

Suncorp Group 2015 Annual General Meeting

24 September 2015

One Company
Many Brands



Transcript

Ziggy Switkowski: The allotted hour has arrived. Good afternoon, everybody. Thank you for being so very punctual.

My name is Ziggy Switkowski. As Chairman of the Board I would like to extend a warm welcome to shareholders and guests present today at the 2015 Annual General Meeting of the Suncorp Group Limited and to those who are joining us via the live webcast.

Obviously a quorum is clearly present so I declare the meeting open. Just as a courtesy to everybody present and to ensure the meeting communication systems are not interfered with just could you make sure that your mobile phones are turned off or put into silent mode.

As we begin every year let me start out by introducing your board of directors and from your left over there William Bartlett. Bill is chairman of the remuneration committee and a member of each of the audit and risk committees. Audette Exel. Audette is a member of the risk committee. Doug McTaggart. Doug is chairman of the audit committee and he will be seeking re-election today. Michael Cameron. Michael is a Director as well as your incoming Managing Director and Group CEO.

Across here to Patrick Snowball, familiar to you all as our Managing Director and Group Chief Executive Officer. He will address you shortly. Christine McLoughlin. Christine is a member of the Risk Committee and a member of the Remuneration Committee. Christine was appointed by the Board earlier in the year and will be seeking election this afternoon. Ewoud Kulk. Ewoud is Chairman of the Risk Committee and a member of the Remuneration Committee. In addition Ewoud is Chair of our Suncorp Insurance Venture Subsidiary and our New Zealand joint venture General Insurance business, AA Insurance Limited. On the far right of you, Geoff Ricketts. Geoff is a member of the Audit Committee and Chairman of our New Zealand General Insurance business, Vero Insurance New Zealand Limited.

We of course have the important executives, the Company's leadership team here present seated here on the front row but before we get to them there are amongst us here on the podium Anna Lenahan, our Group General Counsel and Company Secretary and Steve Johnston, our Group Chief Financial Officer.

Seated in the front row we have Anthony Day. Anthony's CEO of our Commercial Insurance arm. Clayton Herbert, our Group Chief Risk Officer. Mark Milliner, our CEO of the Personal Insurance business. John Nesbitt, CEO of the Suncorp Bank. Matt Pancino, CEO of the Suncorp Business Systems Services Group. Mark Reinke, the Group Executive of Customer Data and Marketing. Amanda Revis, Group Executive Human Resources. Gary Dransfield, our incoming CEO of Suncorp Life, noting that Gary has most recently been the CEO of Vero in New Zealand. Paul Smeaton, CEO of Vero New Zealand. Paul was previously the Executive General Manager of our Statutory Claims Business. Geoff Summerhayes, CEO of Suncorp Life, who will be handing over that role to Gary shortly.

Today's proceedings begin with a review of the 2015 financial year before we move on to the formal part of the meeting. I'll make some introductory remarks and then we'll invite our Chief Executive Patrick Snowball to address the meeting and also ask our incoming CEO Michael Cameron to make a few words.

In terms of my overview, as Chairman of the Suncorp Group I am pleased to report to the shareholders that the Company continues to perform well. Yes this past year has seen a range of difficult weather events affecting our policy holders at levels really well in excess of normal trends. Yet despite the impact of the massive Brisbane storm in November of last year, Cyclone Marcia and two major events in New South Wales in April and May this year, the Group still reported what we would define as very creditable profit of AUD1.1 billion.

The 2015 financial year results demonstrate the underlying strength of the Group and the potential returns that can accrue to shareholders. To that end the Board has increased the ordinary dividend to AUD0.76 per share which is fully franked and for the fourth year, paid a special dividend which this year is AUD0.12 per share again fully franked and all of you should have received the full year dividend earlier this week.

Pleasingly along with the solid financial result Suncorp has made great operational process. Firstly the performance across general insurance, banking and life insurance continues to improve and this ongoing improvement in each of our business lines and across the conglomerate offers the promise of a sustainable competitive position within the dynamic financial services sector for some years to come.

Secondly the Group has continued to improve its scenario planning and risk management capability to mitigate the potential negative impact from any downturn in economic conditions.

