

## 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 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, age 68

Dr Switkowski has been a director of the Company since September 2005, and Chairman since October 2011, and a director of Suncorp Group Limited (**SGL**) since December 2010. He is an ex officio member of the Audit, Remuneration and Risk Committees. He is Chairman of NBN Co Limited, a director of Healthscope Limited (since April 2016), Tabcorp Holdings Limited (since October 2006) and Oil Search Limited (since November 2010). He is the Chancellor of RMIT University. During his career, Dr Switkowski has held senior executive positions in the communications industry with Telstra Corporation and Optus Communications, and previously at Kodak Australasia. In June 2014, he received the Order of Australia for his contribution to the arts, sciences, tertiary education and the telecommunications and business community.



### Michael A Cameron

FCPA, FCA, FAICD  
Chief Executive Officer and Managing Director (**CEO & Managing Director**), age 56

Mr Cameron was appointed CEO & Managing Director of the Company and SGL in October 2015. He was a non-executive director from April 2012–September 2015. Mr Cameron has over 30 years' experience in finance and business. He was CEO and Managing Director of The GPT Group (2009–2015), Chief Financial Officer (**CFO**) at St George Bank from mid-2007 until the sale to Westpac Banking Corporation in 2008, and previously Group CFO and Group Executive at Commonwealth Bank of Australia's Retail Bank Division. He also spent 10 years with Lendlease in a number of senior positions including CFO for MLC Limited



### William J Bartlett

FCA, FCPA, FCMA, CA (SA)  
Non-executive director, age 67

Mr Bartlett has been a director of the Company since July 2003 and SGL since December 2010. He is a member of the Audit, Risk and Remuneration Committees. He is a director of Reinsurance Group of America Inc. (listed on NYSE) (since May 2004), RGA Reinsurance Company of Australia Limited, and both GWA International Limited and Abacus Property Group (since February 2007). He is Chairman of the Cerebral Palsy Foundation's Council of Governors. Mr Bartlett has over 35 years' experience in accounting. He was a partner of Ernst & Young in Australia for 23 years, retiring in mid-2003. Mr Bartlett has extensive experience in the actuarial, insurance and financial services sectors through membership of many industry and regulatory advisory bodies including the Life Insurance Actuarial Standards Board (1994–2007).



### **Audette E Exel AO**

BA, LLB (Hons)  
Non-executive director, age 53

Ms Exel has been a director of the Company and SGL since June 2012. She is a member of the Risk Committee. Ms Exel is the founder of the Adara Group and Chief Executive Officer of its Australian companies. She is Vice Chairman of Steamship Mutual, one of the world's largest protection and indemnity clubs for the shipping industry. Before establishing the Adara Group, she was MD 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). Ms Exel began her career as a lawyer specialising in international finance. In 2013, she was awarded an honorary Order of Australia for service to humanity (through the Adara Group) in Uganda and Nepal and in 2014 was recognised by Forbes as a 'Hero of Philanthropy'. In 2015, Ms Exel was inducted into the Australian Businesswomen's Hall of Fame, and was a recipient of a World Class New Zealander Award. In 2016, she was named Australia's 2016 'Leading Philanthropist' by Philanthropy Australia.



### **Sally Herman**

BA, GAICD  
Non-executive director, age 59

Ms Herman has been a director of the Company and SGL since October 2015. She is a member of the Audit Committee. Ms Herman is an experienced non-executive director in the financial services, retail, manufacturing and property sectors. Her directorships include Breville Group Limited (since March 2013), Premier Investments Limited (since December 2011), Investec Property Limited (since July 2013), and previously FSA Group Limited (2011–2014) and property advisory firm Urbis (2011–2016). Her executive career in Australia and the USA includes 16 years with the Westpac Group managing major business units in most of its operating divisions. Ms Herman is Chairman of an independent girls' school in Sydney and a director of Sydney Harbour Federation Trust. She also serves on the advisory boards of several community groups



### **Ewoud J Kulk**

BEcon, FAICD  
Non-executive director, age 70

Mr Kulk has been a director of the Company since March 2007 and SGL since December 2010. He is Chairman of AA Insurance Limited (NZ), Chairman of the Risk Committee and a member of the Remuneration Committee. Mr Kulk has over 25 years' experience in the insurance industry. He is a director of the Westmead Millennium Institute, a past member of the NSW Council of the Australian Institute of Company Directors and a past president of the Insurance Council of Australia. Mr Kulk was a director of Promina Group at the date of the merger with Suncorp in 2007. He was Group Director Asia Pacific for Royal & Sun Alliance Insurance Group (1998–2003) and Managing Director of Australian General Insurance Group (1994–1998).



### **Christine F McLoughlin**

BA, LLB (Hons), FAICD  
Non-executive director, age 53

Ms McLoughlin has been a director of the Company and SGL since February 2015. She is Chairman of the Remuneration Committee and a member of the Risk Committee. Ms McLoughlin began her career as a commercial lawyer. She has extensive business experience in Australia, the UK, New Zealand and South East Asia holding senior executive roles in the financial services and telecommunications sectors. Her current listed directorships include nib Holdings Ltd (since March 2011), Whitehaven Coal Limited (since May 2012) and Spark Infrastructure RE Limited (since October 2014). She is Chairman of Stadium Australia, a member of the Minter Ellison Advisory Council and a member of the Australian Securities and Investments Commission's Director Advisory Panel.



### **Dr Douglas F McTaggart**

BEcon (Hons), MA, PhD, DUniv, FAICD, SF Fin  
Non-executive director, age 63

Dr McTaggart has been a director of the Company and SGL since April 2012. He is Chairman of the Audit Committee and a member of the Remuneration Committee. Dr McTaggart has extensive experience in financial markets, having been Chief Executive of QIC Limited (1998–2012). Prior to QIC, he was Under Treasurer and Under Secretary of the Queensland Department of Treasury and had a distinguished academic career. He is currently Chairman of Spark Infrastructure RE Limited (since May 2016), the QIMR Berghofer Medical Research Institute Council and Suncentral Maroochydore Pty Ltd. He serves on the Queensland Council of the Australian Institute of Company Directors, the Australian National University Council and the Land Account Expert Advisory Panel to the Indigenous Land Corporation. He was a director of UGL Limited (2012–2015) and Telesso Technologies Limited (2007–2012). Dr McTaggart is a former chairman of corporate consultancy Galibier Partners and has served in various expert advisory roles to government and on several industry representative bodies.



### **Geoffrey T Ricketts CNZM**

LLB (Hons), LLD (Honoris Causa), FInstD  
Non-executive director, age 70

Mr Ricketts has been a director of the Company since March 2007 and SGL since December 2010. He is Chairman of Vero Insurance New Zealand Limited, and a member of the Audit Committee. He is also Chairman of Todd Corporation Limited (NZ) and Heartland New Zealand Limited (having been a director of Heartland since 2011). He is a director of Shopping Centres Australasia Property Group Trustee NZ Limited and the Centre for Independent Studies Limited. He has extensive experience in New Zealand and Australia, having been a commercial lawyer and a partner at Russell McVeagh Solicitors (NZ) for over 25 years. Mr Ricketts was a director of Promina Group at the date of the merger with Suncorp in 2007. He was formerly Chairman of Royal & Sun Alliance's New Zealand operations having been a non-executive director for over 10 years.

### **Patrick J R Snowball**

MA, Hon. LL.D, age 66  
Former Managing Director and Group CEO  
Appointed 1 September 2009, resigned 30 September 2015

## 2. DIRECTORS' MEETINGS

Suncorp Group Limited, 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**. The directors of SGL are also directors of the Company.

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each director (or former director) of the Company during the financial year ended 30 June 2016 are set out in the table below.

	Board of Directors		Audit Committee		Risk Committee		Remuneration Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B
<b>Dr Z E Switkowski AO</b>	11	11	5	5	5	5	6	6	2	2
<b>M A Cameron<sup>1</sup></b>	11	11	3	3	3	3	4	4	1	1
<b>W J Bartlett</b>	11	11	5	5	5	5	6	6	2	2
<b>A E Exel AO</b>	11	11	-	-	5	4	-	-	2	2
<b>S Herman</b>	8	8	2	2	-	-	-	-	1	1
<b>E J Kulk</b>	11	11	-	-	5	5	6	5	2	2
<b>C F McLoughlin</b>	11	11	-	-	5	5	6	6	2	2
<b>Dr D F McTaggart</b>	11	11	5	5	-	-	3	3	2	2
<b>G T Ricketts CNZM</b>	11	11	5	5	-	-	-	-	2	2
<b>P J R Snowball<sup>1</sup></b>	3	3	2	1	2	2	2	1	-	-

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> The Managing Director attends Audit Committee, Risk Committee and Remuneration Committee meetings at the invitation of those committees. There are no management representatives appointed as members of any board committee.

## 2015/16 CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement (**Statement**) for Suncorp Group Limited (**Suncorp**) reports on Suncorp Group's corporate governance policies and practices, and highlights where related governance documents and other information are located on the Suncorp Group website. The Statement has been approved by the Suncorp Group Board of Directors (the **Board**) and the representations made are accurate as at 4 August 2016.

Suncorp Group complies with the *Corporations Act 2001* and the Australian Securities Exchange's Listing Rules. As an entity regulated by the Australian Prudential Regulation Authority (**APRA**), the Company also complies with the governance requirements prescribed by APRA under Prudential Standard CPS 510 *Governance*.

Throughout the reporting period, Suncorp Group's governance arrangements have been consistent with the third edition of the ASX Corporate Governance Council's (**ASXCGC**) *Corporate Governance Principles and Recommendations*.

### 2015/16

#### Key areas of focus and achievements

- › New operating model announced and refreshed strategy introduced to allow the business to better meet the needs of customers and build a more resilient organisation. The new operating model will drive future profitability by giving customers an enhanced experience where they can access a range of products and services, experiences and innovations.
- › Further innovation with the establishment of a dedicated Technology, Data and Labs function to lead Suncorp's business intelligence and technology strategy.
- › Further articulating Suncorp's organisational culture, recognising the core dimensions that underpin the overall culture: Customer Culture, Risk Culture and Performance Culture.
- › Achievements ahead of target within Suncorp's diversity and inclusion strategy included more women being appointed to senior leadership roles:
  - › Suncorp is on track to achieve its target of having 40% of senior leadership positions held by women by June 2017, with 38% of these roles held by women at the end of June 2016.
  - › In October 2015, Ms Sally Herman joined the Board as a non-executive director meaning the Board achieved its stated diversity objective of 33% of directors being women – up from 22% in 2015.
- › In March 2016, the Risk and Legal functions were combined. The Risk function will continue to maintain its independence and play an important role in challenging and overseeing the risks taken across Suncorp Group. The role of Chief People Experience Officer was also expanded with accountability for human resources, partnering, real estate and learning.
- › Ms Sarah Harland's appointment as Chief Information Officer takes effect on 1 September 2016.

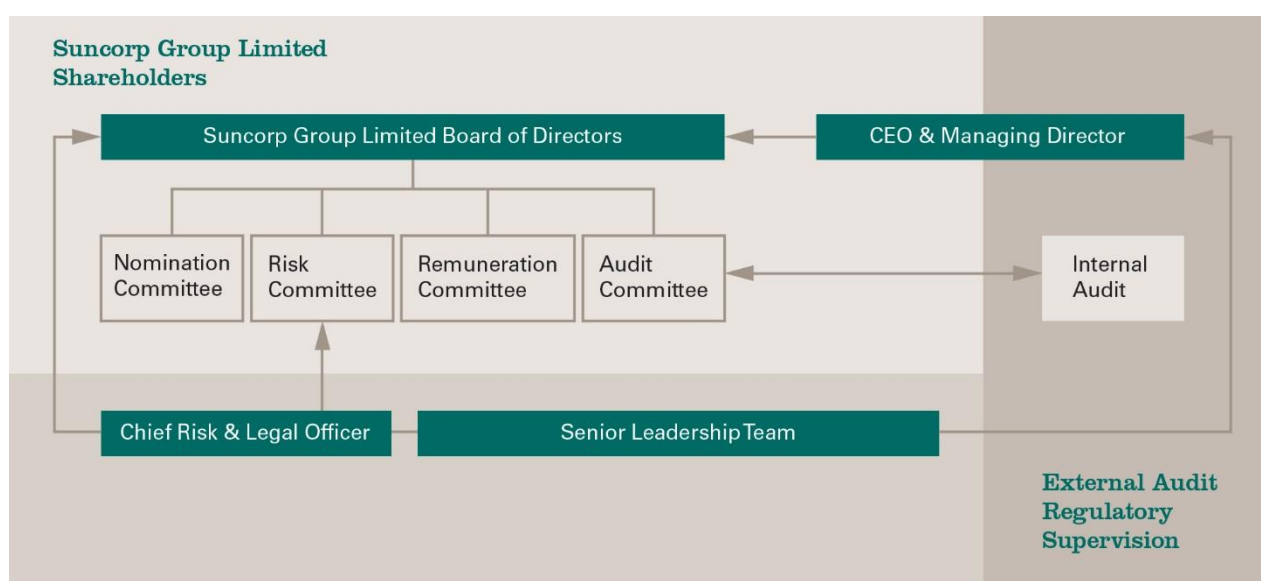
Suncorp Group includes leading general insurance, banking, life insurance and superannuation brands in Australia and New Zealand. The Group has approximately 13,500 employees and relationships with up to nine million customers. Suncorp Group Limited ranks in the top 20 companies in the S&P/ASX 100 Index. Suncorp Bank is a licensed Australian bank. The licensed general insurer is AAI Limited, and the licensed life insurer is Suncorp Life & Superannuation Limited.

## 1. SUNCORP GROUP GOVERNANCE FRAMEWORK AND OPERATING MODEL

The Board believes high standards of corporate governance are essential for sustaining long-term company and share price performance and creating value for shareholders.

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

The Board and its committees regularly review the Group's governance framework and associated practices to ensure they keep pace with regulatory change. The Board and committee charters are regularly reviewed to ensure consistency and accuracy.

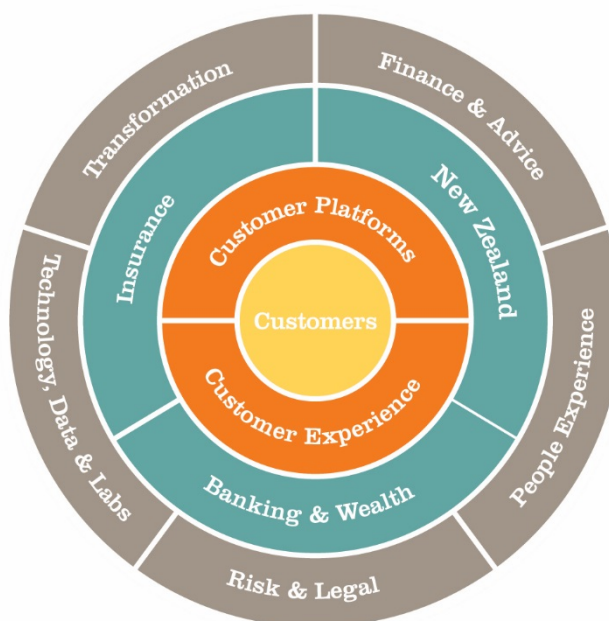


### 1.1 OPERATING MODEL

The new operating model puts the customer at the centre of everything Suncorp does and is structurally and symbolically important in that all customers are to be treated as Group customers, without the distinction of traditional line-of-business domains. The Group's Customer Experience team uses data, insights and forward-looking analytics to inform product innovation and marketing strategies to ensure Suncorp is at the forefront of satisfying evolving customer needs.

The Customer Platforms team creates dynamic and interactive platforms to allow customers to access any product, any brand, via any channel – including a digital marketplace. These customer functions support the Group's business units: Banking & Wealth; Insurance; and Suncorp New Zealand. These three business units are responsible for product design and manufacturing, claims management, delivering industry-leading experiences and end-to-end responsibility for the statutory entities. The organisation continues to be supported by corporate functions across Finance & Advice; Technology, Data & Labs; People Experience; Risk & Legal and Transformation.

## SUNCORP OPERATING MODEL



## 2. SUNCORP GROUP BOARD AND BOARD DELEGATIONS

### 2.1 THE BOARD'S ROLE

The Company's Constitution states that its business and affairs are to be managed under the Board's direction. The Board's role, responsibilities, powers and duties are further detailed in the Board Charter.

The Board is ultimately responsible for the sound and prudent management of the Company, including:

- representing shareholders and policyholders, accounting for performance and delivering long-term value
- approving the strategic direction of the Company
- monitoring and guiding management
- appointing the CEO & Managing Director and determining the CEO & Managing Director's succession
- overseeing effective governance
- ensuring fair treatment for all stakeholders, including the customer, and
- ensuring the Company's long-term financial viability.

The Board directs management in the execution of business objectives, strategies and financial performance. Other than the responsibilities specifically reserved for the Board and its committees in their respective charters, the responsibility for management of day-to-day business activities is delegated to the CEO & Managing Director, Mr Michael Cameron, who is accountable to the Board. The Board and the CEO & Managing Director are supported by the Senior Leadership Team (**Senior Executives**) who report to the CEO & Managing Director.

The Board regularly reviews the Board Charter and the delegation of Board authority to the Group CEO.

## 2.2 BOARD AND MANAGEMENT RESPONSIBILITIES

Specific responsibilities are formally delegated to management by the Board. A summary of the Board's principal responsibilities and the matters delegated to management is summarised in the table below. The Board Charter sets out the principles for how the Board operates and describes the Board's responsibilities and those formally delegated to management. The Board Charter also sets out the key matters to be considered by each main board entity in the Group, including a matrix of regulatory governance matters each entity considers. More information in relation to management of risks is set out in Part 5 and elsewhere in this document.

### Board of Directors Summary of principal responsibilities

#### APPROVE:

- › strategic direction and related targets and objectives
- › annual budgets, dividend policy and dividend payments
- › major operating and capital expenditure and credit facilities in excess of the limits delegated to management
- › determine the CEO & Managing Director's level of authority in respect of operating and capital expenditure and credit facilities and authorise the CEO & Managing Director's further delegation of those authorities to management
- › appointment/removal of the CEO & Managing Director, Company Secretary and Senior Executives
- › Suncorp's incentive structures and the remuneration of the CEO & Managing Director and Senior Executives, including measures of performance and targets
- › CEO & Managing Director and executive succession planning.

#### REVIEW/APPROVE:

- › management proposals regarding acquisitions and divestitures of companies, businesses and functions
- › Suncorp Group capital management policies and plans, having regard to the various liquidity and capital adequacy regulatory requirements applying to Suncorp Group financial and regulatory reporting
- › the Enterprise Risk Management Framework and risk management strategies.

#### MONITOR:

- › Suncorp Group financial performance and Senior Executive performance in implementation and achievement of strategic and business objectives
- › processes whereby business risks are identified and approve systems and controls to manage those risks and monitor compliance
- › corporate governance practices including the environmental impact and compliance with sustainability policies and practices
- › Suncorp's Values to maintain a culture that supports the Group's ability to operate consistently within its risk appetite and deliver fair and balanced outcomes for its stakeholders.

### Management

#### Summary of matters the Board has delegated to management

- › Develop corporate strategies and business plans in consultation with directors and implement the corporate strategies approved by the Board
- › Develop Suncorp's values and operating principles to help ensure appropriate employee behaviours across Suncorp
- › Make recommendations to the Board on significant strategic and business initiatives
- › Develop an annual budget for the Board's consideration and conduct Suncorp Group's business activities within the approved budget limits
- › Make recommendations to the Board or relevant Board committee on appointments to Senior Executive roles
- › Develop and maintain succession plans for senior management roles
- › Set effective and appropriate employee incentive arrangements
- › Lead by example in displaying the right behaviours in all situations
- › Develop and maintain risk management systems and frameworks as approved by the Board or Risk Committee
- › Manage the business in accordance with regulatory and legislative requirements and within Suncorp Group's approved policy and procedures framework.



