

**Suncorp received over 50 questions from shareholders prior to and during the 2020 Suncorp Group Limited (Suncorp) Annual General Meeting (AGM). Below is a summary of topics and responses. Please click [here](#) to view the full webcast replay of the meeting.**

## **Financial and other reports – general questions and comments**

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### **Dividends**

The Board understands that self-funded retirees are deeply impacted by current events and knows that many companies have either reduced dividends or not paid a dividend at all, and that deposit rates have continued to fall. Suncorp paid a final dividend of \$0.10 per share.

While customers have been supported during the pandemic, this has not been at the expense of maintaining the financial and operational strength of the business. The Board believes supporting customers will mean they remain customers, which is in the long-term interests of shareholders.

The Board understands that both retail and institutional investors rely heavily on the income received from their Suncorp shares. This was a key point in discussions with our regulator APRA, when seeking its approval to pay a full year dividend. The Executive Leadership Team's proactive management of the balance sheet and capital position meant Suncorp was able to deliver on the Group's stated policy of paying out 60% to 80% of cash earnings.

### **Premium increases**

Pricing is critical, particularly the need to get the right balance between affordability, sustainable growth and returns for shareholders. There are many factors that drive the pricing of insurance policies and the transformation under way in our business includes a review of our entire value chain of our insurance businesses, from marketing through to distribution and claims.

#### ***Premium increases and COVID-19 impacts***

The approach that Suncorp has taken is to provide targeted relief to customers who have been impacted by the COVID-19 pandemic and have requested support. The Board and management believe this is a fair and balanced approach. Suncorp very quickly put in place a series of hardship mechanisms for our customers. That included some premium deferrals, some discounting and support more broadly, particularly for those customers that were in direct hardship.

#### ***Premium increases and climate change***

Suncorp firmly believes that there does need to be a program of resilience and mitigation that supports not only our ability to provide products that are relevant for those communities, but to also improve the ability of our customers and other members of that community to improve the resilience of their homes.

As an insurance company, Suncorp has a role to play. Where a customer does improve the resilience of their home, this should be reflected in that premium and Suncorp is committed to the need for innovation around products.

Suncorp also believes that in various communities in Australia there is a need for a coordinated set of programs between the private sector insurance industry, governments at all levels and local council, to improve the resilience of those communities.

## Virtual AGM and electronic Notice of AGM

Suncorp, like many listed companies, chose to rely on the relief provided by the Federal Treasurer, in response to COVID-19. A letter was posted to shareholders on 9 September, outlining distribution of the 2020 Suncorp Notice of AGM, details of the online AGM format and how to participate, and information on how to vote in advance of the AGM. Suncorp's share registry, Link Market Services, received 22 enquiries from shareholders in relation to printed copies of the Notice of AGM, which all these shareholders then received via post. The Board and our Group General Counsel are comfortable that Suncorp's approach is legal.

## Climate change

Suncorp does not finance major mining projects or electricity generation of any type, as Suncorp does not have an institutional bank. Our insurance and investments exposure to coal mining and the oil and gas sector is minimal. Like many insurers across the world, Suncorp is taking steps to limit global warming, and is taking a phased approach to move to a net zero emissions economy by 2050 and we are proud of the steps taken.

Suncorp has long advocated for greater investment by all levels of government in natural hazard resilience initiatives, and this message has been echoed recently by APRA and the Insurance Council of Australia. Addressing the longstanding imbalance of government spending on disasters, with 97% on recovery, versus only 3% on prevention and resilience building, will not only help protect our vulnerable communities, but help strengthen our regional communities and help ensure insurance remains affordable and accessible.

## Advertising partners

Advertising is an important way to communicate with customers and the wider community, and Suncorp uses a range of outlets and channels. It's been a particularly valuable means of highlighting the support available for those impacted by COVID-19 and during disasters, such as the bushfires. Suncorp regularly reviews the advertising program, to ensure it meets the Group's standards and customers' expectations.

## Diversity and inclusion

Suncorp has a long-term commitment to supporting positive social and economic outcomes for our First Nations People and communities. Every year, since embarking on its reconciliation journey, Suncorp has celebrated both National Reconciliation Week and NAIDOC week. This year's NAIDOC week is in early November, and Suncorp will be launching its innovative reconciliation action plan (RAP), the second step on the reconciliation journey. Suncorp is proud to contribute to the important national agenda of reconciliation, which is vital to building an inclusive society for all Australians.

