

## Table 18: Remuneration Disclosure requirements

### Basis of preparation

The Remuneration Disclosure is effective as at 30 June 2014 and has been reviewed by an external auditor, KPMG. Table 18 will be disclosed annually.

### Remuneration Disclosure overview

This Remuneration Disclosure forms part of the Australian Prudential Standard (APS) 330 Capital Disclosure and has been endorsed by the Remuneration Committee and approved by the Board.

The disclosure is structured as follows:

- Section 1: provides clarity on remuneration policies, practices and results and outlines the linkages between remuneration and strategic objectives, both financial and non-financial. References are made to Suncorp Group's remuneration framework and governance as these define the remuneration arrangements for all employees within Suncorp Bank; and
- Section 2: sets out the aggregated remuneration details for Senior Managers (Executives) and Material Risk Taker (MRT) roles for Suncorp Bank.

The table below identifies the definitions considered for the purpose of the Remuneration Disclosure requirements under APS 330.

Reference	Detail
Remuneration Disclosure completed on a Level 2 basis	Suncorp Bank is a Business Unit of Suncorp Group Limited (SGL) and represented by Suncorp Metway Limited (SML) and its subsidiaries. SML is an authorised deposit-taking institution and a wholly owned subsidiary of SGL. Therefore this Remuneration Disclosure is completed on a Level 2 <sup>1</sup> basis.
Senior Managers (Executives)	As Suncorp Bank is represented by SML and its subsidiaries, the KMP <sup>2</sup> roles (excluding the non-executive directors) for SGL are considered as the Senior Managers for the purpose of this aggregated Remuneration Disclosure. Fourteen individuals <sup>3</sup> held a Senior Manager role during FY14 <sup>4</sup> . This disclosure requirement is provided in Section 2.
Material Risk Takers (MRT) roles for Suncorp Bank	On 28 June 2012 the Board approved Suncorp's definition of 'Material Risk Taker' to align with the 'responsible persons' <sup>5</sup> definition within Suncorp's Fit and Proper Policy as it applies to Australia. For the purpose of this disclosure, 18 individuals within Suncorp Bank held an MRT role during FY14 <sup>4</sup> . For the purpose of this report, specified EGM <sup>6</sup> and other senior roles within Suncorp Bank are identified as MRT roles. This disclosure requirement is provided in Section 2.
All employees	Section 1 details the qualitative disclosure requirements covering all employees of Suncorp Bank as required under Table 18 E of the APS 330 legislation.

<sup>1</sup> Under Application Paragraph 3, 'where a locally incorporated ADI is a subsidiary of an authorised non-operating holding company (authorised NOHC), the authorised NOHC must ensure that the requirements under this Prudential Standard are met on a Level 2 basis' (APS 330 legislation June 2013).

<sup>2</sup> Key Management Personnel.

<sup>3</sup> This represents the changes to the KMP in 2014.

<sup>4</sup> Where the individual held the disclosed role for a portion of the financial year their remuneration has been pro-rated to reflect this.

<sup>5</sup> As defined in the Australian Prudential Regulation Authority (APRA) Prudential Standard CPS 520 (Fit and Proper).

<sup>6</sup> Executive General Managers.