## 2.3 BOARD COMPOSITION, STRUCTURE AND LETTERS OF APPOINTMENT

### Current directors

The names of the current directors, together with details of their qualifications, term in office and independent status are set out in the table below.

More detailed biographies of directors can be found elsewhere in this document.

Suncorp Group Limited Board of Directors			
NAME OF DIRECTOR	TERM IN OFFICE	QUALIFICATIONS	STATUS
Dr Zygmunt Switowski AO (Board Chairman)	10 years, 11 months	BSc (Hons), PhD, FAICD, FAA, FTSE	Independent
Mr Michael Cameron	4 years, 3 months	F CPA, FCA, FAICD	Non-independent
Mr William Bartlett	13 years, 1 month	FCA, FCPA, FCMA, CA (SA)	Independent
Ms Audette Exel AO	4 years, 1 month	BA, LLB (Hons)	Independent
Ms Sally Herman	9 months	BA, GAICD	Independent
Mr Ewoud Kulk	9 years, 5 months	BEcon, FAICD	Independent
Ms Christine McLoughlin	1 year, 6 months	BA, LLB (Hons), FAICD	Independent
Dr Douglas McTaggart	4 years, 3 months	BEcon (Hons), MA, PhD, DUniv, FAICD, SF Fin	Independent
Mr Geoffrey Ricketts CNZM	9 years, 5 months	LLB (Hons), LLD (Honoris Causa), FlnstD	Independent

The Company's Constitution and Board Charter set out the Board's composition as follows:

- a minimum of five directors and a maximum of 13
- a majority must be independent, non-executive directors.

The Board Charter sets out the quorum for meetings. The composition of the Board is subject to review in a number of ways:

- The Company's Constitution provides that an election of directors must take place each year.
- In addition no director (excluding the CEO & Managing Director), may retain office for more than three years or until the third Annual General Meeting (**AGM**) following the director's appointment, whichever is the longer.
- A director's re-election is not automatic as it is subject to assessment by the Nomination Committee. In a statement accompanying the next AGM Notice, the Board confirms to shareholders whether it supports a retiring director's re-election.
- The Nomination Committee reviews the Board's composition periodically in line with the Board Renewal Policy, either when a vacancy arises, or as part of the Board's ongoing succession planning.
- The Board is committed to a continuing process of Board renewal and performance assessment. The annual Board appraisal includes an assessment of future requirements in relation to the Board's composition and its overall performance. This appraisal process is explained in section 2.12.

Suncorp Group has formal letters of appointment in place with the non-executive directors setting out their appointment terms. Mr Michael Cameron, being the CEO & Managing Director, has an employment contract.

## 2.4 INDEPENDENCE OF THE BOARD AND BOARD CHAIRMAN

The Board Charter stipulates a majority of the Board must be independent, non-executive directors. The Board regularly reviews the independence of each non-executive director and, in June 2016, completed an independence assessment in accordance with the ASXCGC Principles and Recommendations.

A director's interests, position, associations or relationships will be considered relevant when assessing independence if the individual circumstances materially interfere with (or could reasonably be perceived to materially interfere with) a director's ability to exercise independent judgment across certain or all aspects of their role as a director. The Board takes a qualitative approach to assessing materiality and independence on a case-by-case basis by reference to each director's particular circumstances, rather than applying strict quantitative thresholds.

The Board considers all its current directors to be independent, with the exception of Mr Michael Cameron who is the CEO & Managing Director.

- Mr William Bartlett has served as a non-executive director of the parent company of the Group for 13 years. The Board values having an appropriate mix of longer serving directors who know the history of Suncorp Group and considers that Mr Bartlett remains independent.
- The Board Chairman, Dr Zygmunt Switkowski AO, is elected from the independent non-executive directors in accordance with the Board Charter. The Board Chairman plays a pivotal governance role, is the chair of the Nomination Committee and is an ex officio member of all Board Committees. Dr Switkowski will have served as Chairman since 2011, non-executive director since 2010 and director of Suncorp-Metway Limited since 2005. The Board values the Chairman's deep understanding of the Group and considers that Dr Switkowski remains independent.

Further information about Mr Bartlett and Dr Switkowski can be found elsewhere in this document.

Determinations regarding independence do not change any director's obligation to manage a conflict of interest that may arise between carrying out their duties as a director of the Company and their other interests and duties.

## 2.5 DIRECTORS' CONFLICTS OF INTEREST

The *Corporations Act 2001* contains requirements for dealing with directors' conflicts of interest. To ensure the appropriate management of any actual, potential or perceived conflict of interest, the Board has adopted the following procedures:

- A director has a continuing obligation to keep the Board advised of any interest that has arisen that could potentially conflict with those of the Suncorp Group.
- Where a director has an actual, potential or perceived conflict in a matter being considered by the Board, the director will:
  - declare that conflict of interest
  - not receive the relevant Board papers
  - not be present at the meeting when the matter is considered
  - not participate in any decision on the matter

unless the Board Chairman (or if the relevant director is the Board Chairman, either the Board Risk Committee Chairman or the Board Audit Committee Chairman) determines otherwise. However, in the case of a material personal interest, the level of involvement of the relevant director will be determined by the Board (excluding the relevant director).

## 2.6 DIRECTORS' SKILLS AND EXPERIENCE

The Board is committed to ensuring that directors have a collective mix of skills, experience, expertise and diversity (including gender diversity). The Board also strives to retain a balance between long-serving directors with established experience and knowledge of Suncorp Group's business and history, and new directors who bring an external perspective and unique insights.

### Current Board skills profile

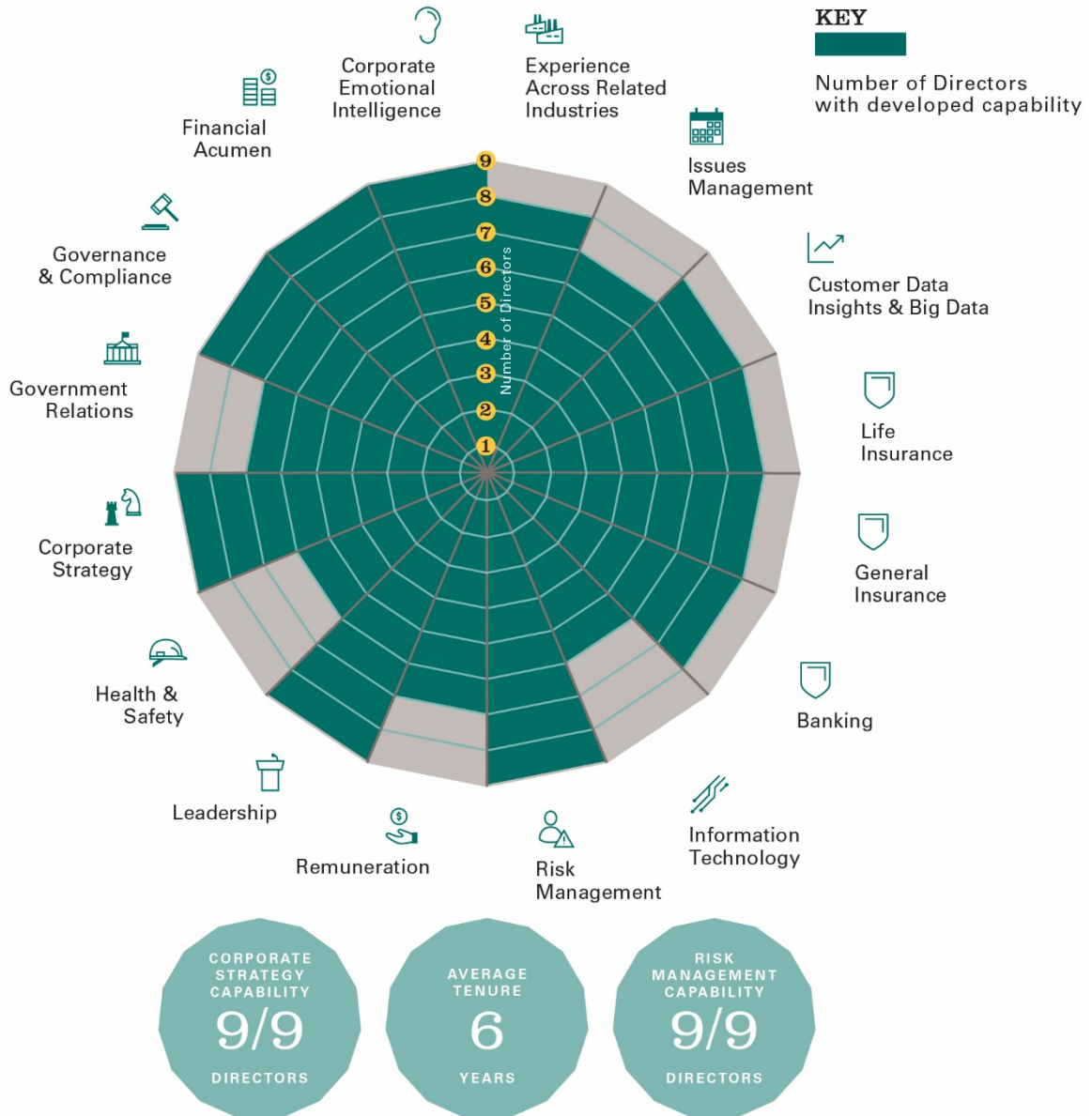
The Board members, including some who are also directors of other ASX-listed companies, have a broad and diverse range of experience and skills across a number of business areas. During 2015/16, the Board identified the key skills, experience and qualities required for the effective management of the business, both then and into the future. These attributes are outlined in the following diagram.



### Board Skills Matrix

These skills, attributes and experience were then incorporated into a Board Skills Matrix that is used to provide targeted learning and development initiatives for directors and when selecting and recruiting new directors to join the Board.

The Board Skills Matrix was introduced in 2014/15, and updated during 2015/16 following a change in the Board's composition. The diagram below demonstrates the number of current directors with a 'developed' level of capability (ie. scoring an average of at least 3 out of 5 for a particular area), meaning that the director has a level of proficiency in that area that can be contributed to the Board by drawing upon the director's previous experience.



## Other skills and experience

The directors' cumulative overseas experience includes New Zealand, China, Japan, Singapore, Vietnam, Malaysia, Thailand, India, South Africa, United States of America, Netherlands, Bermuda and the United Kingdom.

The Board considers its current members have an appropriate mix of skills that enable the Board to discharge its responsibilities and deliver the Company's strategy and corporate objectives. The Board also considers that each director demonstrates the following personal attributes:

- an understanding of and commitment to the highest standards of governance
- honesty and integrity
- sufficient time available to undertake their responsibilities.

## 2.7 DIRECTOR INDUCTION AND EDUCATION

Directors have a duty to perform their statutory obligations and to act in good faith in a way most likely to promote the success of Suncorp Group.

As part of a comprehensive induction program covering Suncorp Group's financial, strategic, operational and risk management position, a new director meets with the Board Chairman, the CEO & Managing Director, Senior Executives and other senior managers to gain valuable insights into relevant operational matters and matters of corporate strategy. These meetings are held soon after a director's appointment.

Ongoing director education is provided through regular management presentations on key functions or activities and site visits to Suncorp operations. Directors are also offered access to external education and professional development training at the Company's expense. KPMG, the external auditor, and industry experts also address the Board from time to time on matters relevant to Suncorp Group's business or its operating environment. Most of the topics are determined in advance, tailored to Suncorp Group and form part of the Board's annual meeting schedule.

To ensure directors remain equally informed on all material matters impacting Suncorp Group's businesses, copies of submissions for Board committee meetings are provided to all directors, and non-executive directors may attend meetings of any Board committee regardless of whether they currently serve on that committee.

## 2.8 BOARD RENEWAL AND SUCCESSION PLANNING

Board renewal and succession planning is an important part of the governance process. The Board regularly reviews and evaluates its succession planning, and the Nomination Committee oversees this process.

Once the Nomination Committee determines a new director is to be appointed, a candidate search is undertaken. This search is based on the Board's specific selection criteria, incorporating the Board Skills Matrix, and is supported by external consultants as required. Candidate searches include extensive background checks on character, education, employment experience, criminal history and bankruptcy to ensure suitability.

The Nomination Committee also recommends directors for re-election to the Board.

Statements on the Board Renewal Policy and factors relevant in making its decisions are set out in the Board Charter.

## 2.9 FIT AND PROPER POLICY

In accordance with APRA's Prudential Standard APS 520 Fit and Proper, the Company maintains a Fit and Proper Policy. This policy is designed to assist in managing the risks associated with the appointment of persons to roles that have a significant impact on the sound and prudent management of Suncorp Group.

Directors are formally assessed against this policy annually and on appointment to confirm that they are of good standing, possess and have maintained the necessary expertise and skills required to fulfil their roles as directors.

## 2.10 MEETINGS OF THE BOARD

The Board generally holds monthly meetings to consider matters relevant to Suncorp Group's operations and performance, with additional Board meetings held as required throughout the year.

At least twice a year the Board meets with the Senior Executives to consider matters of strategic importance. Senior Executives are also invited to attend directors' meetings where matters relevant to their respective function are considered. In addition, Senior Executives of each function are invited to present a 'function-in-focus' session to the Board on an annual basis. Immediately following each meeting of directors, the non-executive directors meet without the executive director or any other management representatives present.

The Board held 11 meetings in 2015/16 and two strategic planning sessions. Details of directors' attendance at those meetings are disclosed elsewhere in this document.

## 2.11 DIRECTORS' ACCESS TO INFORMATION AND INDEPENDENT ADVICE

Directors have unrestricted access to internal records and to senior management, and receive regular financial and operational reports. Each director has entered into a deed that provides for access to documents, in certain circumstances, following their retirement as a director.

Directors are entitled, with the approval of the Board Chairman, to obtain independent professional advice relating to their role as a director, at the Company's expense. A copy of any advice received by a director is made available to all other Board members except where the circumstances would make that inappropriate.

## 2.12 BOARD APPRAISAL

A performance appraisal of the Board and its committees is conducted annually. Periodically, an independent consultant is engaged to facilitate the process. The Board Chairman conducts appraisals in the years where an independent consultant is not engaged.

Generally, the same methodology applies to both types of appraisals:

- Directors assess the Board's and its committees' effectiveness in meeting the requirements of their charters (for example, by interviewing the directors or through the completion of questionnaires).
- The contributions of individual directors are assessed.
- The Board Chairman may meet further with individual directors.
- Performance assessments are summarised in a report for the Board and Board Chairman as appropriate.
- Senior Executives may be asked to provide feedback on the Board's performance.

The Board as a whole then discusses and considers the report and agrees any recommendations as necessary. When the external consultant facilitates, the results may also be benchmarked against other companies.

During 2015/16 a performance appraisal of the Board and its committees was conducted and a summary of the findings was provided to the Chairman for discussion with the Board.

## 2.13 MINIMUM SHAREHOLDING REQUIREMENT

Directors and Senior Executives are subject to a minimum shareholding requirement. More information on the minimum shareholding requirements is included in the Remuneration Report.

## 2.14 BOARD COMMITTEES

The Board has established a Nomination Committee, Remuneration Committee, Risk Committee and an Audit Committee. Each committee’s charter sets out its role, responsibilities, composition and structure.

### Composition and responsibilities of Board Committees

Details of the current membership, composition and responsibilities of each Board committee are set out in the table below.

Suncorp Group Limited Board of Directors		
<p><b>Nomination Committee</b> All non-executive directors. The Board Chairman is Chair of the Nomination Committee.</p>	<p><b>Audit Committee</b> Dr D McTaggart (Chair), Mr W Bartlett, Ms S Herman, Mr G Ricketts (non-executive directors). The Board Chairman is an ex officio member.</p>	<p><b>Risk Committee</b> Mr E Kulk (Chair), Mr W Bartlett, Ms A Exel AO, Ms C McLoughlin (non-executive directors). The Board Chairman is an ex officio member.</p>
<p>The Nomination Committee is responsible for making recommendations to the Board on:</p> <ul style="list-style-type: none"> <li>› Board composition</li> <li>› Board renewal and succession planning</li> <li>› the appointment and re-appointment of directors</li> <li>› appointments to Board committees</li> <li>› the Board, and individual director and committee performance evaluation process</li> </ul>	<p>The Audit Committee assists the Board in fulfilling its statutory and fiduciary responsibilities with respect to oversight of Suncorp Group’s financial and operational control environment. Specific issues addressed by the Audit Committee throughout the year, in accordance with its charter, included:</p> <ul style="list-style-type: none"> <li>› reviewing statutory reports and returns for lodgement with APRA</li> <li>› reviewing half-year and annual financial statements and reports prior to consideration by the Board</li> <li>› reviewing and assessing reports from management, the Appointed Actuary (general insurance) and the Appointed Actuary (life insurance), the Reviewing Actuary and the external auditors in relation to matters impacting on the half-year and annual financial statements</li> <li>› audit planning – reviewing and approving audit plans as submitted by both internal and external auditors and agreeing areas of audit emphasis and audit approach</li> <li>› reviewing the provision of non-audit services by the external auditor to assess whether there is any potential impact on the auditor’s independence</li> <li>› reviewing internal and external audit reports and where weaknesses in controls or procedures have been identified, assessing whether remedial action taken by management is adequate and appropriate.</li> </ul> <p>The CEO &amp; Managing Director, Chief Financial Officer (CFO), the Chief Risk and Legal Officer (CRLO) and the internal and external auditor are invited to meetings. The Audit Committee also holds discussions with the auditors in the absence of management on a regular basis.</p>	<p>The Risk Committee provides the Board with oversight across the Suncorp Group for all categories of risk, through the identification, assessment and management of risk and monitoring adherence to internal risk management policies and procedures. Specific issues addressed and activities undertaken by the Risk Committee throughout the year, in accordance with its charter, included:</p> <ul style="list-style-type: none"> <li>› review and recommend for Board approval the Enterprise Risk Management Framework</li> <li>› review and recommend the Suncorp Group’s risk appetite</li> <li>› review Group and business function risk reports and assess performance against risk appetite</li> <li>› review and approve stress test scenarios</li> <li>› oversight of the risk appetite, business planning and capital management development process</li> <li>› review and approve Suncorp Group policy framework and policy suite</li> <li>› review and recommend risk management strategies and reinsurance management strategies as required by APRA.</li> </ul> <p>The CEO &amp; Managing Director, the CFO and the CRLO are invited to meetings.</p>
<p><b>Remuneration Committee</b> Ms C McLoughlin (Chair), Mr W Bartlett, Mr E Kulk, Dr D McTaggart (non-executive directors). The Board Chairman is an ex officio member.</p>		
<p>The Remuneration Committee is responsible for making recommendations to the Board on:</p> <ul style="list-style-type: none"> <li>› the individual remuneration arrangements of the CEO &amp; Managing Director, executives and person(s) or category of persons that may be specified by APRA</li> <li>› the size of the annual bonus/incentive pools</li> <li>› the remuneration of non-executive directors</li> <li>› the remuneration structure of the categories of persons covered by the Company’s remuneration policy.</li> </ul>		

The Board appoints other sub-committees from time to time to deal with projects relating to the conduct of Suncorp Group's various activities. The Board committees play a crucial part in the governance framework.

The Board regularly reviews and approves the committee charters, chairmanship and membership.

The Board receives the committee minutes and an update from the Chair of each committee on an ongoing basis.

The number of committee meetings held during the year and details of directors' attendance at those meetings are disclosed elsewhere in this document.

### 3. SENIOR EXECUTIVES

The Board and the CEO & Managing Director are supported by the Senior Executives (who report to the CEO & Managing Director). The Senior Executives as at 4 August 2016 are listed below.



#### 3.1 COMPANY SECRETARY

Details of the Company Secretaries during the financial year to 30 June 2016 and as at the date of this report are set out below.

Ms Anna Lenahan BA (Hons), MA (Psych) (Hons), LLB (Hons) was appointed Chief Risk and Legal Officer (**CRLO**) in March 2016, and has been Company Secretary since joining Suncorp in March 2011 as Executive General Manager Group General Counsel and Company Secretary.