In my annual Chairman's report to shareholders I described Suncorp as being low risk. I'd just like to take some time to explain what I mean when I say low risk. In recent years the Group has been significantly de-risked by the resolution of the non-core bank and by resetting assumptions in our life insurance business. Although these have been costly exercises the benefits are increasingly evident with lower impairment losses and non-performing loans in the bank and positive experience in lapses and claims in our life insurance business.

Alongside of this great strides continue to be made in the advanced accreditation process under the international BASEL II protocol. These models further improve the bank's risk management capability and overall decision making. Similarly in the insurance business greater risk insights are allowing better decisions to be made on risk selection, the amount of capital that is required, the investment mandates and the level of reinsurance that should be purchased.

At a Group level our modelling continues to demonstrate that each business line has risks that are generally uncorrelated. This supports our view that the diversified financial conglomerate structure does at a Group level reduce the overall level of risk to our shareholders and to our policy holders.

Finally in describing us as low risk, we've been very clear that our focus is on the Australian and New Zealand markets where we have a long history of success and continue to have confidence in the size and the range of the opportunities that are ahead of us.

Now the volatility in global and Australian investment markets obviously affects the current share prices and somewhat masks the significant operational progress that has been made at Suncorp. Still, when looking Suncorp's total returns whether on a short, medium or long term basis, the Group has outperformed the broader investment market. For example, in the five years to 30 June 2015 Suncorp's total shareholder return of 124% is more than double the broader market return of 59%.

Looking ahead the outlook for the Group continues to be very positive. During the year, again under Patrick's leadership, Suncorp outlined a new program of work named optimisation, not very original but this will deliver a further AUD170 million of annualised benefits by the 2018 financial year. In addition it will complete the redesign of the Group's operating systems to ensure that they are appropriate for an external environment that is increasingly digital, increasingly wireless, increasingly mobile. It will also provide the necessary insights to allow the Group to compete, to differentiate and even to disrupt in a big data world.

The dynamic pace in which the financial services industry is changing provided a backdrop for the Board's recruitment process of a CEO to succeed Patrick Snowball. Clearly after an outstandingly successful six years Patrick leaves Suncorp very well placed for the future. He has dealt with the extraordinary challenges over his tenure with unwavering dedication and an appealing mixture of charm and ferocity. He has been a transformational leader who has set very high standards and expectations and provided an immense personal contribution to reshape the Group into a thriving, successful, diversified financial services conglomerate.

Patrick is a unique individual, truly the leader that Suncorp needed for challenging times and I acknowledge the efforts of my predecessor John Story, the former Chairman in enticing him to the Group and working with him through the challenges of those first few years.

Patrick leaves Suncorp in great shape. The Company has a strong balance sheet, systems and processes that have been re-engineered, there are no legacy issues and most importantly there is a high performing culture centred upon meeting the needs of our many customers.

For Patrick's successor we needed someone who understood and embraced our strategy and would ensure that the Group maintained momentum while exploiting opportunities to further lift performance, which we believe will be achieved through the One Company, Many Brands business model with each of the businesses in general insurance, in banking and life insurance capitalising on their individual strengths while benefiting from the scale and the expertise of the Group and our overlapping customer sets.

The Board was unanimous in our support for Michael Cameron, a colleague we know well. Michael has significant experience in financial services, knows Suncorp intimately and has a demonstrated ability to successfully lead a large ASX-listed organisation. And I'm confident that Michael will deliver the next phase of value growth for the Suncorp Group.

With Patrick stepping down next week, and Michael moving to the Managing Director and the Group CEO role, a vacancy has also been created on the Suncorp Board. And I should be in a position to announce a new Board appointment shortly. That process is well-advanced.

The criteria that we have decided -- adopted in selecting the appropriate candidate is that we require deep financial services experience of that person, an understanding of insurance, experience in working with our regulators, a base in Australia and the ability to serve around two to three terms.

The Board continues to see a sustainable return on equity of 10% as achievable and we believe it's still an appropriate goal for us. We're also committed to an ordinary dividend payout target of 60% to 80% of full-year cash earnings and to continue to return capital to shareholders that is in surplus to the Group's operating requirements. This is a message you have heard us repeat now for a number of years.

In conclusion I would like to acknowledge the commitment and the dedication of my fellow Directors who are on the stage before you. Suncorp remains a complex, regulated entity with significant operations covering general insurance, banking and life.

