



Corporate Governance Statement 2016-17

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Create a better today



Suncorp Group Limited
ABN 66 145 290 124

2016-17 CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement (**Statement**) for Suncorp Group Limited (the **Company**) reports on the corporate governance framework, policies and practices of the Company and its subsidiaries (the **Suncorp Group, Suncorp** or the **Group**), and highlights where related governance documents and other information are located on the Suncorp website. The Statement has been approved by the Suncorp Board of Directors (the **Board**) and the representations made are accurate as at 3 August 2017.

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

Throughout the reporting period, Suncorp's governance arrangements have been consistent with the ASX Corporate Governance Council's (**ASX CGC**) *Corporate Governance Principles and Recommendations* (3rd edition).

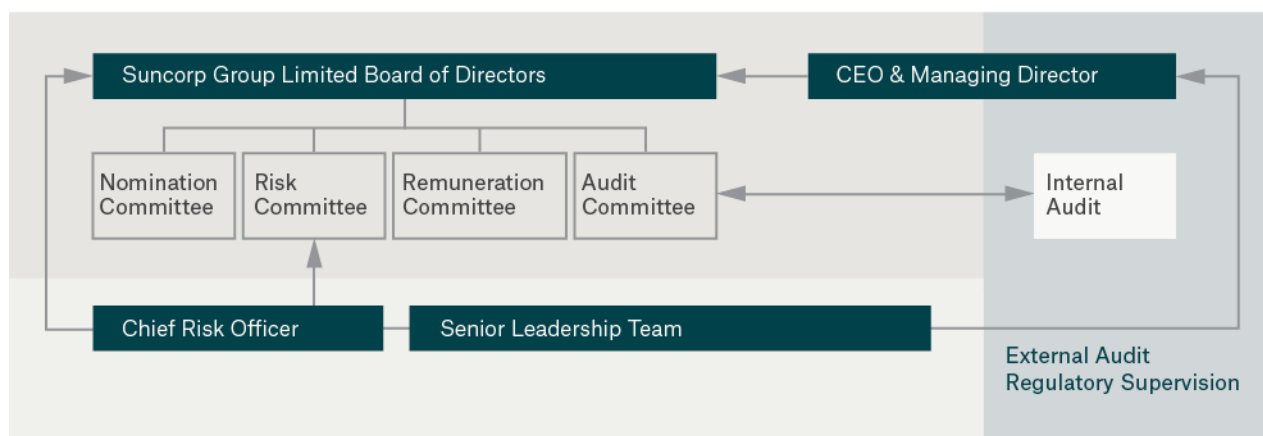
Detailed information about Suncorp's business activities is at suncorpgroup.com.au.

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

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

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

Suncorp Group Limited
Shareholders



2016-17 Key developments and achievements

- Appointment of Simon Machell as a non-executive director who brings to the Board extensive knowledge of the insurance and financial services sector.
- Exceeded target of 40% of senior leadership positions being held by women.
- In support of the strategy, Suncorp has created a new senior leadership role focusing on Strategic Innovation.
- Framing the Corporate Responsibility Framework to achieve Suncorp's purpose to *Create a better today* for all stakeholders.¹
- Appointment of a Customer Advocate to drive positive outcomes and experiences for our customers.

1. Suncorp board and board delegations

1.1 The Board's role

Suncorp'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 Suncorp's sound and prudent management, 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
- 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, 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 Constitution, the Board Charter and Board Committee Charters are available at suncorpgroup.com.au/about-us/governance. The Board regularly reviews the Board Charter and the delegation of Board authority to the CEO & Managing Director.

¹ For more information, refer to the Annual Review published on the Suncorp Group website.

1.2 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 the management of risks is set out in Part 4 and on the [Governance section](#) of the Suncorp website.

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 divestments 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.

1.3 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. Detailed biographies of directors are published on the Suncorp Group website and in the 2016-17 Directors' Report and Financial Statements, available at suncorpgroup.com.au/investors/reports.