Mr Darren Solomon LLB was appointed Company Secretary in 2010. Mr Solomon commenced with the Group in 1989 as a senior lawyer in the Group's legal department before moving to the Company Secretariat team in 2006. Mr Solomon's Group role is Head of Company Secretariat.

Ms Kristy Huxtable FGIA, MAICD, MBA, Grad Dip (GIA), Grad Dip (HR) was appointed Company Secretary on 1 August 2016 and has been with the Company since January 2014 in the Company Secretariat team. Ms Huxtable has extensive corporate governance and secretarial experience within 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.



### 3.2 SENIOR EXECUTIVE INDUCTION AND EDUCATION PROCESSES

When a Senior Executive is appointed, information and training is provided on Suncorp Group's key policies, practices and procedures, as well as information relevant to the role they will be performing and the management and business structure within which they will be operating.

Senior Executives, whether new to the Group or an existing employee, are expected to have the qualifications and industry experience necessary to perform properly the particular duties and responsibilities of their role, and to maintain those qualifications and expertise while they remain in that role. This is also a requirement under APRA's Prudential Standards which apply to all of the Group's major operating entities.

Senior Executives and other senior managers are formally assessed under the Fit and Proper Policy annually and on appointment to confirm that they are of good standing, and possess and have maintained the necessary expertise and skills required to fulfil their role within the Group.

The Suncorp Group supports Senior Executives and other employees in maintaining and enhancing their industry and business knowledge and expertise, and associated professional qualifications.

### 3.3 EVALUATION OF SENIOR EXECUTIVES

A scorecard system is used to establish performance measures and monitor the performance of executives (including the CEO & Managing Director, Senior Executives and other senior managers) against those measures.

The performance measures contained in the scorecards are a mixture of financial and non-financial indicators and risk-related measures that align with the Suncorp Group and business plans approved by the Board. The measures also reflect the individual executive's overall accountabilities and responsibilities.

The performance management system also requires leaders to balance the scorecard result with the manner in which the results were obtained, as the overall performance of each Senior Executive is assessed having regard to the corporate values and the general manner in which the Senior Executive positively supports Suncorp's culture.

At the end of the financial year, the CEO & Managing Director conducts an assessment of each Senior Executive's performance, relative to the scorecard measures and peer group performance, in the context of industry and market conditions. Those assessments are submitted to the Remuneration Committee for review prior to submission to the Board as part of the annual remuneration review process.

The Senior Executive performance assessments for the financial year ended 30 June 2016 were conducted in accordance with the arrangements described above.

The CEO & Managing Director's performance is subject to Board assessment at the end of the financial year. The Board Chairman then communicates the review outcomes, as agreed by the Board, to the CEO & Managing Director.

## 4. REMUNERATION GOVERNANCE

Suncorp Group is committed to a fair and responsible executive remuneration framework. Executives are remunerated in a way that reflects their performance in relation to the delivery of corporate strategy and superior financial performance.

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policy and governance, including executive remuneration arrangements. The Committee consults experts and investors on the appropriateness of Suncorp Group's remuneration arrangements. The Committee Chair and the Chief People Experience Officer also meet with a number of institutional shareholders during each financial year to discuss the remuneration framework, strategy and policy and to seek feedback on the Remuneration Report.

A summary of the key responsibilities of the Remuneration Committee is set out in section 2.14. The Committee met six times during 2015/16.

The annual Remuneration Report explains the Remuneration Policy and structures in place for Suncorp key management personnel, along with full details of their benefits and interests. It also clearly discloses the processes for evaluating the performance of the CEO & Managing Director and Senior Executives and the results of those evaluations, short and long-term incentive structure, deferral and clawback provisions, and the variability of long-term incentives (**LTI**) from year to year depending on vesting conditions related to the LTI performance measure (which is relative Total Shareholder Return).

## 5. RISK MANAGEMENT AT SUNCORP

Managing risk is a key contributor to Suncorp Group's success.

The Board and management recognise that an effective system of risk management plays a critical role in the setting and achievement of Group objectives. Suncorp has systems, structures, policies, processes and people in place to identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk.

Effective risk management at Suncorp is driven by:

- a risk management framework where the business takes accountability for risk management and owns its risk decisions
- an independent risk management function that advises and challenges the business in its risk taking
- monitoring of the Group's risk maturity and targeted actions to continually lift risk management capability
- including risk management outcomes in the assessment of performance
- a robust 'risk appetite' that is aligned to the Suncorp strategy and sets out the nature and degree of risk the Board is willing to accept in pursuit of the Suncorp Group's business objectives.

During 2015/16, Suncorp announced a new operating model to deliver its customer strategy and drive future profitability and growth. As part of the new operating model, the Risk and Legal functions have been combined. The Risk function, in particular, will continue to maintain its independence and will play an important role in challenging and oversighting the risks taken across Suncorp.

It is recognised that risk culture is a core component of Suncorp's overall culture. Suncorp's culture is further explained in section 6.1.

Further information about Suncorp's Risk Management approach can be found in the 2015/16 Directors' Report and Financial Statements and elsewhere in this document.

### 5.1 SUNCORP GROUP ENTERPRISE RISK MANAGEMENT FRAMEWORK (ERMF)

The Suncorp Group operates within an Enterprise Risk Management Framework (**ERMF**). The ERMF lays the foundation for all risk management and demonstrates Suncorp's commitment to effective risk management as a key element of business success. The ERMF will continue to evolve with Suncorp's strategy and operating environment.

The three lines of defence operating model of risk management accountability has been adopted to set the clear expectation that all employees within the Group are responsible for risk management. As the foundation for risk management, the ERMF:

- links risk appetite to strategic business and capital plans
- supports a risk-aware culture
- sets out accountabilities and governance arrangements for the management of risk within the three lines of defence model

- establishes processes to identify and manage risk on an ongoing basis
- enhances business risk-based decision-making.

At a management level, risk management committees with executive representation form an important part of the risk accountabilities model, bringing together key subject matter experts to monitor and oversee elements of the ERMF.

The ERMF was reviewed in 2015/16, including by the external and internal audit teams to satisfy the Board that it continues to be sound. Internal Audit independently tests and verifies the efficacy of risk standards and compliance, validates the overall risk framework and provides assurance it is functioning as designed. Internal Audit provides written reports to both the Audit and the Risk Committees. (Refer also to section 9.2.)

The three lines of defence operating model of risk management accountability has been adopted to set the clear expectation that all employees are responsible for risk management.

During 2016/17, the ERMF will be reviewed as part of Suncorp's new operating model and its enhanced risk maturity. This review will include the incorporation of the previously separate Operational Risk Management Framework as part of the ERMF.

## 5.2 RISK COMMITTEE – COMPRISES INDEPENDENT BOARD MEMBERS

The Risk Committee is responsible for providing the Board with oversight of all categories of risk across Suncorp and receives written reports from management on the status of risk appetite, the Group's current and emerging risk profile and the effectiveness of the risk framework in operation.

The Risk Committee, which met five times during 2015/16:

- consists of five independent non-executive directors including the Board Chairman, Dr Zygmunt Switkowski AO, as an ex officio member
- is chaired by Mr Ewoud Kulk, an independent non-executive director with extensive experience in insurance and risk management
- has Ms Christine McLoughlin, Mr William Bartlett, and Ms Audette Exel AO among its members, all of whom have an extensive understanding of risk management.

The Risk Committee undertook a review of the ERMF during 2015/16 and takes primary responsibility for ensuring the Board-approved ERMF constitutes an appropriate and effective framework for risk management. The Committee reviews the ERMF annually and endorses it for Board approval, and also ensures that the supporting policies, internal controls and processes are sound and working as intended. Significant changes to the ERMF, risk appetite, and risk management policies are also endorsed or approved by the Committee.

A summary of the Risk Committee's key responsibilities is set out in section 2.14.

## 6. ORGANISATIONAL CULTURE AND GOVERNANCE POLICIES OF GENERAL APPLICATION THROUGHOUT SUNCORP

### 6.1 CULTURE

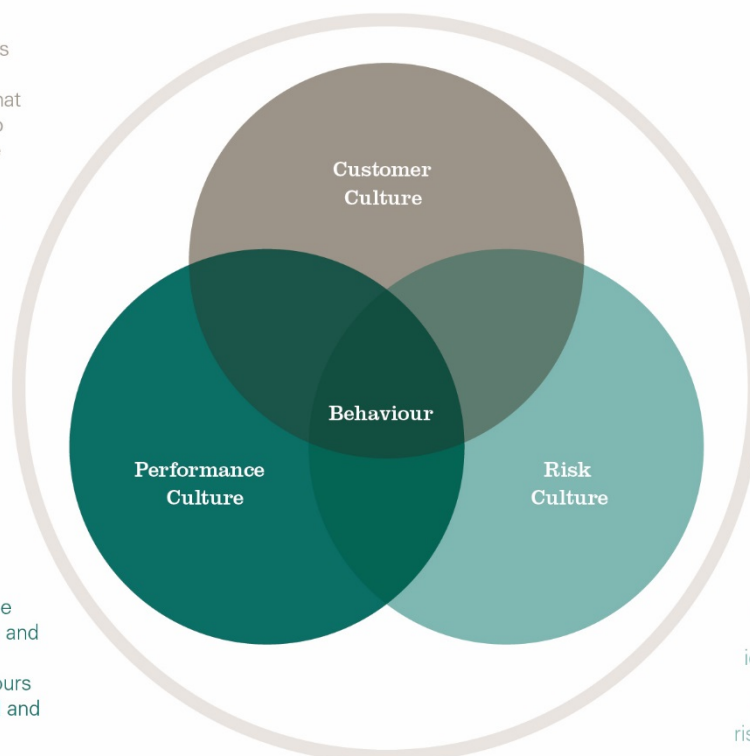
Suncorp's culture is the aggregation of observed behaviours across all employees, driven by the values, beliefs, symbols and systems.

It is recognised that Suncorp's overall culture is underpinned by three core elements: Customer Culture, Risk Culture and Performance Culture (refer to the diagram following).

## Culture

Suncorp's culture is the aggregation of observed behaviours across all employees, driven by the values, beliefs, symbols and systems.

Customer centric culture is the set of symbols, systems and processes that empower all our people to put their customers at the heart of every decision. Our customer culture is critical at all stages of the customer life cycle, including claims management.



Performance culture is the set of symbols, practices and policies that help people understand what behaviours and outcomes are valued and rewarded at Suncorp.

Risk culture is the set of acceptable norms and behaviours that determine the collective ability to identify, understand, openly discuss and manage the Group's current and future risks within our risk appetite.

Collectively, the alignment of these three cultural dimensions shapes the behaviour of our employees and maximises the outcomes for our customers and shareholders (as well as our employees).

The Board and senior management recognise the importance of a positive culture (and risk culture), as well as the aspects that are critical in shaping and maintaining a positive culture, including:

- the alignment between Suncorp's strategy, values and principles
- the role played by the Board, senior management and all leaders in modelling appropriate behaviours
- clear accountabilities between the Board, senior management, leaders and all employees
- the alignment between the desired culture and Suncorp's recruitment, induction, training, and reward and recognition structures
- regularly checking on the health of Suncorp's culture through enhanced metrics and other feedback mechanisms, such as engagement surveys.

## 6.2 CODE OF CONDUCT AND RELATED POLICIES

The Code of Conduct outlines the desired culture and standards of behaviour expected of the Board, Senior Managers and all leaders and employees.

Building and maintaining a customer-centric workforce is essential to the successful implementation of the Group's new customer-aligned operating model and delivery of the refreshed strategy – a workforce that aspires to deliver excellent customer and business value through innovation. In addition, infrastructure, policies and procedures must continue to promote an environment which delivers outcomes and creates sustainable value for customers and shareholders.

Engagement with customers extends to joint venture partners and other industry groups that represent Suncorp customers and have an interest in the quality and development of Suncorp products and services. Suncorp's strategy of elevating the customer requires alignment across the total workforce, including our strategic partners.

As the elevation of the customer evolves, strategic partnering decisions will continue to take into account the impact of the customer experience and the ability to deliver value to the customer.

The Group's main business activities are also subject to a number of industry codes such as the General Insurance Code of Practice and the Banking Code of Conduct.

A number of additional internal policies are in place as part of a compliance framework to monitor and encourage adherence with the Code of Conduct and industry codes. The key related policies are the:

- Conflicts of Interest Policy
- Whistleblower Policy
- Securities Trading Policy.

The Company monitors compliance with the Code of Conduct and its various other policies using an internal due diligence system.

### 6.3 DEALINGS IN COMPANY SECURITIES

The Board has adopted a Securities Trading Policy that prohibits directors and all employees from trading in Suncorp securities at any time while in possession of price-sensitive information. As part of this policy, directors must not enter into a transaction that is designed to limit the economic risk of a holding in unvested Suncorp securities (i.e. a hedging transaction).

In addition, directors and prescribed persons are prohibited from trading in Suncorp securities at certain times surrounding the release of the Company's half-year and annual financial results to the ASX and the date of the AGM.

Approval to trade is coordinated by the Company Secretary who is also responsible for reporting all transactions by directors and prescribed persons to the Suncorp Board in a timely manner.

### 6.4 INFORMATION TECHNOLOGY GOVERNANCE

Suncorp relies on its information technology platforms to:

- support the business activities
- provide reliable, secure and innovative technology solutions that meet regulatory standards yet are agile enough to adapt to changing business requirements and provide efficient connectivity for customers.

The newly-established Technology, Data and Labs function (**TDL**) leads the business intelligence and technology strategy and includes all data and analytics, digital enablement, cloud and infrastructure and security services. The establishment of the dedicated TDL function recognises that digital, innovation and business agility are central to driving growth and competing in an environment where technology is increasingly being used as a key point of differentiation.

TDL has simplified the core back-end systems through the Simplification and Optimisation programs and is now positioned to shift its focus towards enabling a customer-centric marketplace strategy. TDL's technology teams manage Suncorp's technology infrastructure and applications; physical and cyber security; and the Agile and Lean centres of excellence. TDL also leads Suncorp's project delivery which is focused on simplifying systems and digitally connecting customers.

Suncorp seeks to manage its operational risks by putting in place clear procedures and automating activities, and by following its risk management framework and policies. The Group is subject to operational risks and losses resulting from inadequate or failed internal processes, people and systems, or from external events. The nature of Suncorp's business exposes it to cyber security risks. Suncorp seeks to reduce such risks by investing in its people and underlying infrastructure, maintaining an understanding of trends in technology and cyber security, and entering into strategic relationships with specialist technology providers. The infrastructure and operations are subject to regulatory oversight and reporting, and Suncorp has backup recovery infrastructure and processes to reduce the impact from disruptions.

The Chief Data Office is responsible for enterprise and customer analytics while leading the Group's business intelligence transformation. This is driving a shift to predictive data interpretation that delivers richer customer insights.

Maintaining momentum in extracting value from Suncorp's assets including data, systems and people, will deliver deeper customer insights and aid better and faster business decisions. Suncorp will focus on continual improvement in digital capability, seeking new ways to create innovative solutions and value for customers.

In May 2016 Suncorp announced the appointment of Ms Sarah Harland to the role of Chief Information Officer in charge of the TDL function, effective 1 September 2016.

## 7. DIVERSITY, INCLUSION AND FLEXIBILITY

Suncorp believes that it can only unleash the innovation, collaboration and customer focus required to execute its strategy if it increases the diversity of its workforce and creates a more inclusive workplace which enables every member of its workforce to perform at their best. Suncorp's approach to diversity and inclusion provides a platform to 'Create a better today' for all our stakeholders, including employees and customers.

Suncorp's policy on diversity is contained within its Equal Employment Opportunity and Diversity Policy.

### 7.1 GENDER EQUALITY

As an Employer of Choice for gender equality, Suncorp recognises that a balanced representation of women and men at all organisational levels is critical to its success. Suncorp believes that a gender-balanced workforce will allow it to achieve a better understanding of how it can deliver value to customers thereby increasing shareholder returns, and creating an environment where its people can realise their true potential.

This commitment is reflected in Suncorp's progress towards its gender diversity goals – Suncorp is on track to achieve its target of having 40% of senior leadership positions held by women by June 2017, with 38% of these roles held by women at the end of June 2016. One third (33%) of the Suncorp Board are women, which equals the target we set ourselves to achieve by FY17.

As at 30 June 2016, the proportion of women the Suncorp Group employed was:

Group	FY16 Actual % of Women	FY17 target
Directors	33%	33%
Senior Leaders <sup>1</sup>	38%	40%
All Leaders <sup>2</sup>	47%	-
<b>Total workforce</b>	<b>58%</b>	-

<sup>1</sup> Senior Leaders refers to senior management roles at Suncorp. It includes the CEO & Managing Director, Group Executives, Executive General Managers and Executive Managers together with a small number of other senior roles of influence.

<sup>2</sup> All Leaders refers to Senior Leaders plus all other People Leader roles across the Group.

In its ongoing effort to reduce barriers for women in the workplace, Suncorp offers programs to help high-performing female talent expand their leadership skills, reach their potential and drive their career forward. It also offers a Buddy Program that supports women transitioning to and from the workplace before, during and after parental leave. Of Suncorp's female employees, 91% return to work from parental leave and remain with Suncorp for at least 12 months.

Suncorp also acknowledges that domestic violence is a significant issue in our society and therefore one which will inevitably impact some employees, either directly or indirectly. To provide information and support employees who are targets of or are impacted by domestic violence, during the year Suncorp issued a Domestic Violence Guideline. The guideline also provides leaders with information to support employees during this time.

Suncorp has complied with its reporting obligations under the *Workplace Gender Equality Act 2012* and continues to be recognised as an employer of choice for gender equality.

## 7.2 FLEXIBILITY

Providing flexible working arrangements is a key area of focus for Suncorp. Suncorp recognises the role that such arrangements play in attracting and retaining a talented and diverse workforce. Suncorp offers an extensive range of flexible working provisions and these are stated in its 2015 Enterprise Agreement.

Suncorp continues to look for opportunities to help its people to better manage their lifestyle options, including the continued growth of 'work at home' working arrangements; 79% of Suncorp people take advantage of flexible working options.

## 7.3 MATURE AGE

Suncorp recognises that mature age employees also add to the diversity mix of the workforce. A great deal of corporate knowledge and experience rests with employees over the age of 55 and Suncorp is taking steps to support such employees who wish to continue their careers in Suncorp. Over 300 employees have attended workshops, which provide information and tools to support them into the next phase of their career. A case study of Suncorp's mature age program was featured in the 2016 Australian Human Rights Commission National Inquiry into Employment Discrimination against Older Australians and Australians with Disability.

## 7.4 LEADERSHIP, GOVERNANCE AND STRATEGY

To help build a diverse and inclusive culture Suncorp is currently implementing a 3-year Diversity and Inclusion Plan. The plan builds on work to date and focuses on further increasing workforce flexibility and diversity of thought and continuing to build a more inclusive environment.

Diversity, inclusion and flexibility at Suncorp have the highest level of commitment and support. The CEO & Managing Director chairs the Diversity Council which has the following remit:

- Oversee implementation of the Diversity and Inclusion Plan.
- Make recommendations to the Senior Leadership Team.
- Track progress against objectives and initiatives.
- Promote and champion diversity and inclusion.

The Diversity Council meets quarterly and the Senior Leadership Team reviews and discusses progress against key diversity measures monthly. The Suncorp Board receives quarterly reporting on key diversity measures and has a deeper dive into diversity annually.

Building a more diverse, inclusive and flexible workforce is part of everyone's role. Leaders at Suncorp are expected to take practical steps to increase the diversity of the workforce, the inclusivity of the workplace and the extension of flexible working arrangements. Their performance in this respect is reviewed in their annual performance reviews.

Leaders across Suncorp are offered training to recognise and address unconscious bias and in leading diverse and dispersed teams.