The technical nature of the information that Directors need to understand, combined with the sheer volume of Board issues and materials, require a very high level of engagement on the part of Board members. And I'm very fortunate to share the Board responsibilities with such focused and passionate individuals and I thank them for their support, wise counsel and collegiate approach.

And finally, I would like to thank all of Suncorp's employees, all of you shareholders, our customers as well for their ongoing support and dedication. Suncorp strives to deliver an outstanding level of customer service across our businesses and this is now being widely recognised in both Australia and New Zealand.

Like I expect Patrick will say, I join him in believing that the Group's best days are still ahead of us. And with that, thank you for your courteous attention and will you please join with me in welcoming to the podium Patrick Snowball. [Applause]

Patrick Snowball: Thank you very much, Ziggy, and good afternoon everybody. As Ziggy mentioned, this will be my seventh and final Annual General Meeting, and it's slightly frustrating that the challenges of weather and investment market volatility have been recurring themes at so many of our meetings.

The weather gods marked my arrival in 2009 with floods and cyclones and they farewelled me with hail, hail and more hail. As investors, I'm sure like us you scratch your heads wondering what volatility awaits us tomorrow and the next day. Both of these factors need to be managed, but they are largely out of our control. What is within our control, and what has fundamentally changed over the past six years, is the strength and the resilience of our Company, and our ability to cope with whatever is thrown at us.

Today I'd like to provide a brief recap on what has been a thoroughly rewarding six years, outline the transformation of Suncorp, and show how this is reflected through the strength of our 2015 results. This is the year where we finally started to demonstrate what we'd always thought was possible when I first spoke to you six years ago.

We always knew that Suncorp could deliver great value by simply operating as a diversified, low-risk financial service group, providing products in the countries that we know and we understand. The numbers we delivered on August 4 were good quality and over the past six weeks this has been reinforced as other companies have reported their results as well.

To start on a slightly disappointing note, in general insurance, the first point is the significant impact of last year's weather, with net profit after tax down by 25%. Natural hazard events generated gross claims costs of AUD1.3 billion which has had a net impact of just over AUD1 billion.

To put this in context, in 2011, which was the worst year that we'd experienced in recent times, in both terms of human impact and scale of damage, our natural gross hazard claims were almost AUD6.5 billion, but net claims were only AUD785 million. Last year it was the greater frequency of medium-sized events that had a much bigger financial impact on the Group, but fortunately not in human terms.

Given these circumstances, a profit of AUD756 million demonstrates the resilience of the general insurance business and the benefits of our simplification and transformation programs have delivered. If we strip out the impact of weather events and other volatile items, our underlying insurance margin actually improved over the year to 14.7%.

For the last two years we've been calling out the improvements in our long-tail claims management practices and the impacts these would have on our reserving. I'm delighted that under Anthony Day's guidance we are now seeing these benefits to play out with reserve releases of AUD427 million through the year. We're confident that releases can be sustained well above the long-term expectation of 1.5% of net earned premiums for at least the next couple of years.

At the front end of our business our strategy of reinvesting incremental efficiency benefits back into our customer retention activities is working. We finished the year with an increase in net customers across motor and home insurance whilst improving our underlying insurance trading result.

As we look to the future, we are increasingly confident that the market dynamics support a stabilisation of the personal insurance pricing. The industry has recently absorbed around AUD4 billion in natural hazard events and all insurers are dealing with the inflationary impact that the weakening Australian dollar is having on car parts and home repair costs. We have recently started to reflect these factors in premium increases and although it's early days, our retention rates remain strong.

Turning now to the Bank. This has certainly been our greatest turnaround challenge over the last six years, and the 55% improvement in profit reflects the outstanding work of John Nesbitt and the team.

This year the Bank took the honour of being awarded Bank of the Year by both Money Magazine and Euromoney. This is the first time that the Money Magazine award has been won by a regional bank and is a strong endorsement of our strategic direction and customer focus. This improved financial performance was driven by an improvement in margin, a reduction in the cost to income ratio and a significant reduction in impairment losses. None of our peers are delivering this improvement in their key metrics.

Turning to the life business, net profit is up 36% as our revised assumptions around lapses and claims continued to be proved to be conservative. Our focus of value over volume is delivering, with embedded value up 6% to be close to AUD1.9 billion and our value of one-year sales increasing significantly to AUD25 million. These improvements validate last year's revaluations that we carried out.