## Section 1

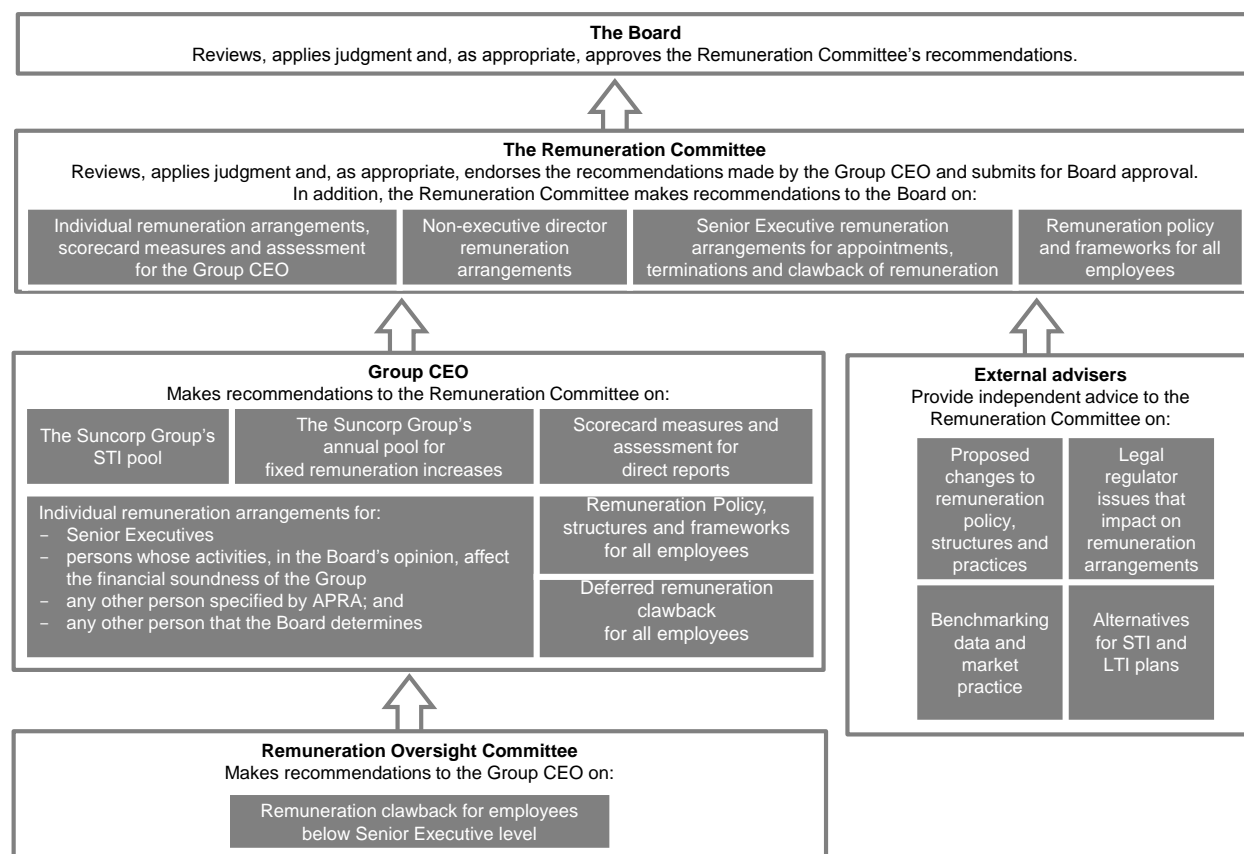
### i. Remuneration governance framework

The Remuneration Committee (the Committee) leads remuneration matters at Suncorp. The Committee operates under its own charter and reports to the Board. The members of the Remuneration Committee are all accomplished and experienced non-executive directors of Suncorp Group with backgrounds in business, accounting or law. The Committee consists of five independent non-executive directors (the Board Chairman is an ex-officio member).

The Committee met five times during FY14<sup>7</sup> and fully discharged its responsibilities in accordance with its Charter. The Remuneration Committee's Charter, which the Board reviews annually for appropriateness, was confirmed in November 2013. This charter is available on the Company's website at [suncorpgroup.com.au](http://suncorpgroup.com.au).

The Committee fees for the Committee chair for FY14 were \$40,000 and for Committee members were \$20,000.

Suncorp Group's remuneration governance framework meets the standards expected by the ASX Corporate Governance Council and a summary is set out below.



The Committee annually reviews the remuneration structure of the Senior Managers and MRT roles for Suncorp Group.

For FY14 the Remuneration Committee appointed PricewaterhouseCoopers (**PwC**) as the lead external remuneration adviser. However, PwC did not provide remuneration recommendations and was not a 'remuneration consultant' as defined in the *Corporations Act 2001*, during 2014.

<sup>7</sup> Refers to the period from 1 July 2013 to 30 June 2014.

## ii. Group Remuneration Policy 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 for all employees of Suncorp Group including Suncorp Bank. The Board is committed to remunerating fairly and responsibly.