In recognition of its diversity and inclusion work, Suncorp has been externally recognised in the following recent awards:

- Employer of Choice for Gender Equality – WGEA 2015 and 2014
- Winner, Best Workplace Flexibility Program – Australian HR Awards 2015
- Finalist, Employer of the Year – ANZIF Women’s Council 2014
- Finalist, Gender Equity in the Workplace – Australian HR Awards 2014.

## 8. MARKET DISCLOSURE AND COMMUNICATIONS

Suncorp aims to keep the market, analysts, investors and shareholders fully informed of its financial performance and strategy.

### 8.1 CONTINUOUS DISCLOSURE

The Company has a Disclosure Policy and associated procedures which:

- regulate the communication of market sensitive information
- outline the processes for ensuring material information is not disclosed on a selective basis
- set out the Group's processes to ensure compliance with its continuous disclosure obligations.

The Disclosure Policy summarises the processes that have been adopted to ensure Suncorp Group complies with its continuous disclosure obligations. The Disclosure Policy applies to all Suncorp directors, officers, employees, contractors, advisers and consultants.

A Corporate Disclosure Officer is responsible for ensuring compliance with ASX continuous disclosure requirements, and for coordinating disclosure of information to the ASX, analysts, investors, shareholders, the media and the public. The Disclosure Committee comprised of the CEO & Managing Director, the Chief Financial Officer (**CFO**), the CRLO and the Head of Investor Relations assists the Corporate Disclosure Officer in making disclosure-related decisions.

### 8.2 MEDIA RELATIONS POLICY

The Suncorp Group Media Relations Policy, which supplements the Disclosure Policy, outlines procedures for managing the disciplined release of information and responses to the media and other external parties. The key policy objectives are to portray Suncorp and its brands, products and services in a balanced way.

Employees may not make comment to the media or to other external parties on any aspect of the business unless they are authorised to comment. Media releases and participation in major public forums (e.g. presentations at significant conferences) must be approved in advance by Suncorp Corporate Affairs.

### 8.3 MAINTAINING RELATIONSHIPS WITH KEY STAKEHOLDERS

Suncorp Group’s Investor Relations team coordinates an active investor relations program to maintain dialogue with institutional investors, retail investors and sell-side analysts through meetings, presentations, and other ad hoc events. The program includes domestic and international investor roadshows, conferences and briefings. Any material information is released to the ASX prior to briefings with shareholders or analysts.

A key event on the Investor Relations calendar is Investor Day which is generally held in May each year.

### 8.4 ONLINE AND ELECTRONIC COMMUNICATION WITH SECURITYHOLDERS IS ENCOURAGED

Suncorp’s latest ASX announcements are automatically published on the Suncorp Group website, enabling access to the broader investment community. Interested parties can register to receive news updates.



Suncorp seeks to continually improve its online and electronic communications and the functionality of the website and encourages securityholders to elect to receive shareholder reports and other communications electronically.

Shareholders are encouraged to, and do, regularly communicate electronically with Suncorp's share registrar, Link Market Services, on all shareholder-related matters.

## 8.5 ANNUAL GENERAL MEETING (AGM)

The Suncorp AGM will be held at 2:30pm on Thursday 22 September 2016 at the Sofitel Brisbane Central, 249 Turbot Street, Brisbane. A Notice of AGM is sent to shareholders at least 28 days in advance – this material includes explanatory notes that clearly explain the nature of the AGM business and the resolutions to be put to shareholders.

The AGM begins with a business presentation, followed by a question and answer session led by the Board Chairman. Shareholders are encouraged to attend the AGM or submit questions to the Board prior to the meeting. Shareholders who are unable to attend are encouraged to vote directly (online) in advance of the meeting or appoint a proxy. The AGM voting result is lodged with the ASX as soon as practicable after the AGM and published on the Suncorp Group website. The AGM is webcast live on the website for interested parties who are unable to attend.

## 9. CORPORATE REPORTING

### 9.1 AUDIT COMMITTEE – COMPRISES INDEPENDENT BOARD MEMBERS

The Audit Committee is responsible for assisting the Board to fulfil its statutory and fiduciary responsibilities with respect to overseeing Suncorp's financial and operational control environment. The Audit Committee also monitors internal control policies and procedures designed to safeguard Suncorp's assets and maintain the integrity of corporate reporting.

The Audit Committee, which met five times during 2015/16:

- consists of five independent non-executive directors including the Board Chairman, Dr Zygmunt Switkowski AO, as an ex officio member
- has Mr William Bartlett, Mr Geoffrey Ricketts CNZM and Ms Sally Herman among its members, all of whom have an extensive understanding of audit and finance
- is chaired by Dr Douglas McTaggart, an independent non-executive director with extensive experience in business and finance.

The CEO & Managing Director, CFO, CRLO and the internal and external auditor are invited to meetings at the Audit Committee's discretion. The Audit Committee also holds discussions with the auditors in the absence of management on a regular basis.

A summary of the key responsibilities of the Audit Committee is set out in section 2.14.

### 9.2 INTERNAL AUDIT FUNCTION

The Audit Committee has adopted an Internal Audit Charter. The objectives of Internal Audit include:

- assessing whether risks have been adequately identified and assessed
- assessing whether internal controls (including management oversight processes) are properly designed, and are consistently and effectively operating to mitigate those risks
- conducting investigations on behalf of the Audit Committee, senior management and regulators as required.

Members of the internal audit department have full, free and unrestricted access to all Suncorp activities, records, property and personnel. The Head of Internal Audit has a direct functional reporting line to the Audit Committee Chairman and has full and free access to the Audit Committee.

The internal audit function is independent of the external auditor.

### 9.3 INTEGRITY OF FINANCIAL AND CORPORATE REPORTING

The Board receives monthly reports from management on the financial performance of each function and Suncorp, including details of all key financial and business results reported against budget, with regular updates on yearly forecasts.

The Audit Committee has reviewed the integrity of the Company's financial statements for the financial year ended 30 June 2016 and confirmed that the Company's financial reports for the 2015/16 financial year comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

### 9.4 WRITTEN DECLARATIONS

When the Board considers the Suncorp statutory financial statements and reports in February and August each year, written certifications regarding the integrity of those financial statements and the risk management and internal compliance and control systems are provided by the CEO & Managing Director, the CFO and the CRLO.

For the 2015/16 financial year the CEO & Managing Director, CFO and CRLO have provided:

- a written declaration regarding the integrity of the financial statements of Suncorp Group
- assurance that Suncorp Group's risk management and internal compliance and control systems are operating effectively in all material respects.

These certifications meet the requirements of s295A of the *Corporations Act 2001*. The certifications the CEO & Managing Director, CFO and CRLO provide are based on responses management provide to a management certification questionnaire, which is designed to provide an assurance to directors on matters that may impact the financial statements of Suncorp Group companies.

### 9.5 EXTERNAL AUDITOR – KPMG

Suncorp Group's external auditor is KPMG. KPMG has a partner rotation policy that requires the signing and engagement partner to change every five years in accordance with the requirements of the *Corporations Act 2001*. The Board has endorsed the rotation policy.

KPMG provides a written report, to each Audit Committee meeting, on audit and non-audit services provided to Suncorp Group and the associated fees for those services. These fees are disclosed each year in the Directors' Report and Financial Statements.

KPMG also confirms its independence as auditor has been maintained in relation to Suncorp Group, having regard to relevant policies, professional rules and statutory requirements.

KPMG attends the Company's AGM each year and will be available to address questions relevant to the audit.

# MANAGING RISK AT SUNCORP

Managing risk is a key contributor to Suncorp Group's success.

The Board and management recognise that an effective system of risk management plays a critical role in the setting and achievement of Company objectives. Suncorp has systems, structures, policies, processes and people in place to identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk.

Effective risk management at Suncorp is driven by:

- a risk management framework where the business takes accountability for risk management and owns its risk decisions
- an independent risk management function that advises and challenges the business in its risk taking
- monitoring of Suncorp's risk maturity and targeted actions to continually lift risk management capability
- inclusion of risk management outcomes in the assessment of performance
- a robust 'risk appetite' that sets out the nature and degree of risk the Board is willing to accept in pursuit of Suncorp Group's business objectives.

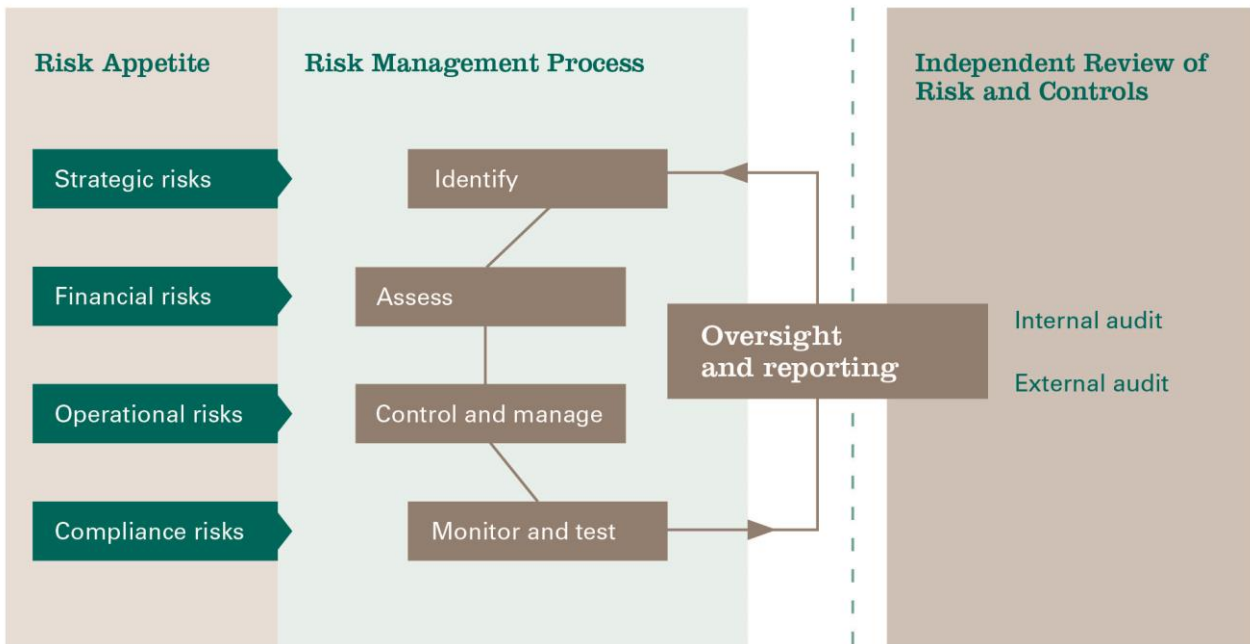
## 1. SUNCORP GROUP ENTERPRISE RISK MANAGEMENT FRAMEWORK

Suncorp operates within an enterprise risk management framework (**ERMF**) which lays the foundation for all risk management and demonstrates Suncorp's commitment to effective risk management as a key element of business success. The ERMF will continue to evolve in support of Suncorp's strategy and operating environment. The framework:

- links risk appetite to strategic business and capital plans
- supports a risk-aware culture
- sets out accountabilities and governance arrangements for the management of risk within the 'three lines of defence' model
- establishes processes to identify and manage risk on an ongoing basis
- enhances business risk based decision-making.

The ERMF was reviewed in 2015/16 to satisfy the Board that it continues to be sound. Internal Audit independently tests and verifies the efficacy of risk standards and compliance, validates the overall risk framework, and provides assurance that it is functioning as designed. Internal Audit provides written reports to both the Audit and the Risk Committees. The Risk Committee conducts an annual review and endorses the framework for Board approval.

The ERMF is summarised in the following diagram.

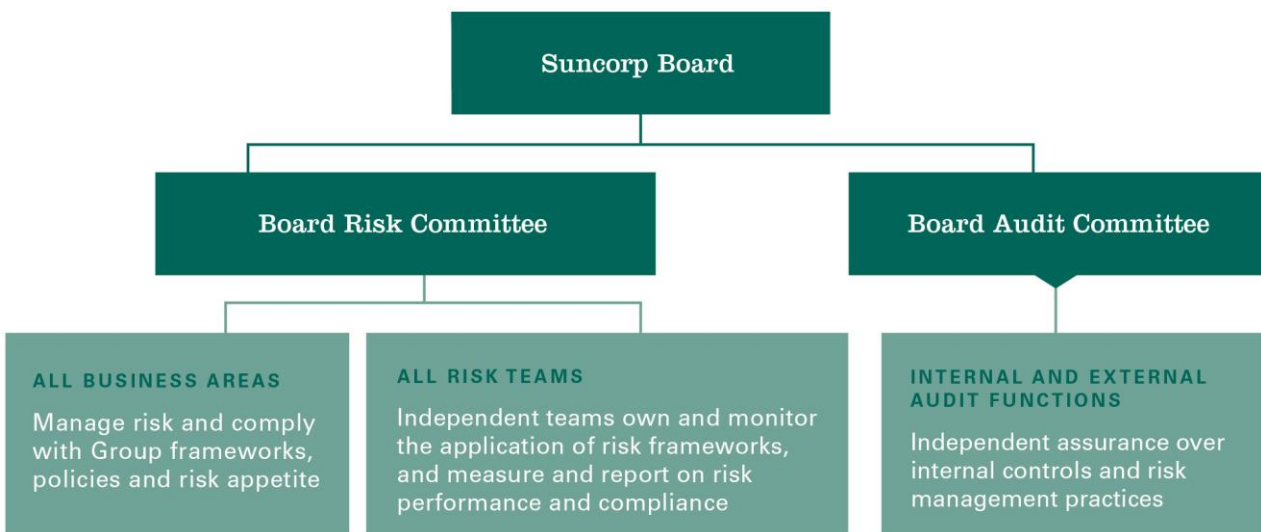


Suncorp Group’s organisational design shapes how risk is managed and is based on three principles:

- Individuals are responsible for their actions and decisions.
- Structures and processes are simplified, to make it easier to manage risks.
- Each function has functional accountability for all aspects of the business, including those risks managed by service providers.

1.1 THREE LINES OF DEFENCE

Risk at Suncorp Group is assumed within a controlled framework that assigns clear lines of responsibility for risk. A ‘three lines of defence’ operating model of risk management accountability is in place with the clear expectation that all business areas, as the first line, are responsible for the management of their risks.



The Risk and Legal function forms the second line and supports the business in its risk taking through advice, monitoring and effective challenge. Internal and External Audit are the third line.

## 2. RISK MANAGEMENT PROCESSES

Suncorp Group aims to conduct its business in compliance with all relevant laws, rules, regulations, industry standards and codes, internal policies and procedures, and having regard to accepted community and ethical standards. It also acts promptly to correct incidents of non-compliance no matter how identified, including determining whether a compliance failure is a breach that is reportable to a regulator.

As part of the ERMF, internal controls have been implemented across Suncorp to ensure appropriate risk identification, measurement, management, monitoring and reporting. These controls support the proactive management of risk, including the regular maintenance of risk profiles which provide the Board and management with clear oversight of risk.

Managers complete a periodic due diligence attestation to confirm the status of compliance within their area of responsibility. The compliance status, including actual and potential breaches, is captured in a Suncorp-wide incident and risk system to ensure necessary stakeholders are aware of material matters affecting business operations.

In accordance with APRA's Prudential Standards, regulated entities must submit a risk management declaration to APRA, signed by the Board annually, confirming the adequacy of the regulated entity's risk management systems. The risk management declarations are based on reports considered and reviews conducted by the Risk Committee during the year and on the representations management provides to the Board and CEO & Managing Director in regard to the adequacy of Suncorp Group's risk management systems.

Policies and procedures have been developed to ensure open communications with regulators occur in a timely manner including the referral of any material correspondence between Suncorp and regulators to the Board or relevant Board committee.

## 3. RISK APPETITE IS DEFINED AT BOTH SUNCORP GROUP AND ENTITY LEVELS

Risk appetite is the nature and level of risk that the Board is willing to accept in the pursuit of strategic objectives. There is a dynamic relationship between business planning, Risk Appetite Statements (**RAS**) and capital management in achieving Suncorp Group's strategic objectives. Risk appetite is articulated at both a Suncorp Group and entity level, and forms part of strategic business plans.

Risk appetite is strategic, forward-looking, and intended to be easy to communicate and understood by all stakeholders. Risk appetite informs policy, limits and delegation frameworks. Monitoring of Suncorp's position against the RAS is conducted regularly by the first Line of Defence with oversight by the second Line of Defence and reported by the Chief Risk and Legal Officer to the Risk Committee every quarter. Escalation protocols are in place within the applicable policies and frameworks that detail the steps to be taken, should a risk target range or tolerance be exceeded.

## 4. RISK CATEGORISATION AND POLICY-SETTING

The risks Suncorp Group manages include strategic, counterparty, credit, market, asset and liability, liquidity, insurance, operational, and compliance risks.

Board and management-approved policies, delegations, authorities and limits are influenced by Suncorp Group's risk appetite. Policies, procedures, limits and other controls are in place for the Suncorp Group, legal entity or functional level to manage these risks and align to the Board's risk appetite, as depicted in the following table.

DESCRIPTION	KEY POLICIES, CONTROLS AND LIMITS
<p><b>Strategic risks</b></p> <p><b>Strategic risk</b> is the most fundamental of business risks. At its most basic, it is the risk associated with Suncorp's operating model and how it wants to position itself strategically. Strategic risk threatens the viability of the operating model and our strategic position and emerges from external changes and the execution of Suncorp's strategy.</p>	<ul style="list-style-type: none"> <li>› Strategic and business planning</li> <li>› ICAAPs</li> <li>› Risk appetite statements</li> <li>› Risk management policy</li> </ul>
<p><b>Financial risks</b></p> <p><b>Counterparty risk</b> – the risk to each party to a contract that the counterparty will not meet its financial obligations in accordance with agreed terms.</p> <p><b>Market risk</b> – the risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, commodity prices, and market volatilities.</p> <p><b>Asset and Liability risk</b> – the risk to earnings and capital from mismatches between assets and liabilities with varying maturity and repricing profiles and from mismatches in term.</p> <p><b>Liquidity risk</b> – the risk that the Group will be unable to service its cash flow obligations today or in the future.</p> <p><b>Insurance risk</b> – the risk of financial loss and the inability to meet liabilities due to inadequate or inappropriate insurance product design, pricing, underwriting, concentration risk, reserving, claims management or reinsurance management.</p>	<p><b>Policies</b></p> <ul style="list-style-type: none"> <li>› Bank credit risk management</li> <li>› Counterparty risk management</li> <li>› Intra-group and related entities' transactions and exposures</li> <li>› Investment</li> <li>› Foreign exchange</li> <li>› Bank traded market risk</li> <li>› Interest rate risk in the banking book</li> <li>› Bank securitisation and covered bonds</li> <li>› Group liquidity management</li> <li>› Insurance risk</li> <li>› Life pricing advice</li> <li>› Transfer pricing</li> </ul> <p><b>Other</b></p> <ul style="list-style-type: none"> <li>› Reinsurance programmes</li> </ul>
<p><b>Operational risks</b></p> <p>The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk, but excludes strategic and reputational risks.</p>	<ul style="list-style-type: none"> <li>› Business continuity</li> <li>› Delegation of authority</li> <li>› Financial crimes</li> <li>› Group security</li> <li>› IT acceptable use</li> <li>› Outsourcing and procurement</li> <li>› Product approval</li> <li>› Human Resources</li> <li>› Model integrity</li> <li>› Code of Conduct</li> </ul>
<p><b>Compliance risks</b></p> <p>The risk of legal or regulatory sanctions, financial loss, or loss to reputation which the Group may suffer as a result of its failure to comply with all applicable regulations, codes of conduct and good practice standards.</p>	<ul style="list-style-type: none"> <li>› Code of Conduct</li> <li>› Compliance</li> <li>› Conflicts of Interest</li> <li>› Disclosure</li> <li>› Fit and Proper</li> <li>› Privacy</li> <li>› Sanctions</li> <li>› Securities Trading</li> <li>› Whistleblower</li> </ul>

## 5. STRATEGIC RISK MANAGEMENT

Management of strategic risks is the most fundamental business risk and is integral in the development of strategy and the decision-making process for all business initiatives. Strategic risk threatens the viability of the operating model and Suncorp's strategic position, and emerges from changes in the external environment such as the political landscape, regulation, technology and the actions of competitors that could impact a function or the Suncorp Group's performance.