Suncorp Group Limited
Board of Directors

Name of Director	Term In Office	Qualifications	Status
Dr Zygmunt Switkowski AO	11 years, 11 months	BSc (Hons), PhD, FAICD, FAA, FTSE	Independent
Michael Cameron	5 years, 3 months	FCPA, FCA, FAICD	Non-Independent
William Bartlett	14 years, 1 month	FCPA, FCA, FAICD, FCMA, CA (SA)	Independent
Audette Exel AO	5 years, 1 month	BA, LLB (Hons)	Independent
Sally Herman	1 year, 9 months	BA, GAICD	Independent
Ewoud Kulk	10 years, 5 months	BEcon, FAICD	Independent
Simon Machell	3 months	BA (Hons), FCA	Independent
Christine McLoughlin	2 years, 6 months	BA, LLB (Hons), FAICD	Independent
Dr Douglas McTaggart	5 years, 3 months	BEcon (Hons), MA, PhD, DUniv, FAICD, SF Fin	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 directors
- 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 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, it is subject to assessment by the Nomination Committee. In a statement accompanying the next AGM Notice of Meeting, the Board confirms to shareholders whether or not 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 1.12.

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

Geoff Ricketts retired by rotation at the 2016 AGM. Mr Ricketts remains involved in Suncorp New Zealand's operating entities as Chairman of Vero Insurance New Zealand Limited, Vero Liability Insurance Limited and Asteron Life Limited.

1.4 Independence of the Board and Board Chairman

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

The Board Charter stipulates the majority of the Board must be independent, non-executive directors. The Board regularly reviews the independence of each non-executive director and, in May 2017 completed an independence assessment in accordance with the ASX CGC *Corporate Governance 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 circumstances, rather than applying strict quantitative thresholds. 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. (Refer to section 1.5).

The tenure of a non-executive director is a factor considered by the Suncorp Board in assessing the independence of a director, but it is not determinative. The Board has assessed the independence of each director in light of their tenure. Based on its assessment, the Board determined that each independent non-executive director remains able to bring an independent mind on issues before the Board and to act in the best interests of Suncorp and its shareholders.

William Bartlett and Ewoud Kulk have each served as non-executive directors for more than 10 years and are due to stand for re-election at the AGM. Both Mr Bartlett and Mr Kulk will not seek re-election to the Board at the AGM.

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 Chairman of the Nomination Committee and is an ex officio member of all Board committees. Dr Switkowski has 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 is in the 2016-17 Directors' Report and Financial Statements, available at suncorpgroup.com.au/investors/reports.

1.5 Directors' conflicts of interest

The Corporations Act 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).

Further information is contained in the [Board Charter](#) and the [Code of Conduct](#).

1.6 Directors' skills and experience

The Board is committed to ensuring that directors collectively have a relevant mix of skills, experience, expertise and 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 range of business areas. The Board has identified the key skills, experience and qualities required for the effective management of the business, both now and into the future. These attributes outlined in the following diagram are reviewed each year.

Skills			
 <p>LEADERSHIP</p> <p>Driving engagement and enablement, evaluating employee and executive performance, strategic workforce planning, leading organisational change.</p>	 <p>REMUNERATION</p> <p>Detailed executive remuneration matters (including scorecard target-setting), remuneration frameworks and incentive arrangements. Understanding the relevant legislative/contractual framework for remuneration.</p>	 <p>HEALTH & SAFETY</p> <p>Implementing health, safety and wellbeing strategies, proactive identification and prevention of health and safety risks.</p>	 <p>GOVERNMENT RELATIONS</p> <p>Interaction with government and regulators at all levels, influencing public policy decisions and outcomes.</p>
 <p>RISK MANAGEMENT</p> <p>Risk management frameworks, setting risk appetite, building and adapting organisational risk culture, regulatory relationships, assessing the effectiveness of senior leadership.</p>	 <p>GOVERNANCE & COMPLIANCE</p> <p>Implementing organisation-wide governance and compliance systems, processes and frameworks, regulatory compliance, assessing the effectiveness of senior leadership.</p>	 <p>FINANCIAL ACUMEN</p> <p>Implementation of financial and capital management strategies, corporate finance restructuring, capital raisings within risk appetite, actuarial experience.</p>	 <p>CORPORATE STRATEGY</p> <p>Reviewing and setting organisational strategy, organic growth opportunities, merger and acquisition opportunities (including joint ventures).</p>
Experience		Qualities	
 <p>RELATED INDUSTRIES</p> <p>Broad experience across industries related to the banking and general/life insurance sectors, for example health insurance, funds management, and/or industries across Suncorp's supply chain.</p>	 <p>CUSTOMER DATA INSIGHTS AND BIG DATA</p> <p>Experience in driving strategic insights from the collection and analysis of customer data and industry statistics.</p>	 <p>GENERAL INSURANCE, LIFE INSURANCE AND BANKING</p> <p>Domestic and/or international experience across Suncorp's key business areas.</p>	 <p>CORPORATE EMOTIONAL INTELLIGENCE (EQ)</p> <p>Personal attributes relevant to Board members including, communication skills, the ability to constructively challenge, and effectively deal with complex issues.</p>
 <p>ISSUES MANAGEMENT</p> <p>Significant event/catastrophe management. For example, extreme weather, social media events and reputational events.</p>	 <p>IT & DIGITAL TRANSFORMATION</p> <p>Domestic and/or international experience in IT strategies, IT networks and the latest innovative and digital technologies including data storage and security of data.</p>		