The Group Remuneration Policy:

- Covers all directors and employees in Australia and overseas, and provides a framework for the governance, structure and operation of Suncorp Group's remuneration systems; and
- Details the accountabilities of the Board, the Committee and management and the governance requirements for all levels of remuneration including for individuals performing risk and financial control roles, third party service contracts and Non-Corporate Incentive Plans.

This policy is reviewed annually, and the other remuneration governance arrangements are reviewed periodically, at least every two years. The Group Remuneration Policy and the supporting standards were last endorsed by the Committee and approved by the Board in April 2014. These were updated to incorporate new regulation and legislative changes.

The reward philosophy and objective is to offer rewards that are sufficiently competitive to motivate directors, Senior Managers and MRT to deliver superior and sustainable returns to shareholders.

The reward strategy, derived from linking the reward philosophy with business strategy and risk tolerance, is that the principles that determine remuneration are focused on driving the performance and behaviours consistent with achieving this objective.

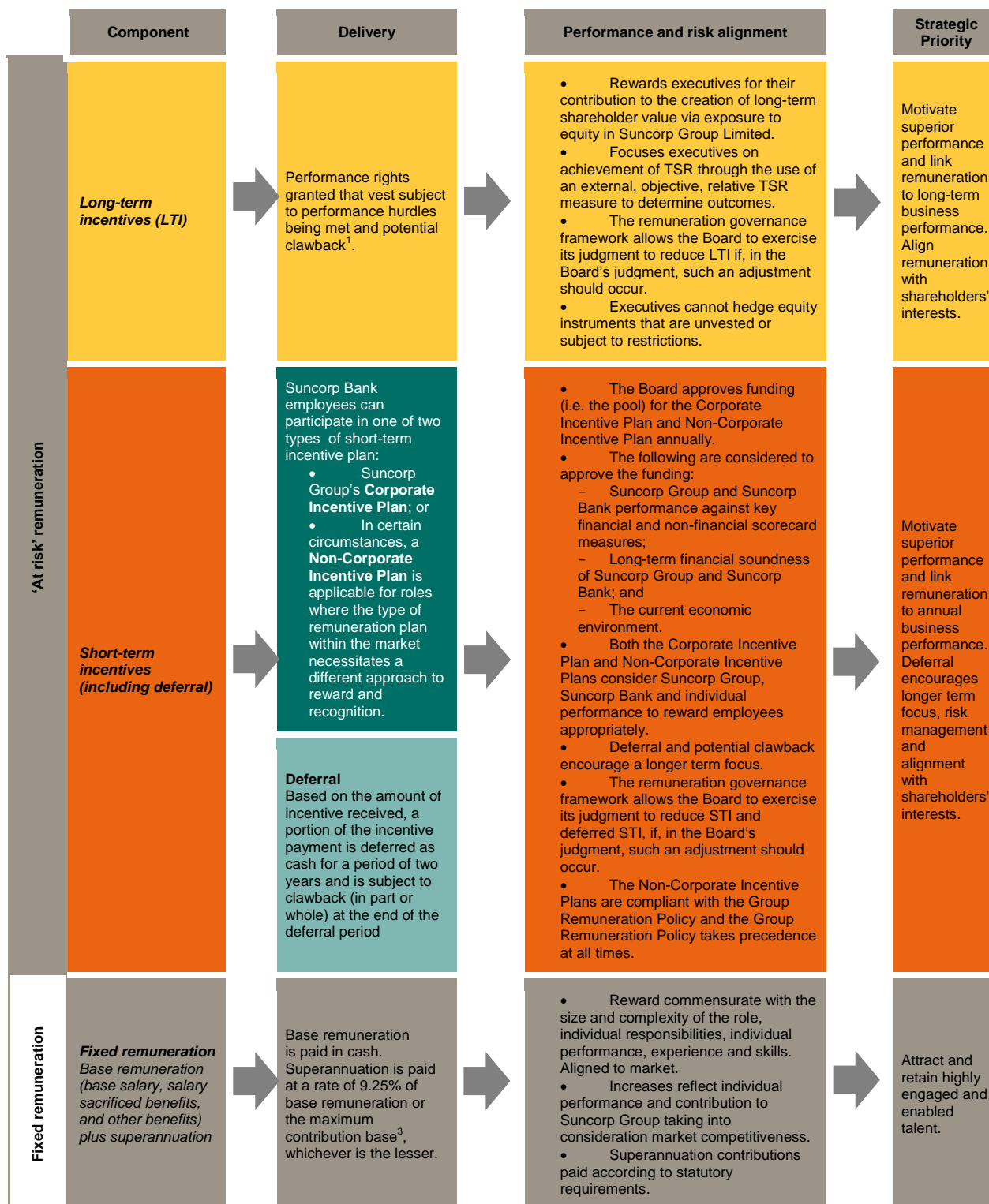
There are six reward principles which together aim to create and protect shareholder value:

1. Align reward with sustainable performance
2. Align effective risk management with reward
3. Balance stakeholder interests
4. Deliver a competitive advantage
5. Ensure gender pay equality
6. Support Suncorp Group's culture and **values** (honesty, courage, fairness, respect, caring and trust).

The reward framework for all employees at Suncorp Bank comprises of a mix of fixed and at-risk remuneration. This mix is outlined in the table on the following page. Fixed remuneration is determined based on industry practice and individual performance. The at-risk components must satisfy performance and risk-related requirements, and are explicitly linked to short term and long term performance of Suncorp Group and prudent risk management. The at-risk components include short term and long term performance linked remuneration that is subject to clawback in part or whole.

The total remuneration mix varies depending on the level of the role. As the level and complexity of roles increases, the proportion of at-risk remuneration increases. As a result, the proportion of Short-term Incentive (STI) that is deferred also increases which is subject to clawback (refer to section iii).

The table below provides a summary of the remuneration components for all employees of Suncorp Bank and their linkage to strategic objectives:



1. Clawback of LTI is applicable from the October 2010 Grant onwards.  
2. STI is paid in cash, unless the individual nominates to have all or part of their award paid into superannuation or Suncorp Group Limited shares (subject to relevant limits).  
3. Employer contributions of 9.25% of ordinary time earnings are paid up to the maximum contribution base, which for the financial year ending 30 June 2014 was \$48,040 per quarter.

## Performance Assessment

The Balanced Scorecard is adopted to assess performance for all employees at Suncorp Group and is one of several initiatives in place to promote a culture of prudent risk-taking in accordance with Group policies and values. To embed a culture of prudent risk-taking, risk based performance measures at all organisational levels are consistent and integrated with our risk management framework.

The various performance measures for all employees of Suncorp Group are broadly categorised as:

- Profit and financial
- Risk
- People
- Customer
- Other measures – which includes individual measures

Both the Corporate Incentive Plan and Non-Corporate Incentive Plans measure performance against a scorecard of financial and non-financial performance objectives.

Performance outcomes are measured based on challenging, robust assessment of achieving pre-determined targets. For Suncorp Bank, performance against goals is the basis to calculate incentive payments, as a result of which:

- Goals are reviewed at least annually to ensure that they are aligned with the Suncorp Bank strategy;
- Funding for the plans is assessed against the achievement of strategic business objectives of the business to ensure it delivers the long term strategy; and
- Deferral mechanisms are used in accordance with APRA Guidelines and Associated Standards and Suncorp Group policies.

### iii. Remuneration aligns with risk management

Risk assessment is also included in the Balanced Scorecard through:

- A separately weighted risk measure; and
- An assessment based on behavioural and cultural measures, which consider adherence to the risk management framework.

Compliance with the Suncorp Group Risk Appetite Statement is a significant consideration of overall performance to deliver an organisation-wide focus on the prudent management of the risks the Group faces.

Risk management practices are governed by an integrated framework incorporating Suncorp Group policies (including the Remuneration Policy). The Group Chief Risk Officer (CRO) reviews the performance of each business unit and measures with reference to how risk is managed. Individual adherence to risk management policies is also considered.

In determining at risk remuneration for Senior Managers and MRT roles, the Board ensures that risk management is a specific performance goal.