At an industry level the Government reforms to the life insurance sector, and particularly commissions, have put the industry on a more sustainable footing and I would like to acknowledge Geoff Summerhaye's role in driving these changes. Geoff leaves Suncorp Group this year and I would like to thank him for his dedication and leadership in guiding the Group through considerable industry challenges.

These results clearly show how the Group is now in the balanced position we targeted post the resolution of both the non-core Bank and the restated assumptions in the life company. Bank and life are starting to deliver the stable earnings base that we've previously spoken about. Together this year they contributed AUD490 million and both have considerable industry tailwinds to improve both top line and profit growth in the medium term.

In general insurance there will be good years where we can deliver around AUD1 billion and in tougher years, a profit of AUD700 million still represents a very reasonable return on capital. Put together, and paying out between 60% and 80% of cash earnings as a fully-franked dividend, you can see why we are confident that the Group can continue to deliver substantial yield to our shareholders.

Turning now to the dividend that Ziggy has already mentioned, and this year, despite the weather events we have increased the ordinary dividend to AUD0.76 per share. For the fourth year in a row we have also paid a special dividend. This year we paid AUD0.12 per share which meant our total dividend payout was just under 100% of our net profit.

In total, we've paid out just under AUD1 billion in special dividends over the last four years, and post this year's dividend payments the Suncorp Group balance sheet remains very strong with AUD570 million in surplus capital still. This is in contrast to our insurance peers, we're actually increasing our ordinary dividend, and in contrast to our banking peers we're returning capital to shareholders rather than seeking to raise more.

I'd like to now just reflect briefly on the past six years and the Company that we are part of today. From the very start time was not on our side and this meant we could not use the normal process of validating the future direction of the Company back in 2009.

However, I was fortunate enough to have qualified friends from the UK who were able to help me kick-start the process. In three weeks they met with a significant number of people around Suncorp. They confirmed that the Company had great people, great systems and great brands, but it simply wasn't working together properly, and that was our fundamental challenge.

In the insurance business different parts of the Company were suing each other and elsewhere employees sitting next door to each other were on different sets of terms and conditions, and although we had world-class IT platforms, there were simply too many of them. We needed to move from many companies with many brands to One Company, Many Brands, which today still forms the basis of our culture.

Once we'd established we could make the business work, the first thing that needed to be done was to restore our credibility in the market, our confidence in ourselves and develop a culture as a unified Company. There was constant speculation that the troubled Suncorp Bank was about to be sold. We dispelled these views early

on, but to be quite honest, by that stage the major banks would not have been allowed to buy our bank anyway.

However, we needed to give assurance and clarity to the Suncorp people, customers and shareholders. We wanted them to know that there was a future within the Suncorp Group and that we weren't going to surrender without a very hard fight, in other words, get the tanks off our lawn.

With that behind us, the hard work began, and with a quality leadership team in place we embarked upon a program of work making One Company, Many Brands a reality. The Building Blocks program consolidated our insurance pricing and claims systems and also set a single set of terms conditions for all our people a single view of our customers and a single general ledger for our finances. We made good progress in 2009/2010 and it felt like the credibility and the confidence were slowly returning to the Group. But it was the summer of 2010/2011 that really tested us and the way we were going.

We were hit with a sequence of natural hazard events of biblical proportions. It's hard to describe those days, so I'd like to just show you a short video to remind you of that amazingly dreadful summer.

Video presentation of 2011 natural hazard events

Very sobering, even after four years. Prior to my arrival, Mark Milliner and his team have built an insurance pricing engine for Suncorp that could measure flood risk. We were using it to price insurance premiums. It meant we were the only major insurance company that fully protected its customers in Brisbane and Ipswich during those floods. Our people were on the ground helping customers in a way that had never previously been possible. Our improved systems meant that our bank and insurance businesses could talk together.

Even the Queensland Premier was kind enough to publicly recognise the contribution that Suncorp was making towards rebuilding the communities. Looking back now, this is probably the tipping point for the business and our culture. As for the first time, everybody pulled together to get through the crisis. It was the shot in the arm that everyone in Suncorp needed. Suddenly we had our mojo back. People were proud to work for the Company and customers were reminded of the value that you get from insuring with a company that you can trust in tough times.