Board Skills Matrix

These skills, attributes and experience have been 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 updated during 2016-17 to ensure it remains aligned with the organisation's needs. The figure below demonstrates the number of current directors with a 'developed' level of capability (i.e. scoring an average of at least 3 out of 5 for each 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.



The Board considers that 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
- competence, diligence, honesty, integrity and sound judgment
- sufficient time available to undertake their responsibilities.

1.7 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.

Suncorp has a comprehensive induction program incorporating its financial, strategic, operational and risk management position. New directors meet with the Board Chairman, the CEO & Managing Director, Senior Executives and other senior managers soon after their appointment to gain valuable insights into relevant operational matters and matters of corporate strategy.

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 Suncorp’s expense. KPMG, the external auditor, and industry experts also address the Board from time to time on matters relevant to Suncorp’s business or its operating environment. Most of the topics are determined in advance, tailored to Suncorp and form part of the Board’s annual meeting schedule.

To ensure directors remain equally informed on all material matters impacting Suncorp'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.

1.8 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. The Nomination Committee Charter is available at suncorpgroup.com.au/about-us/governance.

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

1.9 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 individuals to roles that have a significant impact on the sound and prudent management of Suncorp.

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

1.10 Meetings of the Board

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

The Board meets at least twice a year 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 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 2016-17 and two strategic planning sessions. Details of directors' attendance at those meetings are disclosed in the 2016-17 Directors' Report and Financial Statements, available at suncorpgroup.com.au/investors/reports.

1.11 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.

1.12 Board appraisal

A performance appraisal of the Board and its committees is conducted annually. An independent consultant is engaged periodically 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, feedback from Senior Executives 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 are asked to provide feedback on the Board and Committee's performance.

The Board 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 2016-17, 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.

1.13 Minimum shareholder requirement

Directors and Senior Executives are subject to a minimum shareholding requirement. More information on the minimum shareholding requirement is included in the Remuneration Report in the 2016-17 Directors' Report and Financial Statements, available at suncorpgroup.com.au/investors/reports.

1.14 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. All Charters are available at suncorpgroup.com.au/about-us/governance.