Suncorp has a large personal injury insurance business, and therefore understands the opportunities that exist to provide employment for people with a disability. Suncorp also wants the workforce to reflect the diversity of the Group's customer base. Currently, close to 3% of Suncorp's people identify as having a disability, and the Group's approach includes a commitment to flexible work arrangements. Suncorp also have an internally run employee group, called Enable, which seeks to foster an inclusive and caring environment for people with disability and accessibility requirements, their carers, and those who support them. Suncorp also has mandatory disability awareness training for all employees.

With respect to customers, Suncorp has made a commitment through the financial inclusion action plan to ensure the Group provides accessible products and services to all customers, including those with disabilities. There is always more to be done, and Suncorp continue to look for ways to strengthen our existing support and create new opportunities.

## Use of the term Chairman

The word Chairman is used in all our communications as this is the Chairman's preference. The term chairman relates to the legal office and position held, rather than gender, which is why the Chairman personally prefers this terminology.

## Model litigant

Suncorp is committed to doing the right thing by customers, and since last year's AGM has created and adopted a set of model litigant and dispute resolution principles and guidelines, which are available on the Suncorp Group website. They cover Suncorp employees and legal representatives.

The key principles are: we will always treat people as customers, even when there is a difference of perspective; we will listen and seek to understand our customers' perspective; we will remain respectful and act with honesty and professionalism; and evictions are truly a last resort, and only occur after all other attempts to work through the issues have occurred.

## Responsible Lending

Suncorp's understanding is that recent Responsible Lending changes aim to support economic recovery and increase credit flow to consumers and businesses. Suncorp is supportive of these changes.

Suncorp is working through the implications for our processes, but the Group's customer-focused culture means that we will always do the right things by customers. Suncorp will continue to ensure that credit is provided in a responsible and fair manner.

## Farm debt mediation

Suncorp is a strong supporter of the farm debt mediation as a framework for addressing financial difficulty. Suncorp is also compliant with the relevant clauses in the Banking Code of Practice and have long advocated for a uniform national farm debt mediation framework.

## BEAR legislation

Suncorp welcomes BEAR and has always maintained a strong risk and compliance culture. Suncorp has been compliant since it became applicable to the Group and will welcome the changes in terms of further enhancing clarity of accountabilities.

The Suncorp operating model changes announced on 1 July 2020 are consistent with BEAR and Suncorp is well prepared for the regime to extend beyond banking operations.

## Board governance – skills matrix

The Directors approach the Board skills matrix in a diligent and detailed way. The Directors are active in a variety of different industries and sectors, and so the skills matrix evolves over time.

The Board considers the skills matrix as well as the strategy of the company when appointing a new director as it is important that the Board continues to add value to shareholders over time.

## The Board's Customer Committee

The Board made the decision to establish the Customer Committee shortly before the Financial Services Royal Commission. Initially, all Non-Executive Directors (NED) served on the Committee, but from the beginning of this year, the membership was reduced to a sub-set of Directors Chaired by NED Lindsay Tanner, consistent with our approach for the Board's other standing Committees.

This year, the Customer Committee has commenced outreach including meetings with the Australian Financial Complaints Authority and the Australian Banking Association, while it has also heard from Uniting about our work to address issues with customers experiencing vulnerability.

The Customer Committee regularly scrutinises information in relation to customer complaints and disputes. Suncorp's Customer Advocate is the lead executive from management who supports the committee in its work.

The value to shareholders from this process, is twofold. Customers who are better treated, where there are fewer mistakes and better communication, will ultimately be beneficial for the commercial interests of Suncorp and shareholders.

## Cyber Security

The Board is very aware of the importance of cyber security and it is frequently an agenda item for both the Board and the Board's Risk Committee. The Board has obtained the views of external experts on cyber-related risk to assist in developing how Suncorp thinks about cyber security and how the Group appropriately responds.

Suncorp's people are also very aware of the issue of cyber security and to the potential impacts on customers. The Customer Advocate team has worked closely with the University of Queensland to develop a program, to increase the awareness of customer scams and how to respond to scams.

