	-	-	-	-
	Unvested securities	43,318	58,330	-	(101,648)	-
M Reinke <sup>13</sup>	Ordinary shares	52,109	-	-	(52,109)	-
	Unvested securities	147,991	81,870	-	(229,861)	-

1 The number of unvested securities disclosed for the Executive director and Senior Executives refers to the performance rights granted under the LTI Plan, restricted shares granted under the RSP and share rights granted as part of the STI award. Accordingly, beneficial entitlement of those unvested securities remains subject to satisfaction of specified service conditions and performance measures (as applicable).

2 For the Executive director and Senior Executives, remuneration includes performance rights granted under the LTI plan and share rights granted as part of the STI award which only vest subject to the satisfaction of specified service conditions and performance measures (as applicable).

3 'Other changes' in unvested securities for the Executive director and Senior Executives relates to equity awards that vested or were forfeited during 2017-18.

4 'Other changes' for Mr Bartlett and Mr Kulk represent securities held upon termination.

5 The Company issued Suncorp Convertible Preference Shares (SUNPE) on 8 May 2014.

6 The Company issued Suncorp Convertible Preference Shares (SUNPC) on 6 November 2012.

7 Ordinary shares for Mr Carter were not included in the 2017 annual report. This has been corrected for 2018.

8 'Other changes' in ordinary shares for Mr Dransfield relate to participation in the Dividend Reinvestment Plan.

- 9 'Other changes' in ordinary shares for Ms Revis relate to participation in the Dividend Reinvestment Plan. SUNPF Capital notes held by Ms Revis were inadvertently included as ordinary shares in the 2017 annual report. This has been corrected for 2018.
- 10 'Other changes' in ordinary shares for Ms Thompson relates to participation in the Equity Participation Plan.
- 11 Mr Day ceased employment on 27 October 2017. Ordinary shares and unvested securities held upon termination are shown in 'Other changes'. Of the unvested securities held on leaving office, 86,304 performance rights remain subject to performance measures.
- 12 Ms Olgers ceased employment on 28 October 2017. Ordinary shares and unvested securities held upon termination are shown in 'Other changes'. Of the unvested securities held on leaving office, 19,105 performance rights remain subject to performance measures.
- 13 Mr Reinke ceased responsibility as a KMP on 13 October 2017 and ceased employment on 1 June 2018. Ordinary shares and unvested securities held upon termination are shown in 'Other changes'. Of the unvested securities held on leaving office, 96,781 performance rights remain subject to performance measures.

Directors and executives of the Company and their related parties received normal distributions on these securities. Details of the directors' interests in the Company at the date of signing this financial report are also disclosed in section 3 of the Directors' Report.

#### Other KMP transactions

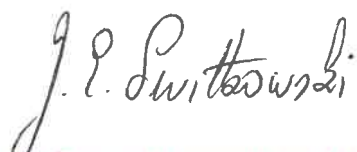
#### Financial instrument transactions

Financial instrument transactions (other than loans and shares disclosed within this report) between the Suncorp Group and executives and their related parties during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions were on commercial terms and conditions no more favourable than those given to other Suncorp Group employees and are deemed trivial or domestic in nature.

#### Transactions other than financial instrument transactions

No director or Senior Executive has entered into a material contract with the Company or Suncorp Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end. Other transactions with executives and their related parties are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, general insurance and life insurance policies.

This Remuneration Report is prepared in accordance with a resolution of the Board of directors.



**DR ZIGGY SWITKOWSKI AO**

Chairman of the Board

9 August 2018



**MICHAEL CAMERON**

CEO & Managing Director





## Lead Auditor's Independence

### Declaration under Section 307C of the Corporations Act 2001

To the Directors of Suncorp-Metway Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Suncorp-Metway Limited for the financial year ended 30 June 2018 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Jillian Richards'.

Jillian Richards  
Partner

Brisbane  
9 August 2018