Key threats to achievement of strategy are assessed by functions and overseen by the CEO and Managing Director, Chief Financial Officer and the Chief Risk and Legal Officer through performance management processes, including formalised quarterly review meetings.

The Board oversees:

- strategic and emerging risks through regular reporting to the Risk Committee
- monthly rotational 'function in focus' reports, and
- regular 'deep dive' reports overseen by the Risk Committee.

As part of their three-year business plans, the functions have in place target risk maturity levels. These targets help identify improvement areas and inform the remuneration framework, driving the link between risk capability and business planning and importantly, further embedding risk awareness and optimal risk management practices.

## 6. INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

Suncorp has implemented an Internal Capital Adequacy Assessment Process (**ICAAP**) to determine the amount of capital that should be held to protect the interests of stakeholders. In addition to establishing processes to ensure the amount of capital that is held to support the risks of the relevant business (and its strategy) is adequate, the ICAAP ensures that:

- accountabilities for managing capital are clearly defined, both in normal operating conditions and in times of distress
- there is a clear articulation of the linkage between Suncorp's business strategy and its risk appetite, and there are adequate capital resources to support the strategy
- appropriate capital targets and triggers are established to support the degree of risk associated with Suncorp's business plans and enable Suncorp to absorb unexpected losses that are in accordance with its risk appetite
- capital positions are effectively monitored and reported
- key management decisions are based on a robust assessment of the relevant risk and capital implications; and
- contingency arrangements and capital restoration processes are in place, and reliably can be drawn upon in times of distress.

## 7. STRESS-TESTING

Risk management priorities include examining worst case scenarios and determining whether their consequences are acceptable. This approach is adopted for all material risk types and is often achieved by 'stress-testing', which the Board and management use as a risk assessment tool to inform and support decision-making in respect of risk appetite and to test the adequacy of internal capital targets.

The stress-testing framework tests the resilience of Suncorp Group's capital buffer above the minimum regulatory capital requirements, using clearly defined Suncorp Group and function-specific risk factors for a range of scenarios over different timeframes.

## 8. RISK BASED CAPITAL

Risk based capital (**RBC**) modelling is increasingly contributing to the ICAAP, and provides for the strengthening of the link between risk, capital management and business planning. In particular, the RBC models:

- are a key input in to reviews of internal capital targets
- enable enhanced articulation of risk appetite, particularly in relation to capital and earnings volatility; and
- assist in informing business decisions such as strategic asset allocation, the setting of optimal reinsurance programs and product pricing decisions.

## 9. RISK COMMITTEE – COMPRISES INDEPENDENT BOARD MEMBERS

The Risk Committee provides the Board with oversight across the Suncorp Group for all categories of risk, through the identification, assessment and management of risk and monitoring adherence to internal risk management policies and procedures. The Risk Committee receives written reports from management on the status of risk appetite, Suncorp's current and emerging risk profile, and the effectiveness of the risk framework in operation.

The Risk Committee (which met five times during 2015/16):

- consists of five independent non-executive directors including the Board Chairman, Dr Zygmunt Switkowski AO, as an ex officio member
- is chaired by Mr Ewoud Kulk, an independent non-executive director with extensive experience in insurance and risk management
- has Ms Christine McLoughlin, Mr William Bartlett, and Ms Audette Exel AO among its members, all of whom have an extensive understanding of risk management.

The Risk Committee undertook a review of the ERMF during 2015/16 and takes primary responsibility for ensuring the Board-approved ERMF constitutes an appropriate and effective framework for risk management.

The Committee annually reviews and endorses the ERMF for Board approval, and oversees supporting policies, internal controls and processes. The Committee also endorses or approves significant changes to the ERMF, risk appetite, and risk management policies.

A summary of the key responsibilities of the Risk Committee is set out in the Risk Committee Charter.

## 10. RISK CULTURE

Suncorp's risk culture is recognised as a core component of Suncorp's overall culture. It is defined as the aggregation of observed behaviours across all employees in the organisation arising from our shared values and beliefs and shaped by symbols, systems and structures adopted by Suncorp.

It is recognised that Suncorp's overall culture is underpinned by three core elements: Customer Culture, Risk Culture and Performance Culture (refer to the following diagram).

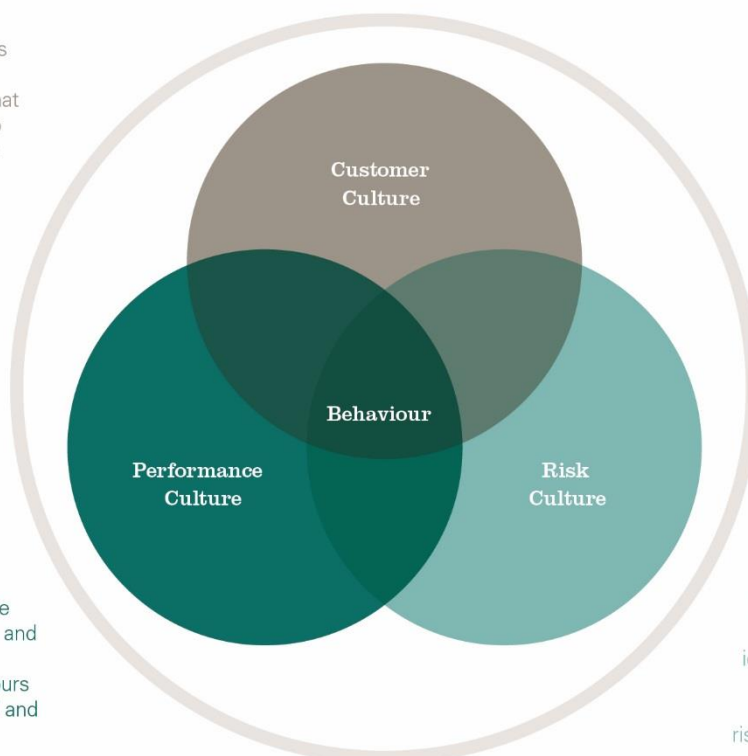


## Culture

Suncorp's culture is the aggregation of observed behaviours across all employees, driven by the values, beliefs, symbols and systems.

Customer centric culture is the set of symbols, systems and processes that empower all our people to put their customers at the heart of every decision. Our customer culture is critical at all stages of the customer life cycle, including claims management.

Performance culture is the set of symbols, practices and policies that help people understand what behaviours and outcomes are valued and rewarded at Suncorp.



Risk culture is the set of acceptable norms and behaviours that determine the collective ability to identify, understand, openly discuss and manage the Group's current and future risks within our risk appetite.

The relationship between these cultural dimensions is at the heart of Suncorp's cultural health and collectively these three dimensions shape the behaviour of our workforce and have a direct impact on all of our stakeholders. Aligning these cultural forces results in lowering of conduct risk and maximising the outcomes for our customers, shareholders and our workforce.

The Board and Senior Management recognise the importance of a positive culture (and risk culture), as well as the aspects that are critical in shaping and maintaining a positive culture, including:

- Culture starts from the top – senior leaders are critical in deciding on the systems and symbols, such as reward systems and policies that drive appropriate behaviours and employee actions.
- Culture is made manifest by the decisions and behaviour of all employees – Individual decisions and actions taken by employees on a daily basis have an impact on the overall culture of Suncorp.
- Culture is about doing the right thing in all situations and employees should always consider “*What is the right thing to do?*” in any situation.
- The Company's purpose must motivate employees and drive a positive culture.
- Culture must appropriately balance all key stakeholders – Suncorp's customer-led strategy is a key focus, but this must also be balanced with the importance of delivering shareholder value.
- Suncorp's actual culture is best understood by identifying and understanding the alignment between the three core dimensions of the culture and by monitoring how Suncorp responds to and rectifies issues when those dimensions are found to be misaligned (owning and fixing mistakes).
- It is an ongoing process to understand and influence an organisational culture – It is not a 'set and forget' exercise.

## 11. SPECIFIC ACCOUNTABILITIES FOR RISK MANAGEMENT

Management has a mandate and an obligation to manage risk in accordance with the Board-approved RAS and, more broadly, in accordance with Suncorp Group's risk policies.

The Board has delegated to the CEO & Managing Director its authority to manage and supervise the day-to-day operations and activities, including authorities and limits for key risks facing the Suncorp Group and the authority to commit and make operational and capital expenditures.

The Board has authorised the CEO & Managing Director to further delegate authorities to individuals in accountable positions. The CEO & Managing Director has discretion to delegate these authorities and limits to management. Specifically:

- The Senior Leadership Team (**SLT**) members are executives who report to the CEO & Managing Director and provide executive oversight and direction-setting across Suncorp, taking risk considerations into account.
- Each SLT member has end-to-end accountability for risks arising from their functional area.
- The Chief Risk and Legal Officer, who is a member of the SLT, is responsible for promoting and supporting risk considerations and is charged with the accountability for the ERMF and overall risk adequacy. The CRLO reports to the CEO & Managing Director and has unfettered access to the Board.
- All functional Chief Risk Officers have formal lines of accountability to the CRLO, and are part of the functions' management teams to provide guidance, support and challenge to the respective function's Chief Officer/SLT member and executive team, and promote a culture within the function that reinforces risk management as core to business operations.
- At management level, governance committees form an important part of the risk accountabilities model with a number of committees comprising executives from both Suncorp Group and the functions. These committees perform a valuable role in bringing together key subject matter experts to monitor and oversee elements of the ERMF.

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## REMUNERATION REPORT

Dear Shareholder

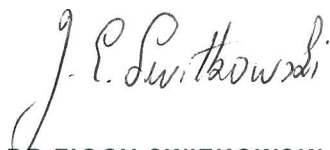
The Board is pleased to present the Suncorp-Metway Limited Remuneration Report for the financial year ended 30 June 2016.

The Group is subject to the remuneration framework determined by the Suncorp Group, being Suncorp Group Limited (SGL) and its subsidiaries. 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 remuneration arrangements. References in this Report to CEO & Managing Director and Senior Executives are to the Suncorp Group CEO & Managing Director and Suncorp Group Senior Executives. References in this Report to the Board are references to the SGL Board.

The Remuneration Policy and practices foster a 'pay for performance' culture, linking executive remuneration to the achievement of the Group's strategic objectives. A significant portion of executives' remuneration is 'at-risk', with outcomes linked to the financial and non-financial performance achievements aimed at generating superior and sustainable returns for shareholders.

During 2016, we have introduced appropriate changes in the Senior Executive remuneration structure to enhance the alignment with our shareholders and ensure an appropriate competitive pay position. This will be continued into the 2017 financial year, where the Group will introduce an equity based deferral vehicle (restricted shares) for short-term incentives to enhance the strategic value of the program whilst facilitating retention and shareholder value alignment. The equity based deferral will apply to the short-term incentive award relating to the 2017 year for the CEO & Managing Director and Senior Executives. As we continue to evaluate the effectiveness of our reward structures, we are considering the merits of introducing an appropriate strategically aligned second performance hurdle in the long term incentive plan.

The Board is committed to a fair and responsible executive remuneration framework in this increasingly dynamic and competitive environment. Feedback from regulators, shareholders and our stakeholders is actively encouraged and used in the development of our remuneration practices to ensure we continue to provide the appropriate balance between performance and executive reward. The Board and the Remuneration Committee hope you find the information provided in the report informative.



**DR ZIGGY SWITKOWSKI AO**

Chairman of the Board

4 August 2016



**CHRISTINE MCLOUGHLIN**

Chairman of the Remuneration Committee

## INTRODUCTION

This Remuneration Report explains how the Group's performance for the financial year ended 30 June 2016 (2016) has driven remuneration outcomes for the executives who are the Group's key management personnel (KMP). KMP are the people who have authority and responsibility for planning, directing and controlling the activities of the Group, as listed in the following table.

Name	Position	Changes during 2016
<b>Non-executive directors</b>		
Dr Zygmunt Switkowski AO	Chairman	
Mr William Bartlett	Director	
Ms Audette Exel AO	Director	
Ms Sally Herman	Director	Appointed 22 October 2015
Mr Ewoud Kulk	Director	
Ms Christine McLoughlin	Director	
Dr Douglas McTaggart	Director	
Mr Geoffrey Ricketts CNZM	Director	
<b>Former non-executive director</b>		
Mr Michael Cameron	Director	Retired 30 September 2015
<b>Executive director</b>		
Mr Michael Cameron	CEO and Managing Director	Appointed 1 October 2015
<b>Former executive director</b>		
Mr Patrick Snowball	Group CEO and Managing Director	Retired 30 September 2015
<b>Senior Executives</b>		
Mr Anthony Day	Chief Executive Officer Insurance	
Mr Gary Dransfield	Chief Executive Officer Customer Platforms	
Mr Clayton Herbert	Chief Transformation Officer	
Mr Steve Johnston	Chief Financial Officer	
Ms Anna Lenahan	Chief Risk and Legal Officer	
Mr John Nesbitt	Chief Executive Officer Banking & Wealth	
Mr Mark Reinke	Chief Customer Experience Officer	
Ms Amanda Revis	Chief People Experience Officer	
Mr Paul Smeaton	Chief Executive Officer New Zealand	Appointed 14 September 2015
<b>Former Senior Executives</b>		
Mr Mark Milliner	Chief Executive Officer Personal Insurance	Employment ceased 27 January 2016
Mr Matt Pancino	Chief Information Officer	Employment ceased 29 April 2016
Mr Geoff Summerhayes	Chief Executive Officer Suncorp Life	Employment ceased 2 January 2016

This Remuneration Report – which forms part of the Directors' Report – has four sections:

1. an overview of the Group's performance in 2016
2. the remuneration for the CEO and Managing Director (**CEO & Managing Director**) and Senior Executives (defined as the executives reporting to the CEO & Managing Director who are KMP)
3. the remuneration for the non-executive directors
4. information regarding loans and equity instrument movements in relation to KMP, their close family members, or entities they control or over which they have significant influence.

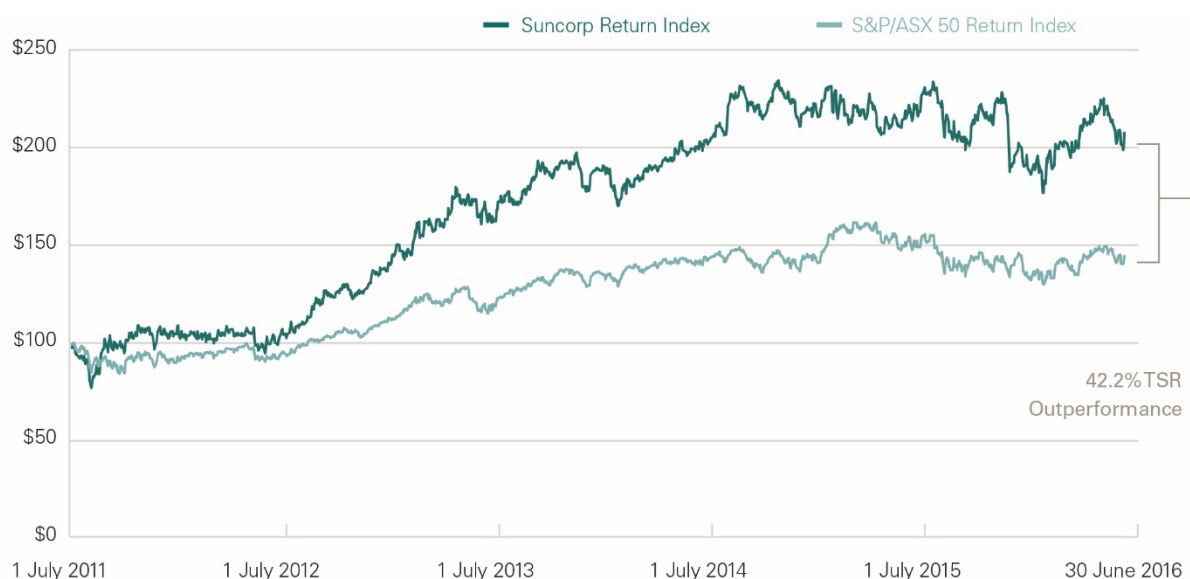
In accordance with Section 308(3C) of the *Corporations Act 2001*, the external auditors, KPMG, have audited sections 2, 3 and 4. For the purposes of this report, 'executive' means any of the CEO & Managing Director and the Senior Executives.

## 1. SUMMARY OF 2016 PERFORMANCE AND REMUNERATION

### 1.1 2016 PERFORMANCE SUMMARY

Focus	Description	Further information
<b>Key financial outcomes</b>	<ul style="list-style-type: none"> <li>SGL delivered Total Shareholder Returns (<b>TSR</b>) of negative 0.9% for the year ended 30 June 2016. Whilst this is short of our aspirations, and what we have delivered in recent periods, it compares to our peer group who delivered a total return of negative 6.5% for the year.</li> <li>The SGL TSR for the five year period ending 30 June 2016 is 104%, more than double the ASX 200 Accumulation Index return of 43% for the comparable period.</li> <li>Profit after tax from SGL's core businesses of General Insurance, Bank and Life is \$1,159 million. SGL's reported net profit after tax, before non-controlling interests is \$1,038 million.</li> <li>Total declared dividends for 2016 will be 68 cents per share, consisting of a 30 cent per share interim dividend, and a 38 cent per share final dividend.</li> <li>SGL Return on Equity for the year ended 30 June 2016 is 7.8%.</li> </ul>	Section 2.5 and the Financial Statements
<b>Appropriate risk management</b>	<p>An effective risk culture is vital in the determination of performance and remuneration outcomes. Suncorp ensures the alignment between remuneration and risk is managed through:</p> <ul style="list-style-type: none"> <li>deferral of a significant portion of executives' short-term incentives (<b>STI</b>)</li> <li>potential clawback of executives' deferred STI and unvested long-term incentives (<b>LTI</b>)</li> <li>separate performance and remuneration review processes for risk and financial control personnel; and</li> <li>a hedging prohibition on Suncorp securities (including any unvested performance rights).</li> </ul>	Section 2.7
<b>Safety and Wellbeing</b>	The Group's Safety and Wellbeing plan continues to deliver benefits with lost time injuries down to 40 incidents, compared to an average of 56 for the prior five financial years.	Section 2.5
<b>Customer satisfaction</b>	Customer performance, as assessed through customer Net Promoter scores, has remained strong.	Section 2.5
<b>Strengthening the alignment of executives' and directors' interests with those of shareholders</b>	A minimum shareholding requirement for the CEO & Managing Director, Senior Executives and non-executive directors was introduced in 2014. All executives and directors who were in office when this requirement was introduced are on track to hold sufficient shares to meet the minimum holding requirement by October 2017.	Sections 2.7 and 3.1
<b>Appropriate fixed remuneration for executives and fees for non-executive directors</b>	To ensure continued market competitiveness the remuneration mix for Senior Executives was realigned in 2016. Non-executive directors' fees were also reviewed and realigned to the market.	Sections 2.3, 2.4 and 3.1

The graph below shows the value over time of a \$100 investment made on 1 July 2011, with the SGL ordinary shares return index outperforming the S&P/ASX 50 total return (accumulation) index by 42.2% over the five years to 30 June 2016.