## Investment management through COVID-19

The Board has continued to be proactive in overseeing management's investment governance approach, including through establishing a special purpose Investment Committee Chaired by NED Sylvia Falzon, which continued to meet during COVID-19.

It is a very complex area of both general insurance accounting and investment portfolio construction, and investment markets have been experiencing a period of volatility that is relatively unprecedented. Over the past 12 months Suncorp has maintained a conservative setting in both its investment portfolios, reducing the impact on profit. Suncorp also put in place some temporary investment hedges across technical reserves to ensure a low risk position could be maintained.

Markets have recently improved, particularly on the back of global stimulus. Suncorp remains focused on maintaining a low risk, high quality portfolio.

## Traditional general insurance model in low interest rate environment

Insurance has never been more important, particularly considering the intensity and frequency of recent natural hazards in Australia and New Zealand. The impacts of the low interest rate environment has been a focus for the Board, with the pricing of risk and appropriate management of reinsurance arrangements critical to working through these cycles.

It is important to look at Suncorp's business through short-tail portfolios and longer tail portfolios. Investment market returns are significantly more leveraged in long-tail portfolios, where they typically are managed by scheme regulators. Regulators in those schemes need to be reflecting the lower returns in improved pricing or increased pricing and be consistent through the cycle. Suncorp have maintained an active dialogue with all scheme regulators, to ensure that where yields are reduced it can be reflected in pricing.

On the short-tail book, investment returns are lower and have a lower impact on overall profitability. Suncorp doesn't look to investment returns to leverage profitability, Suncorp relies on pricing, underwriting and disciplined portfolio management.

## **Resolutions 1 & 2:**

### *Remuneration Report*

#### *Grant of Performance Rights to Group CEO & MD*

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#### Grant of performance rights following a low dividend

Full year dividends totalled \$0.36 per share, within our target payout range of 60% to 80% of cash earnings, albeit at the bottom end of the range. The purpose of Suncorp's long-term remuneration is to focus the Group CEO and his Executive Leadership Team on our long-term strategy and the creation of long-term shareholder value.

These long-term incentives will only vest if relative Total Shareholder Return (TSR) and cash Return On Equity (ROE) targets are met over the vesting period. This year all executives had short-term incentives deferred into equity, meaning they did not receive any cash beyond their fixed salaries.

#### Voluntary seeking of shareholder approval in relation to Group CEO performance rights

Suncorp is not required to seek shareholder approval in relation to the Group CEO's Long-Term Incentive (LTI) grant. The ASX Listing Rules only require approval where any vested shares are issued, and Suncorp intends to purchase any vested shares on market. However, the Board wished to seek shareholder approval in recognition of the importance of shareholder engagement on key remuneration issues.

#### Advisory nature of Remuneration Report resolution

It is the Corporations Act that prescribes the requirement for ASX-listed companies to put their Remuneration Report to an advisory vote, rather than a binding shareholder vote, at the AGM.

#### Director fees

Neither the Chairman's fees nor the other Director's base fees increased in the past year. The dollar amount paid to the Chairman in FY20 was higher than in FY19, as she was appointed as Chairman in September 2018 (and was therefore paid a lower Director fee until that time).

#### The Board's determination of Executive Remuneration

The Board's People & Remuneration Committee looks at all behaviours of the Group CEO and other Executives when recommending remuneration outcomes to the Board each year, and if there have been customer detriments or poor behaviour, this is reflected in the remuneration outcome. The Board and People & Remuneration Committee also receives input from the Board's Risk Committee in determining remuneration outcomes.

## **Resolutions 3a & 3b:**

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### *Election of Director – Mr Elmer Funke Kupper*

Elmer is a member of the Audit, Risk and Nomination Committees.

Elmer has significant financial services experience and brings expertise in navigating demanding regulatory environments, and in transforming business models through the adoption of technology and digital services.

### *Re-election of Director – Mr Simon Machell*

Simon is Chairman of the People & Remuneration Committee and a member of the Audit and Nomination Committees.

Simon has worked in the insurance industry for over 35 years and has an in-depth knowledge of regulation, technology, re-insurance, remuneration practice, and other markets bringing a global perspective.

Simon is Singapore-based. Like many of his fellow Directors, he has been participating in Board and Committee meetings remotely in light of COVID-19 related travel restrictions.