The Committee's starting point when considering STI outcomes is the Balanced Scorecard outcome. The Committee and Board then consider additional factors, such as capital returns to shareholders and the long-term financial soundness of outcomes, before the Board makes its final determination of the overall STI pool.

At an operational level, Suncorp Bank has a number of divisional policies that are integrated with Group governance policies to ensure Group assets are protected.

The table below provides the key risks and the measures for Suncorp Bank which are updated periodically to ensure that they comply with the legislative standards:

Key Risks	Key measures	Review of the measures
Financial risks (credit risk, market risk, liquidity risks)	Metrics embedded within Scorecard KPI's include compliance with Board delegated trigger limits for key credit, liquidity and market risk limits	<ul style="list-style-type: none"> <li>Compliance with credit. Liquidity and market risk limits are monitored continuously</li> </ul>
Operational Risks	<p>A number of measures are used to evaluate Operational risk including:</p> <ul style="list-style-type: none"> <li>Data Quality Metrics across customer and operational systems</li> <li>Manager Risk Assessment Ratings and Incident Reporting</li> <li>Internal and External Audit Findings</li> </ul>	<ul style="list-style-type: none"> <li>Data Quality Monitoring performed monthly, quarterly and annually</li> <li>Data Governance and remediation embedded within process control</li> <li>Manager Risk Assessment Ratings performance is assessed Monthly and Quarterly</li> <li>Internal and External Audits are performed in accordance with the Annual Audit Program</li> </ul>
Compliance risks	<ul style="list-style-type: none"> <li>Internal and External Audit Findings</li> <li>Branch Inspection Rating</li> <li>Scorecard KPI incorporation of acceptable behaviours</li> <li>Completion of Annual Mandatory Compliance Training Program</li> </ul>	<ul style="list-style-type: none"> <li>Compliance measures are reviewed on a quarterly and half yearly cycle</li> </ul>

Risk is embedded throughout the remuneration framework, specifically, the following risk governance arrangements apply.

## Deferral and clawback

For all employees that participate in Suncorp's Corporate Incentive Plan and Non-Corporate Incentive Plans, based on the amount of incentive received, a portion of the incentive is deferred for a period of two years. A two year deferral period is considered appropriate to identify, if any, instances of significant adverse outcomes.

At the end of the deferral period, the deferred portion may be reduced or forfeited (a process referred to as 'clawback') in the event significant adverse outcomes are caused by decisions, or actions taken, which the Board judges to be contrary to Suncorp Group interests.

When determining if clawback should apply to the deferred portion, the Board considers the following in accordance with its policies and procedures:

- Significant losses arising as a consequence of poor quality business that has, in the opinion of the Board, been demonstrated to have been generated:
  - In breach of duly adopted policies and procedures;
  - As a result of the exercise of bad judgement (either at the time business was written, or when a deterioration should have been recognised and provided for); or
  - In an environment where policies, procedures or protocols were weak or inadequate in each case having regard to the role and responsibility of the individual concerned;
- Financial misconduct (including embezzlement, fraud or theft);
- Actions resulting in Suncorp Group or business unit financial misstatements;
- Significant legal, regulatory, and/or policy non-compliance;



- Significant issues that impact the Group's standing with regulators to conduct business; and
- Any individual act deemed to have been significantly harmful to the Group and/or its reputation, employees or customers (e.g. ethical misconduct).

In relation to exercising a decision whether to claw back deferred STI, the Group CEO and each of the Remuneration, Risk and Audit Committees make recommendations to the Board.

To support monitoring performance over the deferral period and the recommendations to be made:

- The Chairman of each of the Risk and Audit Committees summarises events during the deferral period and their impact on deferred incentives; and
- The Group CEO, based on the above information from the Chairman of the Risk and Audit Committees, makes a recommendation to the Board regarding the impact on deferred incentives for Senior Managers and MRT.

The review process represents a rigorous, ongoing focus on adherence to Suncorp Group and business unit risk appetites and policies, intended to reinforce a culture of prudent risk management.

In summary, in the event an incentive decision and allocation is found to have been made based on materially inaccurate information, at the discretion of the Board, the deferred incentive portion may be clawed back in part or whole.