Following on from our initial integration work, we commenced another program called Simplification -- another original word Ziggy -- that will deliver AUD265 million in benefits this financial year. Amongst many of the other advantages we gained from this program, was the ability to bring forward our reporting dates and pay our dividends earlier, as you experienced this week. In May this year we outlined the next major step, the optimised platform that Ziggy has already mentioned.

This involves ensuring that all Suncorp systems are simplified web enabled, linked to a data lake and use the Cloud to deliver scale benefits. It sets Suncorp up to differentiate and disrupt in an ever involving financial service industry. The sum total of all these initiatives is that Suncorp is now a leaner, faster and smarter organisation. We're leaner, as demonstrated by the fact that we've kept our cost base virtually flat over the past four years. We're certainly faster in meeting the needs of our customers.

During the Brisbane hailstorm in November, we handled a record 10,000 claims in one day and set up the Fairfield Mass Assessment Centre, which I'm sure some of you visited, which was processing 1500 cars a day, although we still had to write-off 26,000 cars, which was a bonus for the car yards of Brisbane in the run-up to Christmas. Finally, with our optimised platform and business intelligence, we're smarter.

We're now thinking differently and harnessing our digital and mobile innovations to position us at the front end of the new information age.

Going forward, the Suncorp Group has significant growth momentum. The balance sheet is conservatively positioned and there are a range of organic growth opportunities opening up, whether it's State Governments introducing competitive tendering for CTP and Workers Compensation, through the Bank with our connected customer program, through direct Life insurance or through or customer extensions that we're just beginning to explore. The opportunities are many and they are varied and we are ideally positioned to take advantage of them.

None of this would be possible without what is in my view our greatest asset, our people. I've never been a supporter of corporate cultural programs as you can't tell people how to behave, you have to lead by example and build teams that continuously display and reinforce the right behaviours.

Through our shared vision and working as One Team, we've developed a high performing culture where our people are aligned, engaged and empowered. This is reflected in the world leading levels of employee engagement and enablement. The strength of our culture is shown by the pride people have in working for the Company and strong staff advocacy for both our products and our services.

We continue to make good progress in ensuring that the diversity within our workforce reflects the communities in which we operate. Our focus on building a diverse and inclusive workplace continues to create a workforce that benefits from different ways of thinking. This itself creates opportunities to better understand our customers, foster innovation, remove barriers and manage risk.

I am particularly proud of the work that we've done and the progress we've made around gender diversity, both in terms of pay equality and career opportunities. And we're now also progressing ways to promote diversity of age, leverage the benefits of diversity of thought and further embed flexibility to enable our people to better manage their careers and their lifestyles.

Suncorp is where it is today because we're customer focused, we're forward looking, we have modern technology and we have a culture that gets things done.

In conclusion, I'd like to thank all Suncorp employees for their hard work, commitment and dedication. I'm also greatly appreciative of the incredible consistent support that I've had from the Suncorp Board under the leadership of both John Story and Ziggy.

Finally, to you our shareholders, I thank you for your loyalty over the past six years. I'm leaving behind a fantastic business and incredible people who will continue to deliver improved returns to you.

I'll be going back to my home in the UK, but it's obviously with a heavy heart. I've become incredibly fond of Australia and New Zealand and the people that make up these amazing countries. I don't think that the Suncorp turnaround could have been achieved anywhere else in the world, because whether it's in business, sport or in combat, Australians and New Zealanders are known for their incredible ability to fight their way out of a tight corner. If you're stuck in a corner with your back to the wall you want Aussies and Kiwis by your side.

From my experience, the only problem is that once the fighting is done, they all want to push off to the beach.

So I'm staying as a shareholder, because I know that the Company's in great shape and there's still significant value that Michael and the team under the Board of Directors will deliver. Michael has an exceptional track record and I wish him all the best for the future. I'm certain he's the right leader to continue the Suncorp Journey and most importantly to ensure that no one pushes off to the beach quite yet. Thank you very much.

[Applause]

Ziggy Switkowski: Well, well done my friend. Look, a video clip such as you've just seen is a stark, stark reminder of the importance of insurance and insurance companies in the lives of people at times in their lives of great stress and even tragedy and it's also a test of the character of a company such as Suncorp and as Patrick has described, it's a test that we routinely step up to and try to meet with integrity and that has been the history, our history over the last six years.