## 1.2 REMUNERATION SUMMARY

Remuneration component	Description	Changes in 2016	Further information
Fixed remuneration	Comprised of base salary and superannuation.	Fixed remuneration increased for all Senior Executives to balance the reduction in at-risk remuneration and better alignment to the market.	Section 2.4
Short-term incentives (STI)	Determined by a scorecard of financial and non-financial measures. A portion is deferred as cash for two years.	Target STI reduced from 125% of fixed remuneration to 100%.	Section 2.5
Long-term incentives (LTI)	Performance rights with a Total Shareholder Return (TSR) hurdle measured relative to a peer comparator group.	Target LTI remains at 100% of fixed remuneration.	Section 2.6

## 2. EXECUTIVE REMUNERATION

### 2.1 REMUNERATION GOVERNANCE FRAMEWORK

#### Remuneration Committee

The Remuneration Committee facilitates remuneration matters at Suncorp on behalf of the Board. The Committee, which operates under its own charter and reports to the Board, is chaired by Ms Christine McLoughlin who has extensive experience in both business and governance. The other members of the Remuneration Committee are all accomplished and experienced independent non-executive directors of Suncorp Group with backgrounds in business and accounting, their full biographies are set out in the Directors' Report.

#### REMUNERATION COMMITTEE MEMBERSHIP AS AT 30 JUNE 2016<sup>1</sup>

<b>Chairman</b>	Ms Christine McLoughlin
<b>Members</b>	Mr William Bartlett Mr Ewoud Kulk Dr Douglas McTaggart
<b>Ex officio member</b>	Dr Zygmunt Switkowski AO

While the Board has overall responsibility for the executive remuneration structure and outcomes, the Remuneration Committee:

- supports the Board to fulfil its responsibility to shareholders with regard to prudent remuneration management and compliance with the requirements of APRA's Prudential Standards
- considers strong remuneration governance as an ongoing, continual improvement activity
- closely monitors the remuneration framework to ensure it meets the key goal that sustainable, risk-adjusted, long-term performance forms the basis of reward outcomes, and employees' and shareholders' interests are aligned
- takes account of advice from the CEO & Managing Director, other members of management and, where relevant, independent external advisers; and
- oversees the preparation of this Remuneration Report.

The Remuneration Committee met six times during 2016 and fully discharged its responsibilities in accordance with the Remuneration Committee Charter.

The Charter, which the Board reviews regularly for appropriateness, was confirmed in June 2015.

While the Remuneration Committee believes Suncorp Group's Remuneration Policy and strategy serves the Group's needs, it will proactively continue to ensure these evolve in response to emerging regulatory developments and capital requirements.

Suncorp Group's remuneration governance framework, which meets the standards expected by the ASX *Corporate Governance Principles and Recommendations* (3rd edition), is summarised below.

<sup>1</sup> Ms Christine McLoughlin was appointed Chairman of the Remuneration Committee effective 1 January 2016. Mr William Bartlett ceased to be Chairman of the Remuneration Committee effective 31 December 2015. Dr Douglas McTaggart was appointed as a member of the Remuneration Committee effective 1 January 2016.

**Approve**

**THE BOARD**

Reviews, applies judgment and as appropriate, approves the Committee’s recommendations

**Endorse**

**AUDIT & RISK COMMITTEES**

Endorse recommendations to the Remuneration Committee on clawback of deferred remuneration for the CEO & Managing Director and Senior Executive level employees

**THE REMUNERATION COMMITTEE**

Reviews, applies judgment and, as appropriate, endorses the recommendations made by the CEO & Managing Director and submits for Board approval. In addition, the Committee makes recommendations to the Board on:

- › Individual remuneration arrangements, scorecard measures and assessment for the CEO & Managing Director
- › Non-executive director remuneration arrangements
- › Senior Executive remuneration arrangements for appointments, terminations and clawback of remuneration
- › Remuneration Policy and frameworks for all employees

**Recommend**

**CEO & MANAGING DIRECTOR**

Makes recommendations to the Remuneration Committee on:

- › The Group’s annual funding for STI and fixed remuneration increases
- › Scorecard measures and assessment for direct reports
- › Remuneration Policy and frameworks for all employees
- › Clawback of deferred remuneration for all employees
- › Individual remuneration arrangements for:
  - › Senior Executives
  - › Persons whose activities, in the Board’s opinion, affect the financial soundness of the Group
  - › Any other person specified by APRA; and
  - › Any other person that the Board determines

**EXTERNAL ADVISERS**

Make recommendations to the Remuneration Committee on:

- › Proposed changes to Remuneration Policy, structures and practices
- › Legal and regulatory issues that impact on remuneration arrangements
- › Benchmarking data and market practice
- › Alternatives for STI and LTI plans

**Contribute**

**REMUNERATION OVERSIGHT COMMITTEE**

Makes recommendations to the CEO & Managing Director on clawback of deferred remuneration for employees below Senior Executive level



## External remuneration advisers' services

Where appropriate, the Board and the Remuneration Committee consult external remuneration advisers. When such external advisers are selected, the Board considers potential conflicts of interest. Advisers' terms of engagement regulate their access to, and (where required) set out their independence from, members of Suncorp Group management.

The requirement for external advisers' services is assessed annually in the context of matters the Remuneration Committee needs to address. External advisers' advice and recommendations are used as a guide, but do not serve as a substitute for directors' thorough consideration of the relevant matters.

The following external advisers provided information and assistance to management and the Remuneration Committee on a range of matters, to inform the Remuneration Committee's recommendations and decision-making during 2016.

Services relating to remuneration matters	External advisers providing this service to Suncorp Group in 2016
TSR performance analysis for LTI awards	Mercer Consulting (Australia)
TSR validation for LTI awards	Ernst & Young

These advisers did not provide any remuneration recommendations and they were not 'remuneration consultants' to Suncorp Group as defined in the *Corporations Act 2001*.

## 2.2 EXECUTIVE REMUNERATION STRATEGY AND FRAMEWORK

The Suncorp Group Remuneration Policy provides a governance framework for the structure and operation of remuneration systems within the context of the Group's long-term financial soundness and risk management framework. The Board is committed to remunerating fairly and responsibly.

### Remuneration strategy

The remuneration strategy, which is derived from linking the reward philosophy with business strategy and risk tolerance, ensures that the principles that determine remuneration are focused on driving the performance and behaviours consistent with achieving this objective. The following table demonstrates the link between the reward principles and the remuneration framework.

**Objective**

Offer rewards that are sufficiently competitive to motivate directors and executives to deliver superior and sustainable returns to shareholders and support alignment with Suncorp Group’s strategic priorities

**Reward principles**

Align reward with sustainable performance	Align effective risk management with reward	Balance stakeholder interests
Deliver a competitive advantage	Ensure gender pay equality	Support Suncorp Group’s culture and values (honesty, courage, fairness, respect, caring and trust)

**Components of reward**

**FIXED REMUNERATION**

Reflects individual’s skills and experience, role scope and regulatory requirements

**AT-RISK REMUNERATION**

Enables the Board to recognise performance while flexibly maintaining cost base and responding effectively to market and regulatory circumstances. The awards are at risk subject to the achievement of robust performance requirements that also provide an incentive for the delivery of higher levels of performance within our risk appetite

**Performance and risk alignment**

- › Reviewed annually as part of performance assessment
- › Increases reflect change in role, individual performance and contribution to Suncorp Group taking into consideration market competitiveness

**STI**

- › Incentivise the achievement of Suncorp Group, business unit and individual outcomes
- › Deferral and clawback encourage a longer term focus
- › The Board’s determination of Suncorp Group’s STI pool includes consideration of risk management through a variety of financial and non-financial measures

**LTI**

- › Executives are rewarded for their contribution to the creation of long-term shareholder value by way of equity in the Group
- › Outcome determined by achievement of Relative TSR which is an external, objective and relative performance measure
- › Clawback enables the Board to exercise its judgment to reduce LTI if, in the Board’s judgment, such an adjustment should occur
- › Executives are prohibited from hedging equity instruments that are unvested or subject to restrictions

**Remuneration positioning**

The total remuneration opportunity for the CEO & Managing Director and Senior Executives is evaluated on an annual basis against relevant peer comparator groups including the S&P/ASX 100 Index, the S&P/ASX 50 Index, and bespoke comparator groups. The primary market is defined as the financial services companies in the ASX 100, excluding Real Estate Investment Trusts.

## 2.3 2016 EXECUTIVE REMUNERATION OUTCOMES

The following table is a voluntary disclosure summarising the actual remuneration the CEO & Managing Director and Senior Executives received or earned during 2016 and represents:

- fixed remuneration earned
- the value of incentives earned as a result of 2016 performance
- the value of any deferred STI that vested during the year; and
- the value of any LTI that vested during the year.

This information differs to the statutory remuneration disclosures presented in section 2.8.

	Remuneration earned in respect of 2016 <sup>1</sup>			Past 'at-risk' remuneration paid in 2016 <sup>2</sup>				Actual remuneration received or earned in 2016	Future 'at-risk' remuneration awarded in 2016 <sup>3</sup>	
	Fixed	Other	2016 incentives	Deferred incentives (cash) vested in 2016	LTI (equity) % vested in 2016 <sup>4</sup>	% Vesting LTI	2016 Incentives (deferred as cash)		LTI (equity) granted in 2016	
										\$000
	\$000	\$000	\$000	\$000	\$000		\$000		\$000	\$000
<b>Executive director</b>										
M Cameron <sup>5</sup>	1,553	-	630	-	-	975	100	3,158	630	4,987
<b>Former executive director</b>										
P Snowball	667	1,476 <sup>6</sup>	-	1,895	100	3,921	72	7,959	-	-
<b>Senior Executives</b>										
A Day	949	-	481	405	100	356	72	2,191	259	950
G Dransfield	883	-	437	326	100	261	72	1,907	235	942
C Herbert	774	-	383	309	100	284	72	1,750	206	775
S Johnston	949	-	469	118	100	204	72	1,740	253	950
A Lenahan <sup>7</sup>	689	-	-	167	100	128	72	984	-	650
J Nesbitt	1,024	-	507	473	100	427	72	2,431	273	1,025
M Reinke	699	-	346	162	100	128	72	1,335	186	700
A Revis	698	-	379	314	100	284	72	1,675	205	725
P Smeaton	589	-	288	-	-	71	72	948	154	700
<b>Former Senior Executives</b>										
M Milliner	561	-	-	424	100	383	72	1,368	-	-
M Pancino	679	-	-	147	100	94	72	920	-	-
G Summerhayes	471	773	91	360	100	341	72	2,036	49	-

<sup>1</sup> 'Remuneration earned in respect of 2016' comprises:

- fixed remuneration (actual fixed remuneration received, including salary sacrificed benefits and employer superannuation) but excludes accommodation allowances
- other one-off or transitory elements in relation to termination
- incentives which relate to 2016 that are not deferred. This represents 50% of the total 2016 STI for the CEO & Managing Director and 65% of the total 2016 STI for all Senior Executives.

<sup>2</sup> 'Past 'at-risk' remuneration paid in 2016' comprises LTI and deferred STI awarded in previous years that vested during 2016. 'Past 'at-risk' remuneration paid in 2016' for Mr Steve Johnston, Ms Anna Lenahan, Mr Mark Reinke, Mr Paul Smeaton and Mr Matt Pancino relates to the vesting of deferred STI and LTI which were awarded prior to their appointment as a Senior Executive.

<sup>3</sup> 'Future 'at-risk' remuneration awarded in 2016' is not guaranteed and comprises:

- the deferred portion of 2016 STI (excluding the value of any future interest payable on vesting), which is subject to potential clawback during the deferral period
- the face value of LTI performance rights granted during 2016 that may conditionally vest in future years.

<sup>4</sup> 'LTI (equity) vested in 2016' represents the total number of performance rights vested during 2016 multiplied by the closing share price at 30 September 2015.

<sup>5</sup> For Mr Michael Cameron, 'LTI (equity) vested in 2016' and '% vesting LTI' represents Tranche 1 of the 2016 restricted share grant.

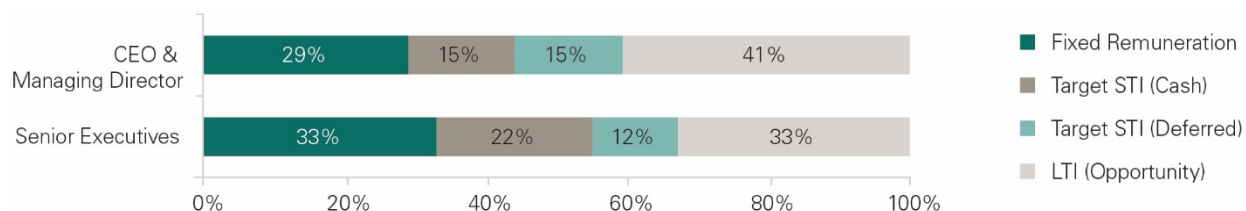
<sup>6</sup> 'Other' for Mr Patrick Snowball includes cessation and contractual repatriation elements for his contribution to the Group to 30 September 2015.

<sup>7</sup> Ms Anna Lenahan is ineligible to receive an STI award in 2016 due to notice of resignation being provided.

## Remuneration mix

The mix of fixed and 'at-risk' remuneration components for the executives disclosed in the Remuneration Report, as a percentage of total target annual remuneration for the 2016 financial year, is shown below. 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.

### CEO & MANAGING DIRECTOR AND SENIOR EXECUTIVES' 2016 REMUNERATION MIX



## 2.4 FIXED REMUNERATION

Management reviews fixed remuneration each year in line with the Remuneration Policy, the external market and other business and role-critical factors to ensure it remains competitive. The Remuneration Committee considers management's recommendations and endorses any increases to the Board for approval.

Changes to the remuneration mix effective 1 July 2015 resulted in an increase in fixed remuneration for Senior Executives which was balanced by a reduction in at-risk remuneration. Certain Senior Executives received additional fixed remuneration increases during 2016. The CEO & Managing Director's fixed remuneration is unchanged since his commencement in October 2015.

## 2.5 SHORT-TERM INCENTIVES (STI)

The annual STI program rewards executives for achieving Suncorp Group, specific business function and individual performance relative to stretch performance targets. The program has been designed to ensure executives create sustainable value for all stakeholders. The following table summarises the key features of the STI program:

<b>Scorecard</b>	A scorecard of financial and non-financial performance objectives forms the measure for STI awards.
<b>Funding determination</b>	When recommending the size of the STI pool to the Board, the Remuneration Committee considers Suncorp Group performance against key scorecard measures. Based on this recommendation, the Board determines the annual STI pool available for distribution to eligible employees by taking into account the quality of the Group outcome. Consideration is placed on factors such as long-term financial soundness, the current economic environment and compliance with the Suncorp Group Risk Appetite Statement.
<b>Deferral</b>	<p>A material portion of executives' STI is deferred for two years and is subject to clawback; 50% for the CEO &amp; Managing Director and 35% for Senior Executives.</p> <p>During the deferral period, the Board considers the long-term impacts of decisions made and actions taken during the performance year to which the deferred STI applies. In accordance with the risk governance framework, significant adverse outcomes may give grounds for the Board to apply its discretion to adjust the original deferred incentive allocation downwards, including to zero if necessary (a process referred to as 'clawback').</p> <p>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>

**Underlying profit after tax** The Board considers underlying profit after tax to be an appropriate reflection of SGL's performance relative to its targets and an effective measure for STI as it is considered that individual executive performance is a key driver of underlying profit outcomes.

In determining underlying profit after tax, a number of adjustments to net profit after tax are made because these are deemed to be outside normal operating activities and beyond executives' control, including but not limited to:

- volatility within investment markets above or below expectations
- prior year reserve strengthening or releases that are above or below expectations
- natural hazards claims above or below expected allowances
- profits or losses on material divestments; and
- material non-cash transactions.

Underlying profit after tax is not audited by the external auditors, KPMG. Underlying profit after tax has been determined on a consistent basis since the year ended 30 June 2012.

## Performance assessment

The following table sets out the structure of the 2016 Group scorecard measures, their link to strategy and the 2016 Group Scorecard outcome used to determine the STI outcome for the CEO & Managing Director:

STRATEGIC DRIVER	MEASURES	2016 ACHIEVEMENTS
<p><b>Group profit and financials 65%</b></p> <p>Disciplined financial choices</p> <p>Improve shareholder returns</p>	<p>Group NPAT (underlying)</p> <p>Return on Equity (headline)</p> <p>The Board considers other factors including operational efficiency, alignment to strategic plans approved by the Board, and operation within the Board's expressed risk appetite.</p>	<p>The Group delivered an underlying profit after tax result of \$1,256 million. The Board determined the result met expectations and was in line with the 2016 target.</p> <p>Headline Return on Equity for 2016 was 7.8%. The result was below the threshold level of performance and did not meet the performance expectations.</p>
<p><b>Risk 10%</b></p> <p>Sustained performance requires prudent risk taking and effective risk management</p>	<p>Manage risk within agreed parameters</p>	<p>The Board determined that the Group operated within the parameters of the Group Risk Appetite Statement and had advanced its level of 'Risk Maturity' assessed against the targets established under the Risk Maturity Model. In assessing the performance outcome, appropriate consideration was placed on the working claims issues identified in the year resulting in a reduced performance outcome.</p>
<p><b>People 5%</b></p> <p>Integrate safety and wellbeing into all that we do</p>	<p>Workplace health and safety performance</p>	<p>The Group's Safety and Wellbeing plan continues to deliver benefits with lost time injuries reduced to 40 incidents compared to 45 incidents in 2015 and an average of 56 for the prior five financial years. The resultant Lost Time Injury Frequency Rate was 1.8.</p>
<p><b>Customer/Stakeholders 10%</b></p> <p>Enhancing the value of 9 million customer connections and 13 valuable brands</p>	<p>Customer advocacy</p>	<p>The Board established robust targets for customer and partner satisfaction by measuring Net Promoter Scores (NPS) together with ambitious Customer priorities designed to deliver great customer experiences and incremental value. The Board determined that the results demonstrated strong customer loyalty to the Group's brands and ongoing satisfaction with the products and services provided together with clear delivery of the Customer priorities. In determining the outcome, performance was moderated by reference to mixed performance of NPS relative to prior years.</p>
<p><b>Strategic initiatives 10%</b></p> <p>Value creation through the implementation of strategic initiatives</p>	<p>Delivery of Key Strategic Initiatives</p>	<p>A number of key, transformational initiatives have been successfully delivered across the Group in support of 'Simplification' and 'Optimisation' objectives. Performance was predominantly in line with expectations and considered to position the Group well for future growth and the delivery of value to our Customers and stakeholders.</p>

The Board and management:

- focus on high performance, carrying out business legally, ethically, and with integrity and respect
- promote the Suncorp Group values that set out the primary behavioural expectations that the Board believes form a foundation for successful performance. Adherence to these behavioural expectations can influence overall individual performance outcomes.

### STI performance outcomes for the CEO & Managing Director and Senior Executives in 2016

The CEO & Managing Director assesses each Senior Executive's performance at the end of the financial year against business function scorecards, considering actual outcomes relative to the agreed targets. Based on this assessment, the CEO & Managing Director makes a recommendation to the Remuneration Committee on the amount of STI to award to each Senior Executive, for Board approval.

The Group outcome was applied to Senior Executives for 60% of STI, combined with the results for their prior individual business function and achievement of transformational objectives as part of the implementation of the new operating model (accounting for 40% of STI). The similarity in STI outcomes versus target between the Senior Executives reflects the significant weighting of the Group performance in scorecards. This is purposeful, as it is aligned to Suncorp Group's strategy and business model of *Create a better today*.

Actual STI outcomes for 2016 for the CEO & Managing Director and Senior Executives are represented in the table below.