## Minimum shareholding requirement introduced from 2014

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

Senior Managers who were in office at October 2013 are required to achieve 50% of the minimum holding by October 2015 and the full amount by October 2017.

Senior Managers 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 2 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.

## 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 area, with oversight from the Group CRO or Group CFO as appropriate.

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

## Material Risk Taker roles

The Board approved definition of MRT roles aligns with the 'responsible persons' definition in the Fit and Proper Policy, as it applies to Australia.

All new appointments for these roles, and changes to the remuneration arrangement requires approval from the Group CEO. Within pre-defined parameters, delegated authority has been granted by the Board to the Group CEO to approve appointments or changes to remuneration and terms of employment.

The Board has final oversight and reviews the remuneration arrangements of all MRT roles on an annual basis.

For the purpose of this report, the specified EGMs and other senior roles within Suncorp Bank are identified as MRT roles.

## Section 2: Quantitative disclosure requirements

The table below contains aggregated remuneration details for Senior Managers<sup>8</sup> and MRT as calculated in accordance with Australian Accounting Standards, as required under paragraph 18(j) of Table 18:

\$000	FY14				FY13			
	Senior Managers		Material Risk Takers		Senior Managers		Material Risk Takers	
	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred
<b>Fixed remuneration</b>								
Cash-based <sup>1</sup>	10,383	-	3,731	-	9,139	-	3,818	-
Shares and share-linked instruments <sup>2</sup>	-	-	-	-	-	-	1	-
Other <sup>3</sup>	244	-	110	-	379	-	175	-
<b>Variable remuneration<sup>4</sup></b>								
Cash-based <sup>5</sup>	7,569	5,182	1,260	563	7,948	5,419	1,598	684
Share linked instruments <sup>6</sup>	-	4,719	-	378	-	4,766	-	538
Other	-	-	-	-	-	-	-	-

1. Represents actual fixed remuneration received, including salary sacrificed benefits and employer superannuation.
2. Represents exempt shares awarded in FY12. The Suncorp Group granted to each eligible employee ordinary shares on the Company to the value of \$750 under the EESP.
3. Represents non-monetary benefits including airfares and insurances paid on behalf of the employee and the net annual leave and long service leave accrual for the financial year.
4. Equity-settled performance rights issued as LTI are expensed to the profit or loss based on their fair value at grant date over the financial year from grant date to vesting date. The fair value is assessed using a Monte-Carlo model and reflects the fact that an individual's entitlement to the shares is dependent on relative TSR performance. The values realised in subsequent years may differ to the accounting expense reported, depending on the extent to which the performance hurdles are met.
5. Cash incentives earned during the financial year. The deferred cash portion awarded includes interest accrued on prior year deferred STI's and is subject to potential clawback during the deferral period.
6. Refer to the Suncorp Group Limited Annual Report for the financial year ended 30 June 2014 and 30 June 2013 for details regarding employee share plans and associated remuneration strategies to drive long term strategic behavior.

<sup>8</sup> To be consistent with other disclosures, KMPs for SGL (excluding non-executive directors) are considered as Senior Managers for the purpose of APS Remuneration Disclosure requirements.



Fourteen Senior Managers and 16 MRT received a variable remuneration award during the 2014 financial year, in FY13 11 Senior Managers and 11 MRT received a variable remuneration award. The table below summarises the guaranteed bonuses, sign-on awards and termination payments made/granted to Senior Managers and MRT in FY13 and FY14.

	FY14				FY13			
	Senior Managers		Material Risk Takers		Senior Managers		Material Risk Takers	
	No. of individuals	Total Amount \$000	No. of individuals	Total Amount \$000	No. of individuals	Total Amount \$000	No. of individuals	Total Amount \$000
Guaranteed bonus	-	-	-	-	-	-	-	-
Sign-on awards	-	-	-	-	-	-	-	-
Termination payments <sup>1</sup>	1	767	2	980	-	-	-	-

1. Termination payments are paid in accordance with contractual commitments.

The following table summarises the requirements under paragraphs 18 (i), (j) and (k) of table 18A for Senior Managers<sup>9</sup> and MRT.