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>Nomination Committee</p> <p><i>All non-executive directors. The Board Chairman is Chairman of the Nomination Committee.</i></p>		<p>Remuneration Committee</p> <p><i>Ms C McLoughlin (Chairman) Mr W Bartlett Mr E Kulk Dr D McTaggart Dr Z Switkowski AO</i></p>	
<p>The Nomination Committee is responsible for making recommendations to the Board on:</p> <ul style="list-style-type: none"> – Board composition – Board renewal and succession planning – the appointment and re-appointment of directors – appointments to Board committees – the Board, and individual director and committee performance evaluation process. 		<p>The Remuneration Committee is responsible for making recommendations to the Board on:</p> <ul style="list-style-type: none"> – the individual remuneration arrangements of the CEO & Managing Director, Senior Executives and person(s) or category of persons that may be specified by APRA – the size of the annual bonus/incentive pools – the remuneration of non- executive directors – the remuneration structure of the categories of persons covered by the Company's remuneration policy. 	
<p>Audit Committee</p> <p><i>Dr D McTaggart (Chairman) Mr W Bartlett Ms S Herman Dr Z Switkowski AO (ex officio)</i></p>		<p>Risk Committee</p> <p><i>Mr E Kulk (Chairman) Mr W Bartlett Ms A Exel AO Ms C McLoughlin Dr Z Switkowski AO (ex officio)</i></p>	
<p>The Audit Committee assists the Board in fulfilling its statutory and fiduciary responsibilities with respect to oversight of Suncorp'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"> – reviewing statutory reports and returns for lodgement with APRA – reviewing half-year and annual financial statements and reports prior to consideration by the Board – 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 – audit planning, reviewing and approving audit plans as submitted by both internal and external auditors and agreeing areas of audit emphasis and audit approach – reviewing the provision of non-audit services by the external auditor to assess whether there is any potential impact on the auditor's independence – 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 – the CEO & Managing Director, Chief Financial Officer, Chief Risk Officer 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>The Risk Committee provides the Board with oversight across 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"> – reviewing and recommending the Enterprise Risk Management Framework for Board approval – reviewing and recommending the Suncorp risk appetite – reviewing Group and business function risk reports and assessing performance against risk appetite – reviewing and approving stress test scenarios – oversight of the risk appetite, business planning and capital management development process – reviewing and approving Suncorp's policy framework and policy suite – reviewing and recommending risk management strategies and reinsurance management strategies as required by APRA – receiving reports concerning the risk implications of poor conduct and risk culture, in order to consider actions required to ensure a sound risk culture. <p>The CEO & Managing Director, Chief Financial Officer and Chief Risk Officer are invited to attend the meetings.</p>	

The Board appoints other sub-committees from time to time to deal with projects relating to the conduct of Suncorp'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 Chairman 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 in the 2016-17 Directors' Report and Financial Statements, and is available at suncorpgroup.com.au/investors/reports.

2. 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 3 August 2017 are listed below. The biographies of the CEO & Managing Director and the Senior Executives are available on the Suncorp Group website.

Senior Leadership Team



MICHAEL CAMERON

FCPA, FCA, FAICD
CEO & Managing Director



DAVID CARTER

BCom, GDipAppFin,
GDipFinPlan, FCPA, F Fin,
GAICD
Chief Executive Officer
Banking and Wealth



ANTHONY DAY

BBus, FAICD, ANZIIF
(Fellow)
Chief Executive Officer
Insurance



GARY DRANSFIELD

MAICD
Chief Executive Officer
Customer Platforms



SARAH HARLAND

BA (Hons), MBA, GAICD
Chief Information Officer



LISA HARRISON

BCom, MBA, GAICD
Chief Program Excellence
Officer



STEVE JOHNSTON

BBus (Management),
BBus (Public
Administration)
Chief Financial Officer



PIP MARLOW

MAICD
Chief Executive Officer
Strategic Innovation



KATE OLGERS

BEcon, LLB, GAICD
Chief Legal Officer



MARK REINKE

BBus
Chief Customer
Experience Officer



AMANDA REVIS

BSc (Hons), GAICD
Chief People
Experience Officer



PAUL SMEATON

BBus (Management)
Chief Executive Officer
Suncorp New Zealand



FIONA THOMPSON

BEc, LLB
Chief Risk Officer

2.1 Company Secretary

Details of the Company Secretaries during the financial year to 30 June 2017 and as at the date of this report are set out below.

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

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

Ms Anna Lenahan was Company Secretary during the financial year until her resignation on 1 August 2016.

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.

2.2 Senior Executive induction and education processes

When a Senior Executive is appointed, information and training is provided on Suncorp'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 are expected to have the qualifications and industry experience necessary to properly perform the 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 the Group's major operating entities.

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

Suncorp supports Senior Executives and other employees in maintaining and enhancing their industry and business knowledge and expertise, and associated professional qualifications. Refer to section 6.4.