	Actual STI Awarded <sup>1</sup>	Target STI <sup>2</sup>	STI award as % of target STI	Max STI <sup>3</sup>	STI award as % of maximum STI	% of maximum STI award forfeited	Amount deferred
	\$000	\$000		\$000			\$000
<b>Executive director</b>							
M Cameron	1,260	1,575	80%	2,363	53%	47%	630
<b>Former executive director</b>							
P Snowball	-	-	-	-	-	-	-
<b>Senior Executives</b>							
A Day	740	950	78%	1,425	52%	48%	259
G Dransfield	672	885	76%	1,327	51%	49%	235
C Herbert	589	775	76%	1,163	51%	49%	206
S Johnston	722	950	76%	1,425	51%	49%	253
A Lenahan <sup>4</sup>	-	-	-	-	-	-	-
J Nesbitt	780	1,025	76%	1,538	51%	49%	273
M Reinke	532	700	76%	1,050	51%	49%	186
A Revis	584	742	79%	1,113	53%	47%	205
P Smeaton	441	571	77%	857	51%	49%	154
<b>Former Senior Executives</b>							
M Milliner	-	-	-	-	-	-	-
M Pancino	-	-	-	-	-	-	-
G Summerhayes	140	226	62%	339	41%	59%	49

1 The value of STI awarded for 2016 represented is before any deferral.

2 Target STI is 100% of fixed remuneration for the CEO & Managing Director and all Senior Executives.

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

4 Ms Anna Lenahan is ineligible to receive an STI award in 2016 due to notice of resignation being provided.

## 2.6 LONG-TERM INCENTIVES (LTI)

### SGL performance links to LTI

The table below provides an overall view of SGL's performance over the five financial years to 30 June 2016.

Year ended 30 June	Profit for the year <sup>1</sup> \$m	Closing share price <sup>2</sup> \$	Dividend per share cents
2016	1,045	12.18	68
2015	1,140	13.43	88
2014	737	13.54	105
2013	496	11.92	75
2012	728	8.09	55

LTI is offered to executives, as the behaviour and performance of these individuals have a direct impact on the Group's long-term performance. Its purpose is to focus executives on the Group's long-term business strategy to create and protect shareholder value over the longer term, thus aligning executives' interests more closely with the interests of shareholders.

LTI grants are awarded in the form of performance rights through:

- the Executive Performance Share Plan (**EPSP**) prior to October 2013
- the Suncorp Group Equity Incentive Plan (**EIP**) from October 2013.

LTI grants will only vest when certain TSR performance hurdles relative to a pre-determined group of peer companies (the **Peer Comparator Group**) are met.

The following table summarises the features of the Suncorp Group Equity Incentive Plan:

<b>Performance rights</b>	A performance right entitles a participant to one fully paid ordinary share in SGL (or under limited circumstances at the Board's discretion, a cash payment in lieu of an allocation of ordinary shares in SGL) at no cost.  Performance rights vest at a set future point in time, provided specific performance hurdles are met.
<b>Dividends</b>	If performance rights vest and shares are allocated, a payment equal to the dividends earned on those shares during the performance period is paid (less applicable taxes paid or due to be paid by the trustee with respect to the dividends).
<b>Allocation</b>	The face value of LTI to be granted to participants is determined by the Board. The number of performance rights is equivalent to the value of the LTI divided by the five-day Volume Weighted Average Price of one ordinary share over the five days preceding the date of grant.  When offers are made, the shares are bought on market to avoid any dilutionary impact on the share price that the issue of new ordinary shares might create. The shares are acquired by the Plan trustee and held in trust (along with associated dividends received) during the vesting period.

<sup>1</sup> Note that the profit figure in the table is not the same as the underlying profit calculation used for STI purposes. Refer to section 2.5 for more information on underlying profit after tax used for STI purposes.

<sup>2</sup> Closing share price at 30 June.

<b>Performance hurdle</b>	<p>The performance of SGL's share price over the long term determines the extent to which LTI performance rights vest. This is measured by ranking SGL's TSR against the returns of the Peer Comparator Group. TSR (expressed as a percentage):</p> <ul style="list-style-type: none"> <li>• is a method of calculating the return shareholders would earn if they held a notional number of shares over a defined period of time</li> <li>• measures the change in SGL's share price, together with the value of dividends received during the period (assuming all dividends are re-invested into new shares) and capital returns</li> <li>• will vary over time but the relative position reflects the overall performance relative to the Peer Comparator Group.</li> </ul> <p>TSR performance is monitored by an independent external party on a quarterly basis, for all unvested grants. At final vesting, two independent external parties validate TSR performance.</p> <p>The relative TSR performance measure is chosen because it:</p> <ul style="list-style-type: none"> <li>• offers a relevant indicator of measuring changes in shareholder value by comparing SGL's return to shareholders against the returns of companies of a similar size and investment profile</li> <li>• aligns shareholder returns with reward outcomes for executives over the long term</li> <li>• minimises the impact of market cycles.</li> </ul> <p>The Board has considered other measures to determine the performance of LTI and has concluded relative TSR is the most appropriate at this time. Measures for LTI are reviewed on a regular basis to ensure they remain appropriate. A second bespoke measure is under active consideration by both management and the Board. Further action will be taken once the new operating model has been embedded and subject to appropriate consultation with the CEO &amp; Managing Director and relevant stakeholders.</p>
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<b>Comparator group</b>	<p>The Peer Comparator Group for relative TSR performance assessment is the top 50 listed companies by market capitalisation in the S&amp;P/ASX 100 (excluding Real Estate Investment Trusts and mining companies<sup>1</sup>), as determined at the commencement of each grant. If SGL in the Peer Comparator Group is acquired or delisted during the performance period, it is removed from the ASX list. There may, therefore, be fewer than 50 companies in the Peer Comparator Group for that period.</p>
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<b>Vesting schedule</b>	<p>Executives will only derive value from the LTI if SGL's TSR performance is at, or greater than the median of the Peer Comparator Group.</p> <p>Performance rights vest in accordance with the LTI vesting schedule represented in the table below, subject to clawback (see Section 2.7):</p>
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Relative TSR performance outcomes	Percentage of LTI award that will vest
Below the 50th percentile (below median performance)	0%
At the 50th percentile (median performance)	50%
Between the 50th and 75th percentiles	50% plus 2% for each full 1% increase in the SGL's ranking against the Peer Comparator Group
At or above the 75th percentile	100%

<b>Performance period</b>	<p>The performance period is three years.</p> <p>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>
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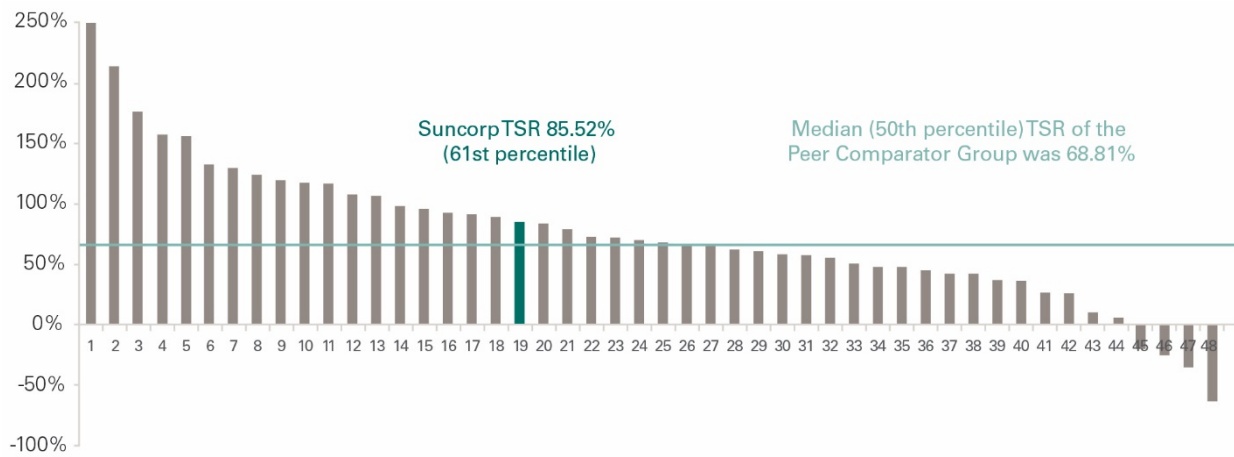
<sup>1</sup> The Peer Comparator Group for relative TSR performance differs slightly from the comparator group used for remuneration positioning as detailed in section 2.



### Senior Executives' 2012 grant

The LTI performance hurdle for the Senior Executives' October 2012 Grant, with a vesting date in 2016, achieved a successful vesting result at 72%.

#### PEER COMPARATOR GROUP TSR OUTCOMES, RANKED FROM HIGHEST TO LOWEST



## Number and value of LTI performance rights granted, vested and forfeited

The movement of performance rights during 2016 and executives' current LTI grants as at 30 June 2016 are outlined in the following table<sup>1,2</sup>.

	Performance rights granted			Fair value yet to vest		Market value		Vested in year	Forfeited in year	Vested in year
	Number	Grant date	Financial year in which grant may first vest	Min <sup>3</sup>	Max <sup>4</sup>	At date of grant <sup>5</sup>	As at 30 June 2016 <sup>6</sup>			
				\$	\$	\$	\$			
<b>Executive director<sup>7</sup></b>										
M Cameron	80,000	24 September 2015	30 June 2016	-	-	-	-	100%	-	80,000
	80,000	24 September 2015	30 June 2017	-	989,600	990,400	974,400	-	-	-
	80,000	24 September 2015	30 June 2018	-	988,000	990,400	974,400	-	-	-
	226,639	24 September 2015	30 June 2019	-	1,271,445	2,805,791	2,760,463	-	-	-
<b>Former Executive director<sup>8</sup></b>										
P Snowball	446,752	25 October 2012	30 June 2016	-	-	-	-	72%	28%	321,661
	324,396	24 October 2013	30 June 2017	-	1,541,962	2,841,709	2,634,096	-	33%	-
	276,839	23 October 2014	30 June 2018	-	759,456	1,313,130	1,123,958	-	67%	-
<b>Senior Executives</b>										
A Day	40,507	1 October 2012	30 June 2016	-	-	-	-	72%	28%	29,165
	57,006	1 October 2013	30 June 2017	-	416,144	737,658	694,333	-	-	-
	56,561	1 October 2014	30 June 2018	-	463,235	800,904	688,913	-	-	-
	73,651	1 September 2015	30 June 2019	-	453,690	922,111	897,069	-	-	-
G Dransfield	29,705	1 October 2012	30 June 2016	-	-	-	-	72%	28%	21,387
	53,206	1 October 2013	30 June 2017	-	388,404	688,486	648,049	-	-	-
	49,604	1 October 2014	30 June 2018	-	406,257	702,393	604,177	-	-	-
	62,022	1 September 2015	30 June 2019	-	382,056	776,515	755,428	-	-	-
	10,976	23 March 2016	30 June 2019	-	67,612	130,285	133,688	-	-	-
C Herbert	32,405	1 October 2012	30 June 2016	-	-	-	-	72%	28%	23,331
	45,605	1 October 2013	30 June 2017	-	332,917	590,129	555,469	-	-	-
	47,723	1 October 2014	30 June 2018	-	390,851	675,758	581,266	-	-	-
	60,084	1 September 2015	30 June 2019	-	370,117	752,252	731,823	-	-	-
S Johnston	23,224	1 October 2012	30 June 2016	-	-	-	-	72%	28%	16,721
	16,341	1 October 2013	30 June 2017	-	119,289	211,453	199,033	-	-	-
	36,284	28 May 2014	30 June 2017	-	245,643	486,206	441,939	-	-	-
	53,026	1 October 2014	30 June 2018	-	434,283	750,848	645,857	-	-	-
	73,651	1 September 2015	30 June 2019	-	453,690	922,111	897,069	-	-	-
A Lenahan	14,582	1 October 2012	30 June 2016	-	-	-	-	72%	28%	10,499
	38,004	1 October 2013	30 June 2017	-	277,429	491,772	462,889	-	-	-
	35,431	1 October 2014	30 June 2018	-	290,180	501,703	431,550	-	-	-
	50,393	1 September 2015	30 June 2019	-	310,421	630,920	613,787	-	-	-
J Nesbitt	48,608	1 October 2012	30 June 2016	-	-	-	-	72%	28%	34,997
	68,407	1 October 2013	30 June 2017	-	499,371	885,187	833,197	-	-	-
	63,777	1 October 2014	30 June 2018	-	522,334	903,082	776,804	-	-	-
	79,466	1 September 2015	30 June 2019	-	489,511	994,914	967,896	-	-	-
M Reinke	14,582	1 October 2012	30 June 2016	-	-	-	-	72%	28%	10,499
	17,101	1 October 2013	30 June 2017	-	124,837	221,287	208,290	-	-	-
	25,635	28 May 2014	30 June 2017	-	173,549	343,509	312,234	-	-	-
	38,885	1 October 2014	30 June 2018	-	318,468	550,612	473,619	-	-	-
	54,269	1 September 2015	30 June 2019	-	334,297	679,448	660,996	-	-	-
A Revis	32,405	1 October 2012	30 June 2016	-	-	-	-	72%	28%	23,331
	45,605	1 October 2013	30 June 2017	-	332,917	590,129	555,469	-	-	-
	44,895	1 October 2014	30 June 2018	-	367,690	635,713	546,821	-	-	-
	56,208	1 September 2015	30 June 2019	-	346,241	703,724	684,613	-	-	-
P Smeaton	8,101	1 October 2012	30 June 2016	-	-	-	-	72%	28%	5,832
	5,700	1 October 2013	30 June 2017	-	41,610	73,758	69,426	-	-	-
	5,656	1 October 2014	30 June 2018	-	46,323	80,089	68,890	-	-	-
	54,269	1 September 2015	30 June 2019	-	334,297	679,448	660,996	-	-	-
<b>Former Senior Executive<sup>9</sup></b>										
G Summerhayes	38,886	1 October 2012	30 June 2016	-	-	-	-	72%	28%	27,997
	54,726	1 October 2013	30 June 2017	-	300,256	532,235	500,976	-	25%	-
	53,026	1 October 2014	30 June 2018	-	181,638	314,040	270,128	-	58%	-

1 The expiry date for performance rights and the fair value per right can be found in note 10 to the SGL's financial statements.

2 Mr Matt Pancino ceased employment on 29 April 2016. Of the shares and performance rights held on leaving office 119,036 performance rights (100%) were forfeited. 7,698 performance rights (72%) granted in previous periods vested during the current year. Mr Mark Milliner ceased employment on 27 January 2016. Of the shares and performance rights held on leaving office 193,317 performance rights (100%) were forfeited. 31,381 performance rights (72%) granted in previous periods vested during the current year.

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

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

5 Market value at date of grant is calculated as the number of shares granted multiplied by the closing share price as traded on the Australian Securities Exchange (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.

6 Market value as at 30 June 2016 is calculated as the number of shares granted multiplied by the closing share price as traded on ASX on 30 June 2016.

7 Mr Michael Cameron was awarded restricted shares on commencement in recognition of incentives foregone with Mr Cameron's previous employer. 80,000 of which vested on 1 January 2016 and a further 80,000 will vest on 1 January 2017 and 1 January 2018, subject to service criteria being met.

8 Mr Patrick Snowball ceased employment on 30 September 2015. Of the shares and performance rights held on leaving office 292,692 performance rights (49%) were forfeited.

9 Mr Geoff Summerhayes ceased employment on 2 January 2016. Of the shares and performance rights held on leaving office 44,443 (41%) were forfeited.

## 2.7 REMUNERATION ALIGNS WITH RISK MANAGEMENT

A rigorous approach to effective risk management is embedded throughout the Group.

The Enterprise Risk Management Framework (**ERMF**) lays the foundation for all risk management processes across the Group. The ERMF helps ensure the integration of effective risk management across the organisation and incorporates Suncorp's policies (which include risk management policies and the Remuneration Policy).

The Board sets the Risk Appetite for the Group, and has ultimate responsibility for the effectiveness of the Group's risk management practices.

In addition, the Chairman of the Remuneration Committee is a member of the Risk Committee and similarly the Chairman of the Risk Committee is a member of the Remuneration Committee.

The Group's shared values and leader profiles make it clear to all employees the importance of embedding risk into decision-making processes, and risk management into the Group's operations. Business function leaders develop their business strategy and risk tolerance with an understanding of the Group's risk appetite and also what is happening in the market in which the Group operates. Financial returns delivered to the Group are commensurate with the risks the Group is willing to take in pursuit of the achievement of business objectives. Additionally, risk is embedded in the way performance is measured for all employees across Suncorp.

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

- a separately weighted risk measure in the Group scorecard where the performance of the Group, business function and individuals are assessed by the Risk Committee and measured with reference to how risk is managed
- individual adherence to risk management policies is assessed to ensure all executives and employees adhere to the ERMF, demonstrating performance that is aligned to expected ethical standards
- an assessment based on behavioural and cultural measures, which considers compliance with the Suncorp Group Risk Appetite Statement. This is a significant consideration of overall performance to deliver an organisation-wide focus on prudent management of the risks the Group faces
- the application of Remuneration Committee discretion to consider additional factors in the determination of performance outcomes.

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

## Clawback

Deferred STI and unvested LTI are both subject to potential clawback based on the Board's judgment, as summarised below:

<b>Purpose</b>	Clawback enables the Board to adjust performance based remuneration (including deferred STI and unvested LTI) downwards (including to zero) to protect the Group's financial soundness and ability to respond to unforeseen significant issues.
<b>Criteria<sup>1</sup></b>	<p>The following criteria are considered when determining if clawback should be applied during the deferral period:</p> <p>Clawback will be applied if prior to the date of payment, it is determined that:</p> <ul style="list-style-type: none"> <li>• there was, during the performance year in respect of which the incentive was awarded, a failure to comply with Suncorp's risk management policies and practices</li> <li>• the employee was aware of the above mentioned failure, or should reasonably have been aware of that failure, when the incentive was awarded; and</li> <li>• the matters referred to above, if known at the time, would have resulted in materially different assumptions being applied when determining the incentive to be awarded to the employee.</li> </ul>
<b>Approval process</b>	<p>The Chief Risk and Legal Officer and Chief Financial Officer (<b>CFO</b>) produce a report on relevant matters to be considered for clawback and release of deferred incentives and unvested LTI awards for Senior Executives and the CEO &amp; Managing Director. The Chairmen of the 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 CEO &amp; Managing Director makes a recommendation to the Board via the Remuneration Committee, for approval of the release (and/or clawback where appropriate) of deferred incentives and unvested LTI awards for the Senior Executives; and</li> <li>• the Chairmen of the Remuneration, Risk and Audit Committees make a recommendation to the Board, for approval of the release (and/or clawback where appropriate) of deferred incentives and unvested LTI awards for the CEO &amp; Managing Director.</li> </ul>

## Minimum shareholding requirement

To further align the CEO & Managing Director and Senior Executives' interests with those of shareholders, in the 2014 financial year the Board introduced a minimum shareholding requirement which requires Senior Executives to have a shareholding in the Company of a value that is equal to at least 100% of one year's pre-tax (gross) fixed remuneration.

Senior Executives who were in office at October 2013 are required to achieve the full amount by October 2017. The CEO & Managing Director or any Senior Executives appointed after October 2013 will have four years from the October following their appointment to achieve the 100% shareholding, 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.

Unvested performance rights within the LTI plan for executives do not qualify toward meeting this requirement.

Based on their shareholding as at 30 June 2016, all Senior Executives are on track to hold sufficient shares to meet the October 2017 requirement. Detailed share ownership information for Senior Executives is shown in section 4.2.

## Risk and financial control personnel

Separate performance and remuneration review processes govern remuneration decisions concerning employees working in the areas of risk and financial control.

In these roles, performance measures are set and assessment occurs independently of their business function, the Chief Risk and Legal Officer or CFO oversees the process as appropriate.

<sup>1</sup> The criteria were reviewed, updated and approved by the Board in November 2014 (effective January 2015) to ensure consistent and appropriate application of clawback for all executives.

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In addition, employees working in risk roles typically have a comparatively higher percentage of risk-based measures in their scorecard.

### **Hedging prohibition**

The Suncorp Group Securities Trading Policy prohibits directors, employees and contractors from dealing in a financial product which operates to limit the economic risk of a holding in SGL's securities (i.e. hedging), including unvested LTI performance 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.

While performance rights remain unvested, executives do not have an entitlement to the underlying shares held in the name of the trustee, nor may they access the underlying shares.

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

## 2.8 EXECUTIVE REMUNERATION – STATUTORY DISCLOSURES

This section provides full details of total remuneration for executives for 2016 and 2015, as required under the *Corporations Act 2001*.