\$000	FY14		FY13	
	Senior Managers	Material Risk Takers	Senior Managers	Material Risk Takers
<b>Total outstanding deferred remuneration<sup>1</sup></b>	<b>47,643</b>	<b>3,775</b>	<b>36,512</b>	<b>4,493</b>
Cash-based <sup>2</sup>	14,248	969	12,602	1,552
Shares and share-linked instruments <sup>3</sup>	33,395	2,806	23,910	2,941
<b>Total paid during the year<sup>4</sup></b>	<b>17,758</b>	<b>2,835</b>	<b>12,759</b>	<b>1,362</b>
<b>Total reductions due to explicit adjustments<sup>5</sup></b>	<b>(910)</b>	<b>(218)</b>	<b>(2,822)</b>	<b>(598)</b>
<b>Total reductions due to implicit adjustments<sup>6</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

1. Includes the total outstanding deferred cash and equity awards as at 30 June. Outstanding deferred remuneration is exposed to ex post explicit and implicit adjustments. All deferred remuneration outstanding for an employee in the position of Senior Manager or MRT at 30 June has been included, even where that award was earned in a different capacity within the Suncorp Group. The deferred balance has been excluded where the Senior Manager or MRT is no longer employed in that capacity at 30 June.
2. Deferred cash-based remuneration represents the deferred portion of STI's awarded in 2012, 2013 and 2014 financial years (2013: 2011, 2012 and 2013 financial years), together with the interest accrued on outstanding deferral, for all Senior Managers and MRT employed within that capacity as at 30 June. Deferred cash may have been accrued whilst employed in non Senior Manager or MRT positions.
3. Deferred equity represents the market value as at 30 June, calculated by the number of performance rights granted multiplied by the closing share price as traded on the ASX on 30 June. The balance consists of all offers up to and including 30 June, that are still to vest for Senior Managers and MRT employed in that capacity as at 30 June.
4. Consists of all deferred cash incentives from prior years and associated interest paid during the financial year, received whilst employed in the capacity of Senior Manager or MRT. The value also includes any deferred equity vested during the financial year.
5. Represents the market value at grant date of performance rights forfeited during the financial year.
6. Represents any reduction in the market value at grant date compared to market value at 30 June, for performance rights yet to vest, or reduction in the market value at grant date compared to market value at vesting date during the period. Note increases may have occurred during the period, however, only reductions have been disclosed in accordance with the requirements of APS330.

<sup>9</sup> To be consistent with other disclosures, KMPs for SGL (excluding non-executive directors) are considered as Senior Managers for the purpose of APS Remuneration Disclosure requirements.

## Definitions

<b>Material Risk Takers (MRT) roles for Suncorp Bank</b>	Suncorp's definition of 'Material Risk Taker' (MRT) aligns with the 'responsible persons' <sup>10</sup> definition within Suncorp's Fit and Proper Policy as it applies to Australia. For the purpose of this report, specified Executive General Managers and other senior roles within Suncorp Bank are identified as MRT roles.
<b>Remuneration Disclosure completed on a Level 2 basis</b>	Suncorp Bank is a Business Unit of Suncorp Group Limited (SGL) and represented by Suncorp-Metway Limited (SML) and its subsidiaries. SML is an authorised deposit-taking institution and a wholly owned subsidiary of SGL. Therefore the Remuneration Disclosure is completed on a Level 2 <sup>11</sup> basis.
<b>Senior Manager (Executives)</b>	Key management personnel roles (excluding the non-executive directors) for SGL are considered as the Senior Managers for the purpose of the aggregated Remuneration Disclosure.

<sup>10</sup> As defined in the Australian Prudential Regulation Authority (APRA) Prudential Standard CPS 520 (Fit and Proper).

<sup>11</sup> Under Application Paragraph 3, 'where a locally incorporated ADI is a subsidiary of an authorised non-operating holding company (authorised NOHC), the authorised NOHC must ensure that the requirements under this Prudential Standard are met on a Level 2 basis' (APS 330 legislation June 2013).