2.3 Evaluation of Senior Executives

A balanced 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 Suncorp and business plans approved by the Board. The measures also reflect the individual executive's overall accountabilities and responsibilities.

The performance management framework also requires leaders to balance the scorecard result with the way the results were obtained, as the overall performance of each Senior Executive is assessed against a set of desired behaviours as outlined by the Leader Profiles and the general way the Senior Executive positively supports Suncorp's culture.

At the end of the financial year, the CEO & Managing Director assesses 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 2017 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 communicates the review outcomes, as agreed by the Board, to the CEO & Managing Director.

3. Remuneration governance

Suncorp 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's remuneration arrangements. The Committee Chairman and the Chief People Experience Officer 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 1.14. The Remuneration Committee Charter is available at suncorpgroup.com.au/about-us/governance. The Committee met four times during the 2016-17 financial year.

The annual Remuneration Report explains the Remuneration Policy and structures in place for Suncorp key management personnel (KMP), with full details of their benefits and interests. It discloses the processes for evaluating the performance of the CEO & Managing Director and Senior Executives, including the results of those evaluations. It also provides detail on the 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 short-term incentives (STI) performance measure, which is relative to total shareholder return (TSR). The Remuneration Report, which forms part of the 2016-17 Directors' Report and Financial Statements, is put before shareholders for adoption at the AGM and is available at suncorpgroup.com.au/investors/reports.

4. Risk management at Suncorp

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

The Board and management recognise that an effective risk management framework is critical in the setting and achievement of Suncorp's business 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 increase 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 Suncorp's business objectives.

The Risk function plays 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 5.1.

Further information about Suncorp's risk management approach is available in the 2016-17 Directors' Report and Financial Statements, available at suncorpgroup.com.au/investors/reports and in the Risk Management section available at suncorpgroup.com.au/about-us/governance.

4.1 Suncorp Enterprise Risk Management Framework

Suncorp 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 model of risk management accountability has been adopted to set the clear expectation that all employees within Suncorp 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.

During 2016-17, the ERMF was reviewed 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 to section 8.2.)

The ERMF was also reviewed as part of Suncorp's new operating model and its enhanced risk maturity. This review included the incorporation of the previously separate Operational Risk Management Framework as part of the ERMF.

4.2 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 met five times during 2016-17 and:

- 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 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. The Risk Committee also ensures that the supporting policies, internal controls and processes are sound and operational. Significant changes to the ERMF, risk appetite, and risk management policies are also endorsed or approved by the Risk Committee.

A summary of the Risk Committee's key responsibilities is set out in section 1.14. The Risk Committee Charter is available at suncorpgroup.com.au/about-us/governance.

4.3 Information technology governance

Suncorp relies on its information technology platforms to:

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

The 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 is important to the delivery of the strategy and meeting customer needs.

TDL has simplified the core back-end systems through the Simplification and Optimisation programs and is now shifting 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.

Suncorp is committed to a marketplace strategy – our connected network of brands, solutions, partners and channels – which aims to empower our customers to improve their personal and financial wellbeing. As part of this strategy, we will extract value from Suncorp's data assets to 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.

4.4 Subsidiary entity governance

Suncorp is the ultimate holding company for a number of entities, many of which hold licences issued by regulatory authorities. The corporate governance responsibilities at the subsidiary entity level support and complement the governance activities that have been mentioned earlier.

5. Organisational culture and governance

5.1 Culture

Suncorp's culture is the aggregation of observed behaviours across all employees, driven by shared values, beliefs, symbols and systems. The behaviours that are needed to deliver our targeted stakeholder (customer, shareholder, employee and community) outcomes are described in our values, called Our Compass. These 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.