The following table includes LTI amounts during 2016 and 2015 which are 'share-based payment' amounts that reflect the amount required to be expensed in accordance with the Australian Accounting Standards (**AASBs**).

The fair value of equity-settled performance rights is determined at grant date and amortised over the vesting period. The fair value of cash-settled performance rights is remeasured at year end, with changes in fair value recognised as an expense. The values realised by executives in subsequent years may differ to the accounting expense reported below, depending on the extent to which the performance hurdles are met.

		Short-term benefits		Post-employment benefits		Long-term benefits		Termination benefits <sup>5</sup>	Share-based payments <sup>6</sup>	Total remuneration	Performance related	
		Salary and fees	Cash incentives	Non-monetary benefits <sup>1</sup> Other <sup>2</sup>		Superannuation benefits	Deferred incentives <sup>3</sup> Other <sup>4</sup>					
				\$000	\$000		\$000					\$000
<b>Executive director</b>												
M Cameron	2016	1,537	630	29	118	16	630	26	-	2,315	5,301	67.4
<b>Former executive director</b>												
P Snowball	2016	667	-	114	(111)	-	110	9	1,434	621	2,844	25.7
	2015	2,550	1,434	88	49	-	1,569	39	-	2,396	8,125	66.5
<b>Senior Executives</b>												
A Day	2016	930	481	14	16	19	284	34	-	439	2,217	54.3
	2015	783	581	13	31	19	342	13	-	355	2,137	59.8
G Dransfield	2016	864	437	46	8	19	256	21	-	393	2,044	53.1
	2015	684	496	108	35	19	290	-	-	304	1,936	56.3
C Herbert	2016	755	383	15	30	19	226	38	-	360	1,826	53.1
	2015	658	491	14	(12)	19	285	11	-	278	1,744	60.4
S Johnston	2016	930	469	1	27	19	269	39	-	427	2,181	53.4
	2015	760	567	-	(11)	19	317	13	-	309	1,974	60.5
A Lenahan <sup>7</sup>	2016	670	-	18	13	19	15	32	-	283	1,050	28.3
	2015	484	396	17	(8)	19	229	8	-	199	1,344	61.3
J Nesbitt	2016	1,005	507	6	189	19	301	27	-	501	2,555	51.2
	2015	885	655	8	192	19	386	14	-	416	2,575	56.6
M Reinke	2016	680	346	9	29	19	200	38	-	322	1,643	52.8
	2015	532	392	9	(6)	19	223	9	-	228	1,406	60.0
A Revis	2016	679	379	13	45	19	224	24	-	346	1,729	54.9
	2015	618	471	15	1	19	275	10	-	282	1,691	60.8
P Smeaton	2016	571	288	108	18	18	159	31	-	100	1,293	42.3
<b>Former Senior Executives</b>												
M Milliner	2016	547	-	17	46	14	25	44	-	(359)	334	-
	2015	808	583	27	(9)	19	344	13	-	376	2,161	60.3
M Pancino	2016	660	-	6	(4)	19	13	18	-	(128)	584	-
	2015	683	519	7	8	19	289	11	-	146	1,682	56.7
G Summerhayes	2016	457	91	8	22	14	71	16	773	159	1,611	20.0
	2015	768	555	22	(2)	19	324	13	-	338	2,037	59.7

1 Non-monetary benefits represents costs met by Suncorp Group for airfares and insurances. Non-monetary benefits costs for Mr Gary Dransfield include accommodation benefits and PAYE paid by the Suncorp Group in respect of 2015 and 2016.

2 Other short-term benefits represent annual leave accrued during the year and Mr John Nesbitt's accommodation allowance. The annual leave balance for Mr Geoff Summerhayes, Mr Mark Milliner, Mr Patrick Snowball and Mr Matt Pancino's were paid out on termination.

3 The amount of deferred incentives awarded to the CEO & Managing Director and Senior Executives are recognised in full as there are no performance or service conditions required.

4 Other long-term benefits represent long service leave accrued during the year. Mr Mark Milliner and Mr Geoff Summerhayes' long service leave balance was paid out on termination.

5 Termination benefits are paid in accordance with contractual commitments. For Mr Patrick Snowball this includes cessation and contractual repatriation elements for his contribution to the Group to 30 September 2015.

6 Equity-settled performance rights issued as LTI are expensed to the profit or loss based on their 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 SGL's financial statements.

7 Ms Anna Lenahan is ineligible to receive an STI award in 2016 due to notice of resignation being provided.

## 2.9 EMPLOYMENT AGREEMENTS – SUMMARY

The CEO & Managing Director and Senior Executives are employed by Suncorp Staff Pty Limited (**SSPL**), a wholly-owned subsidiary of SGL, under a standard employment agreement with no fixed term. The agreements may be terminated at any time provided the relevant notice period is given. In the event of misconduct, the Group may terminate the agreement immediately, without notice (or any payment in lieu).

A payment in lieu of notice may be made for all or part of any notice period, calculated based on an individual's fixed remuneration less superannuation contributions (subject to it not being prohibited by law from making such a payment). Payment on termination will include payment of accrued annual leave and, where appropriate, long service leave. Where a change of control of Suncorp Group Limited occurs, for the CEO & Managing Director deferred STI and a pro-rata award of current year STI may be awarded, and unvested LTI may vest pro-rata (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 shown in the table below.

	<b>CEO &amp; Managing Director, Mr Michael Cameron</b>	<b>Senior Executives</b>
<b>Notice period/ termination payments</b>	<b>Employer-initiated termination</b> Incapacity: 9 months Misconduct: none All other cases: 12 months <b>Employee-initiated termination: 6 months</b>	<b>Employer-initiated termination</b> Incapacity: 3 months Misconduct: none All other cases: 12 months <b>Employee-initiated termination: 3 months</b>
<b>Treatment of STI on termination</b>	<b>Employer-initiated and employee-initiated termination</b> Resignation or redundancy: <ul style="list-style-type: none"> <li>• any cash STI award may be received, subject to performance, at Board discretion</li> <li>• any deferred STI award will generally vest after the termination date at the end of the original deferral period and will be subject to potential clawback at such time, unless the Board exercises its discretion otherwise.</li> </ul> Misconduct: No cash STI will be awarded and all unvested deferral is forfeited. All other cases: Board discretion.	
<b>Treatment of LTI on termination</b>	<b>Qualifying reason<sup>1</sup></b> 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, unless otherwise determined by the Board. <b>Non-qualifying reason</b> All unvested awards are forfeited.	
<b>Treatment of restricted shares on termination</b>	<b>Qualifying reason<sup>1</sup></b> 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, unless otherwise determined by the Board. <b>Non-qualifying reason</b> All unvested awards are forfeited.	Not applicable.

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

### 3. NON-EXECUTIVE DIRECTOR ARRANGEMENTS

#### 3.1 REMUNERATION STRUCTURE

##### Remuneration Policy

The remuneration arrangements for non-executive directors are designed to ensure Suncorp Group attracts and retains suitably qualified and experienced directors. Arrangements are based on a number of factors, including the requirements of the role, the size and complexity of Suncorp Group and market practices.

##### Fee structure

Non-executive directors receive fixed remuneration only, paid as directors' fees, and they do not participate in performance-based incentive plans.

Shareholders have approved a maximum aggregate total remuneration limit of \$3,500,000 for all non-executive directors (including Superannuation Guarantee Contributions (SGC)).

Suncorp Group Limited pays compulsory SGC of 9.5% of the director's base fee on behalf of all eligible non-executive directors. If a non-executive director ceases to be eligible for SGC payments, the equivalent amount is paid in fees.

To support alignment with the market the Board approved changes to the non-executive directors' fees for the Board, Audit Committee and Risk Committee effective 1 July 2015. This was the first change in non-executive directors' fees since 1 July 2011.

The approved non-executive director fee structure for 2016 is set out in the table below.<sup>1</sup>

Committee	2016 FEE P.A. <sup>2</sup> \$000					
	Board	Audit	Risk	Remuneration	Other <sup>3</sup>	Other <sup>4</sup>
<b>Chairman fees (C)</b>	600 <sup>5</sup>	60	60	40	100	70
<b>Member fees (✓)</b>	220	30	30	20		
Dr Zygmunt Switkowski AO	C	Ex Officio <sup>10</sup>	Ex Officio <sup>10</sup>	Ex Officio <sup>10</sup>		
Mr William Bartlett <sup>6</sup>	✓	✓	✓	✓		
Ms Audette Exel AO	✓		✓			
Ms Sally Herman <sup>7</sup>	✓	✓				
Mr Ewoud Kulk	✓		C	✓		C
Ms Christine McLoughlin <sup>8</sup>	✓		✓	C		
Dr Douglas McTaggart <sup>9</sup>	✓	C		✓		
Mr Geoffrey Ricketts CNZM	✓	✓			C	

The Group's minimum shareholding requirement introduced in October 2013 (refer to section 2.7) requires non-executive directors in office at 31 October 2013 to hold a minimum number of ordinary shares in SGL with a value at least equal to 50% after two years and 100% after four years of one year's pre-tax (gross) base fees<sup>11</sup>.

Any non-executive directors appointed after October 2013 will have four years from the October following their appointment to achieve the 100% shareholding, with a 50% shareholding to be achieved at two years.

All non-executive directors are currently on track to hold sufficient shares to meet the shareholding requirement. Detailed share ownership information for the non-executive directors is shown in section 4.2.

<sup>1</sup> Mr Michael Cameron retired from the Board and Risk Committee effective 30 September 2015 due to his appointment as CEO & Managing Director effective 1 October 2015.

<sup>2</sup> Fees exclude SGC.

<sup>3</sup> An additional fee is payable to Mr Geoffrey Ricketts CNZM for the Chairmanship of Vero Insurance New Zealand Limited and other New Zealand insurance companies.

<sup>4</sup> An additional fee is payable to Mr Ewoud Kulk for the Chairmanship of AA Insurance Limited.

<sup>5</sup> Includes base fee.

<sup>6</sup> Mr William Bartlett retired as Chairman of the Remuneration Committee effective 31 December 2015, but remains a member.

<sup>7</sup> Ms Sally Herman was appointed to the Board effective 22 October 2015 and the Audit Committee effective 1 January 2016.

<sup>8</sup> Ms Christine McLoughlin was appointed Chairman of the Remuneration Committee effective 1 January 2016.

<sup>9</sup> Dr Douglas McTaggart was appointed to the Remuneration Committee effective 1 January 2016.

<sup>10</sup> Dr Ziggy Switkowski AO does not receive fees for attending Audit, Risk and Remuneration Committee meetings as an ex officio member.

<sup>11</sup> Board member fee or Board Chairman fee only (excluding SGC), does not include Committee membership fees or Committee Chairmanship fees.



### 3.2 NON-EXECUTIVE DIRECTORS' SHARE PLAN

The Non-Executive Directors' Share Plan, established in November 2001 following shareholder approval, facilitates the purchase SGL's shares by non-executive directors by nominating, on a voluntary basis, a percentage of their pre-tax remuneration to be used to purchase the Company's shares on-market at pre-determined dates. The purpose of the plan is to provide Suncorp Group equity exposure for non-executive directors.

The shares are fully vested and if acquired prior to 1 July 2009 can be held in the plan for up to ten years from the date of purchase or until retirement, whichever occurs first. Shares acquired after 1 July 2009 can be held for up to seven years.

### 3.3 NON-EXECUTIVE DIRECTORS' REMUNERATION DISCLOSURES

Details of non-executive directors' remuneration for 2016 and 2015 are set out in the table below. None of the remuneration paid to non-executive directors is performance-based.

	Year	Short-term benefits		Post-employment benefits	Total <sup>1</sup>
		Salary and fees	Non-monetary benefits <sup>2</sup>	Superannuation benefits	
		\$000	\$000	\$000	
<b>Non-executive directors in office as at 30 June 2016</b>					
Dr Z Switkowski AO	2016	600	1	58	659
	2015	570	1	54	625
W Bartlett	2016	310	1	29	340
	2015	292	1	28	321
A Exel AO	2016	250	1	24	275
	2015	232	1	22	255
S Herman <sup>3</sup>	2016	164	-	16	180
E Kulk	2016	370	1	36	406
	2015	344	1	33	378
C McLoughlin	2016	280	1	28	309
	2015	95	-	9	104
Dr D McTaggart	2016	290	1	28	319
	2015	257	1	24	282
G Ricketts CNZM	2016	350	1	34	385
	2015	323	1	31	355
<b>Former non-executive director</b>					
M Cameron <sup>4</sup>	2016	57	-	5	62
	2015	223	1	21	245

1

2 The non-executive directors receive a non-monetary benefit in relation to a proportion of the directors' and officers' insurance policy premium pro-rated for time in office. The amounts for both the current and prior year are below \$1,000 per individual.

3 Ms Sally Herman was appointed to the Board effective 22 October 2015.

4 Mr Michael Cameron retired from the Board on 30 September 2015. From 25 August 2012 onwards, Mr Cameron's fees (exclusive of superannuation) were paid directly to GPT Management Holdings Limited.

## 4. RELATED PARTY TRANSACTIONS

### 4.1 LOANS TO KEY MANAGEMENT PERSONNEL 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 staff discounts at the same terms available to all employees of 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 as follows:

	2016			
	Balance 1 July 2015	Balance 30 June 2016	Interest charged during the year <sup>1</sup>	Highest balance
	\$000	\$000	\$000	\$000
<b>Senior Executives</b>				
S Johnston	-	1,200	-	1,200
A Lenahan	130	-	1	130
M Reinke	228	183	10	228
A Revis	3,960	4,125	188	4,240
P Smeaton	321	298	16	359

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

	2016		
	Key management personnel	Other related parties	Total
	\$000	\$000	\$000
Opening balance	4,111	528	4,639
Closing balance	5,138	668	5,806
Interest charged	196	19	215
	Number	Number	Number
Number of individuals at 30 June	4	2	6

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

## 4.2 MOVEMENT IN SHARES HELD BY KEY MANAGEMENT PERSONNEL

The movement during the reporting period in the number of ordinary shares in SGL held directly, indirectly or beneficially, by each of the KMP, including their related parties, is as follows:

		1 July 2015 - 30 June 2016				Balance 30 June 2016
		Balance 1 July 2015 <sup>1</sup>	Received as compensation <sup>2</sup>	Purchases (sales)	Other changes	
		Number	Number	Number	Number	Number
<b>DIRECTORS</b>						
<b>Executive director</b>						
M Cameron <sup>3</sup>	Ordinary shares	15,000	80,000	-	-	95,000
	Performance rights	-	386,639	-	-	386,639
<b>Former executive director</b>						
P Snowball <sup>4</sup>	Ordinary shares	705,965	-	(688,000)	(17,965)	-
	Performance rights	1,047,987	-	-	(1,047,987)	-
<b>Non-executive directors</b>						
Dr Z Switkowski AO	Ordinary shares	311,599	-	-	-	311,599
W Bartlett	Ordinary shares	26,968	-	-	-	26,968
A Exel AO	Ordinary shares	8,812	-	-	-	8,812
S Herman	Ordinary shares	-	-	16,500	-	16,500
E Kulk	Ordinary shares	20,173	-	-	-	20,173
C McLoughlin	Ordinary shares	15,000	-	5,000	-	20,000
Dr D McTaggart	Ordinary shares	17,799	-	1,167	-	18,966
G Ricketts CNZM	Ordinary shares	30,325	-	1,989	-	32,314
<b>SENIOR EXECUTIVES</b>						
A Day	Ordinary shares	111,803	-	3,902	-	115,705
	Performance rights	154,074	73,651	-	(40,507)	187,218
G Dransfield	Ordinary shares	50,383	-	24,387	-	74,770
	Performance rights	132,515	72,998	-	(29,705)	175,808
C Herbert	Ordinary shares	118,885	-	23,331	-	142,216
	Performance rights	125,733	60,084	-	(32,405)	153,412
S Johnston	Ordinary shares	56,158	-	16,721	-	72,879
	Performance rights	128,875	73,651	-	(23,224)	179,302
A Lenahan	Ordinary shares	42,665	-	10,499	-	53,164
	Performance rights	88,017	50,393	-	(14,582)	123,828
J Nesbitt	Ordinary shares	152,317	-	34,997	-	187,314
	Performance rights	180,792	79,466	-	(48,608)	211,650
M Reinke	Ordinary shares	41,610	-	10,499	-	52,109
	Performance rights	96,203	54,269	-	(14,582)	135,890
A Revis	Ordinary shares	27,427	-	23,359	-	50,786
	Performance rights	122,905	56,208	-	(32,405)	146,708
P Smeaton <sup>5</sup>	Ordinary shares	-	-	5,832	9,790	15,622
	Performance rights	-	54,269	-	11,356	65,625
<b>FORMER SENIOR EXECUTIVES</b>						
M Milliner <sup>6</sup>	Ordinary shares	177,553	-	(177,553)	-	-
	Performance rights	163,251	73,651	-	(236,902)	-
M Pancino <sup>7</sup>	Ordinary shares	33,577	-	41,275	(74,852)	-
	Performance rights	67,707	62,022	-	(129,729)	-
G Summerhayes <sup>8</sup>	Ordinary shares	44,496	-	(44,496)	-	-
	Performance rights	146,638	-	-	(146,638)	-

1 The number of performance rights disclosed for the CEO & Managing Director and Senior Executives represents performance rights held by the trustee of the LTI Plan and therefore beneficial entitlement to some of those shares remains subject to satisfaction of specified performance hurdles.

2 For the CEO & Managing Director and Senior Executives, compensation includes shares held under the LTI Plan. These shares are recorded in SGL's share register in the name of the LTI Plan trustee and vest only when performance hurdles are met.

3 'Balance 1 July 2015' for Mr Michael Cameron relates to his position as a non-executive director.

4 Mr Patrick Snowball ceased employment on 30 September 2015. Shares and performance rights held upon termination are shown in 'Other changes'. Of the shares and performance rights held on leaving office, 308,543 performance rights remained subject to performance hurdles.

5 Mr Paul Smeaton was appointed on 14 September 2015. Shares and performance rights held upon commencement are shown in 'Other changes'.

6 Mr Mark Milliner ceased employment on 28 January 2016. Performance rights held upon termination were forfeited and are shown in 'Other changes'.

7 Mr Matt Pancino ceased employment on 29 April 2016. Performance rights held upon termination were forfeited and are shown in 'Other changes'. Shares held upon termination are shown in 'Other changes'.

8 Mr Geoff Summerhayes ceased employment on 2 January 2016. Shares and performance rights held upon termination are shown in 'Other changes'. Of the shares and performance rights held on leaving office, 63,309 performance rights remained subject to performance hurdles.

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

Movements in the number of convertible preference shares held directly, indirectly or beneficially by any of the KMP, including their related parties, are noted in the table below.

	2016		
	1 July 2015	Purchases (sales)	30 June 2016
	Number	Number	Number
<b>SUNPC<sup>1</sup></b>			
<b>DIRECTORS</b>			
<b>Non-executive directors</b>			
E Kulk	3,000	-	3,000
<b>Senior Executives</b>			
C Herbert	400	-	400
A Lenahan	2,000	-	2,000
A Revis	1,500	-	1,500
<b>SUNPE<sup>2</sup></b>			
<b>DIRECTORS</b>			
<b>Non-executive directors</b>			
W Bartlett	323	-	323
<b>Senior Executives</b>			
C Herbert	323	-	323

#### 4.3 OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

##### Financial instrument transactions

Financial instrument transactions (other than loans and shares disclosed within this report) between Suncorp Group and directors, Senior 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 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 directors, Senior 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

4 August 2016



**MICHAEL CAMERON**

CEO & Managing Director

<sup>1</sup> SGL issued Suncorp Convertible Preference Shares (**SUNPC**) on 6 November 2012.

<sup>2</sup> SGL issued Suncorp Convertible Preference Shares (**SUNPE**) on 8 May 2014.