

11 May 2020

Chairman's letter to shareholders

Suncorp Group Limited (ASX: SUN | ADR: SNMCY) has today released the attached letter from the Chairman to shareholders.

The release of this document was authorised by the Suncorp Group Board of Directors.

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LETTER FROM THE CHAIRMAN

11 May 2020

Dear Shareholder

As countries across the world respond to the unprecedented crisis caused by COVID-19, your Board is working hard and doing all we can to ensure we meet the immediate needs of our people, customers and the community, whilst ensuring we build a sustainable organisation for the long term.

Suncorp has [today updated the market](#) on our COVID-19 response and impacts on our business to date. I can assure you that we entered COVID-19 in a sound financial position, and this continues to be the case. Our balance sheet is strong, the Bank remains well capitalised and our investment portfolio is conservative with 94 per cent of investments in cash and fixed interest.

Significant events in recent months

I last addressed you at our AGM in September 2019, immediately following the appointment of Steve Johnston as our CEO. In that short time, significant national and global events have impacted our business and the economy. First, we had several months of natural disasters across Australia with 12 major insurance events spanning bushfires, floods and storms deeply impacting many of the communities in which we operate. Suncorp has delivered an industry-leading claims response to these disasters with over 72,000 claims lodged across our brands, and we continue to work to finalise claims as quickly as possible.

This period has been followed by the global COVID-19 pandemic. I am proud of Suncorp's work to help customers through this difficult time. Some of our stores remain open following social distancing protocols. We have also moved people into customer-support roles in our contact centres. Every day, dedicated Suncorp teams are working to implement measures that support our customers impacted directly and indirectly by the health and economic implications of COVID19:

- We are offering an extensive "[Peace of Mind](#)" insurance package that includes flexible premiums, discounts, free counselling sessions and free roadside assistance for nurses, doctors, paramedics, firefighters and police officers.
- We are offering a range of [financial support options](#) to our bank customers – removing fees, lowering overdraft limits and deferring repayments.
- In New Zealand, customers can access premium holidays and premium freezes for life and general insurance products. Discounts are also offered to customers experiencing hardship.
- We are doing [virtual assessments](#) using technology to enable assessors to connect with customers via their smart phone and assess the damage associated with their insurance claim.

Suncorp has a long history of supporting communities. We were proactive during the catastrophic bushfires and now continue to work closely with our [community partners](#) in supporting vulnerable people during COVID-19. We have also [donated \\$1 million](#) to The Smith Family to deliver Digital Inclusion Packs to disadvantaged families across the country, giving them access to a digital device, internet connection and technical support to enable schooling at home. In New Zealand, we are working with domestic violence partner, Shine, to help keep families safe.

Pay & leave entitlements review

Late last year, Suncorp initiated an internal review of our pay and leave entitlements. While this review is still in its very early stages, I am sorry that it appears that we have let down our employees and our shareholders. Preliminary analysis of historical data has identified inconsistencies in relation to the Group's rostering and pay systems. This may have led to errors in payments of overtime, shift penalties and public holiday loadings. The analysis to date identifies potential instances of underpayments and overpayments.

Based on preliminary analysis and assumptions, Suncorp estimates that the costs to remediate those eligible for additional payments, as well as the cost of implementing new processes to prevent this happening again, are expected to be between \$40 - \$70 million which will be recognised in FY20.

The Board is extremely disappointed by this preliminary analysis and we need to get deeper analysis and all of the facts before we have certainty. We have accelerated the review process and plan to complete the review and any remediation as quickly as possible. In this regard, the Board has charged the Board Risk Committee to convene out-of-cycle regular meetings to monitor progress of the review; ensure remediation processes are timely and accurate and are regularly communicated to employees and shareholders; and to ensure new processes are sufficiently robust so that this does not reoccur. The Risk Committee will work with independent external advisers and management in this regard. Our goal is to do the right thing for our people and our shareholders.

In closing

I understand that dividends are important to you. The Suncorp Board will review the payment of any final dividend as part of our usual financial year-end process. Management and the Board will adopt a conservative mindset when making any decisions about any final dividend and this approach is consistent with our ongoing priority to maintain a robust balance sheet. In addition to the impacts of COVID-19 on our earnings, this process will also involve consideration of our capital position, the outlook for the economy and APRA's recent guidance on dividends.

The extraordinary circumstances of 2020 make it a year we will never forget. I would like to acknowledge our employees and the pride that the Board of Directors feels in their dedication during these difficult times. It is quite extraordinary that at times in recent weeks, we have had as many as 90 per cent of our 13,500 employees working remotely, in addition to those continuing to deliver in the field. The impacts of COVID-19 on physical and mental health and the broader economy are inevitably being felt by many of our people, customers and shareholders and we are here to help you.

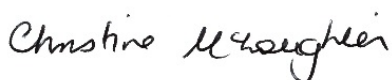
The date of the Suncorp Group Limited 2020 Annual General Meeting (AGM) has moved to Thursday 22 October 2020. We are currently considering how social distancing restrictions and other guidance will impact our AGM and we will update you on these arrangements closer to the meeting.

We will continue to keep shareholders informed of any further developments on our website at www.suncorpgroup.com.au.

Finally, Suncorp welcomes Government announcements setting out a clear plan to resume key economic activity in three stages. This critical recovery planning, alongside unprecedented support measures during COVID restrictions, means we are well positioned to continue to provide the excellent customer service, products and experiences that we are known for.

On behalf of your Board of Directors, I thank you for your continued loyalty and trust in Suncorp.

Yours Sincerely



Christine McLoughlin
Chairman