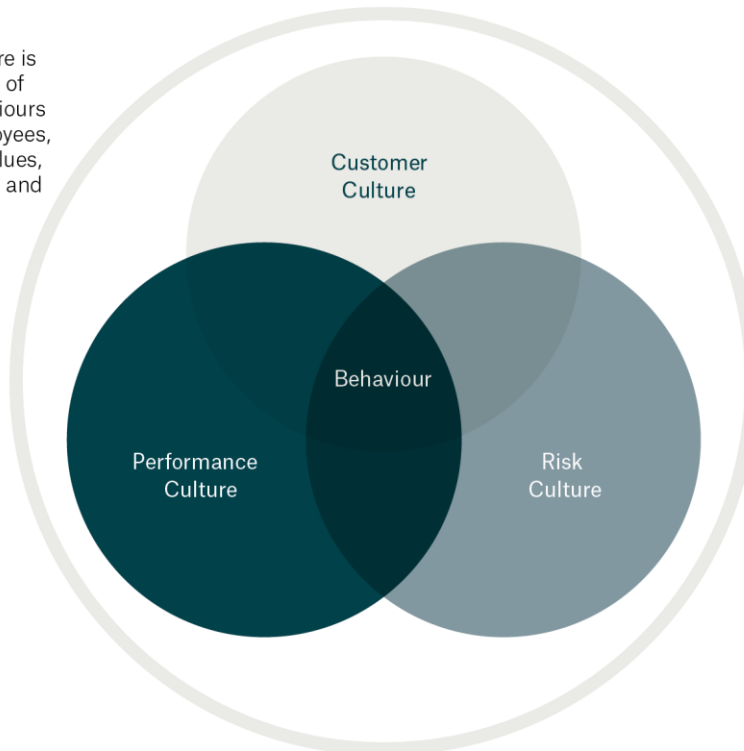
Our Compass



Suncorp’s overall culture is built on three core elements: Customer Culture, Risk Culture and Performance Culture.

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.

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.

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

Collectively, the alignment of these three cultural elements 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 developing and maintaining a positive culture (and a 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, and
- regularly checking on the health of Suncorp’s culture through enhanced metrics and other feedback mechanisms, such as engagement surveys.

5.2 Code of Conduct and related policies

The Code of Conduct outlines the desired standards of behaviour expected of the Board, senior managers and all leaders and employees, and helps to ensure that everyone does the right thing by Suncorp, customers, suppliers, partners, intermediaries, shareholders and each other.

Suncorp’s Code of Conduct aims to promote behaviour that ensures that our people feel valued, respected and supported, that business activities are conducted honestly and with integrity, and that legal and regulatory obligations and industry codes of practice are complied with.

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 and guided by the Code of Conduct.

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.

Suncorp’s main business activities are also subject to industry codes of practice 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 adhere to the Code of Conduct and industry codes of practice. The key related policies are the:

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

Suncorp monitors compliance with the Code of Conduct and its various other policies using an internal due diligence system. The Code is available at suncorpgroup.com.au/about-us/governance.

5.3 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 a transaction that is designed to limit the economic risk of a holding in invested 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 in Suncorp securities is coordinated by the Company Secretary, who is also responsible for reporting all transactions by directors and prescribed persons to the Board in a timely manner.

The Suncorp Securities Trading Policy is published at suncorpgroup.com.au/about-us/governance.

6. Diversity, inclusion and flexibility

Diversity of workforce and a more inclusive workplace enables execution of the strategy by empowering every employee 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, a summary of which is available at suncorpgroup.com.au/about-us/governance.

6.1 Gender equality

This commitment is reflected in Suncorp's progress towards its gender diversity goals. Suncorp has exceeded its target of having 40% of senior leader positions held by women by June 2017, with 42% of these roles held by women at 31 May 2017. Suncorp has achieved relative gender balance across total leadership roles, with 51% male and 49% female at the end of March. One third (33%) of the Suncorp Board are women, which meets our 2016-17 target. Having met its 2016-17 target, in June 2017 the Board endorsed a revised target of having at least 40% of Director roles filled by women by the end of the 2019-20 financial year.

As at 31 March 2017, the proportion of women the Suncorp Group employed was:

Group	2016-17 Actual % of Women	2016-17 target
Directors	33%	33%
Senior Leaders ¹	42%	40%
All Leaders ²	49%	-
Total workforce	58%	-

Suncorp has a number of initiatives to support gender equality including:

- considering gender in all employee practices such as recruitment and talent management
- reinforcing our commitment to gender pay equity, by undertaking gender pay equity reviews twice per year
- ensuring gender-balanced participation in new leadership development programs
- Career Resiliency leadership programs to develop female talent

¹ The CEO & Managing Director and employees up to 4 organisational levels below the CEO & Managing Director.

² All employees with people leadership responsibilities as well as senior specialists.

- offering a 'buddy program' which supports people transitioning to and from the workplace before, during and after parental leave
- providing a domestic violence guideline to support employees who may be impacted by domestic violence and providing leaders with information to support those employees.

Suncorp has complied with its reporting obligations under the *Workplace Gender Equality Act 2012* (Cth) and has been recognised as an employer of choice for gender equality by the Workplace Gender Equality Agency three years running (2014, 2015 and 2016).

6.2 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; 82% of Suncorp people take advantage of flexible working options.

6.3 Mature age

Suncorp values the expertise of our mature age employees who have significant industry and company insights, wisdom, and specialist knowledge to share with others. We are focused on attracting, retaining and engaging our mature age employees.

6.4 Leadership, governance and strategy

Diversity, inclusion and flexibility at Suncorp have the highest level of commitment and support. The Suncorp Diversity and Inclusion Plan is approved annually by the Board, the Senior Leadership Team and the Diversity Council. The CEO & Managing Director chairs the Diversity Council which has the following key objectives:

- oversee implementation of the Diversity and Inclusion Plan and make recommendations to the Senior Leadership Team
- track progress against objectives and initiatives
- promote diversity and inclusion.

The Diversity Council meets quarterly and the Senior Leadership Team reviews and discusses progress against key diversity measures monthly.

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 application of flexible working.

Suncorp offers training on diversity and inclusion, including an annual compliance module for all employees. Targeted training on bias in decision-making, recognising and addressing unconscious bias, and inclusive leadership is also provided.

7. Market disclosure and communications

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

7.1 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, and
- 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, and is available at suncorpgroup.com.au/about-us/governance.

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 is comprised of the CEO & Managing Director, the Chief Financial Officer (**CFO**), the Chief Legal Officer and the Head of Investor Relations who assists the Corporate Disclosure Officer in making disclosure-related decisions.

7.2 Media relations policy

The Suncorp Group's Media and Social Media Policy sets out the minimum requirements that apply to employees when providing verbal or written information to persons or organisations outside of Suncorp through media and social media channels. It also informs employees of their responsibilities when using social media.

The Group's media and social media channels are used to promote Suncorp, its brands, products, services and interests in a balanced and positive way, while protecting the organisation's reputation. Social media provides additional channels for the company to communicate and engage with customers and the community in real-time on issues that are important and relevant to them.

Employees must not comment to the media or provide written information to persons or organisations outside of Suncorp through the media on behalf of Suncorp unless they are expressly authorised to comment by Corporate Affairs.

7.3 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 was held on 1 June 2017.

7.4 Online and electronic communication with security holders 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 security holders to elect to receive shareholder reports and other communications electronically, including via the Investor Relations tablet app.

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

7.5 Annual general meeting (AGM)

The Suncorp AGM will be held at 2:30pm on Thursday, 21 September 2017 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.

8. Corporate reporting

8.1 Audit Committee

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, met five times during 2016-17 and:

- consists of five independent, non-executive directors including the Board Chairman, Dr Zygmunt Switkowski AO, as an ex officio member
- has Mr William Bartlett 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, Chief Risk Officer (**CRO**) 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 1.14. The Audit Committee Charter is available at suncorpgroup.com.au/about-us/governance.

8.2 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.

8.3 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 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 2017 and confirmed that the Company's financial reports for the 2016-17 financial year comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

8.4 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 CRO.

For the 2016-17 financial year the CEO & Managing Director, CFO and CRO have provided:

- a written declaration regarding the integrity of the financial statements of the 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 section 295A of the Corporations Act. The certifications the CEO & Managing Director, CFO and CRO 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 companies.

8.5 External Auditor – KPMG

Suncorp'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. 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 the Suncorp Group, in accordance with statutory requirements, policies, professional rules and statutory requirements.

KPMG attends the Company's AGM each year and is available to address questions from shareholders relevant to the audit.