Just turning briefly to Michael Cameron. He will be a person that will become increasingly familiar to you in the years ahead who will move from that side of the table to that slot, beginning from next week. But it's too good an opportunity not to invite Michael to come up and just address you for a minute or so before we continue on with the rest of the meeting. Michael.

Michael Cameron: Well good afternoon everyone and many thanks to both Ziggy and Patrick for those kind words. Thank you. Well it's an absolute privilege to be appointed as the CEO of the Suncorp Group and it's very pleasing to inherit a company that's in such great shape. As a Board member for the past three-and-a-half years I've been incredibly impressed by the Group's achievements, more importantly the quality of the Suncorp team is amazing.

I look forward to commencing in the role next Thursday and working with the team to lead this organisation into the future. Alongside my fellow directors, I've been closely involved in overseeing the Group strategy. I remain committed to the One Company, Many Brands business model as this allows us to offer a broad range of financial products and financial services to our customers across Australia and New Zealand.

I'd like to thank and acknowledge Patrick for steering the Group through some extraordinary challenges and for building such a unique and powerful culture. Looking ahead, Suncorp has a fantastic organic growth opportunity ahead of it, providing more value to our nine million customers will underpin our next wave of growth, enable us to maintain a high yield and improve our returns to you our shareholders.

Thank you very much for coming along today and I look forward to meeting many of you after the meeting and I look forward to addressing you more formally this time next year. [Applause]

Ziggy Switkowski: Thank you, Michael. Before we consider each item of business as we get into the formal part of the meeting, let me outline some of our procedures. Firstly this is a meeting of Suncorp shareholders. Only ordinary shareholders, their appointed proxies or corporate representatives are entitled to make comments, ask questions or to vote. Preference shareholders are of course welcome to make comments and to ask questions but are not entitled to vote on the business of the meeting. All other attendees are welcome as observers.

Any comments made or questions raised for discussion must be relevant to the business of the meeting. Shareholders and there will be some with questions relating to specific resolutions, are requested to ask them as the resolution is being considered. Of course if you have matters that you would like to raise as a customer, commentator, please visit the customer booths located outside in the foyer. Of course as I introduced to you earlier this afternoon we have our senior leadership team here available to answer your questions following the meeting and they will also be mingling in the foyer.

A reminder as to the voting procedures for today's meeting. As the Chairman I've decided that all resolutions will be put to a poll which I now declare open. Having resolutions decided by way of a poll we are counting all direct votes, all proxy votes and all of the votes on the floor. I can confirm that a total 11,848 proxies and direct votes have been accepted which represent 728 million shares or 56% of the 1.3 billion shares on issue.

The screens that are behind me will display the direct and the proxy votes at the time of discussing each resolution. I will of course allow time for questions and discussion and then I'll ask you to mark your voting card. You will need to keep your voting card with you until all resolutions have been voted on.

If you need to leave the meeting early you can place your completed voting card in one of the ballot boxes at the exit.

The results of the poll will be advised to the Australian Securities Exchange later today once the votes have been counted.

If you have any subsequent questions please see the share registry team member that is available.

To the formalities. The notice calling this Annual General Meeting was dispatched to all shareholders on August 21 2015. The first item of business for discussion today is to receive and consider the financial report, the directors' report and the auditor's report for the Company and its controlled entities for the year ended June 30 2015. Mr Chris Hall, the lead audit partner with KPMG is present here today and is available to answer any questions you may have about the auditor's report or the conduct of the audit.

Assuming that a number of you have had an opportunity to read our reports, et cetera, I'd now like to take any questions or comments about the report or the Company's performance generally so general questions, other business, et cetera. If you want to make a comment or ask a question please move to one of the microphones, we have four, where a Suncorp representative will introduce you to the meeting. If you have more than one question please ask all of your questions and then resume your seat. I will then answer each of your questions in turn. This will help us make sure that as many shareholders as possible have an opportunity to ask questions.

If you have questions on the meeting's other resolutions so if you have questions around the remuneration report, the granting of performance rights and restricted shares and director elections can you hold those until those resolutions are considered?

Ziggy Switkowski: Okay so I invite questions and comments on the financial report, directors' report, auditor's report and any other business.

Microphone number two.

Company Representative: Good afternoon, Mr Chairman. May I introduce Mr Sackett who has confirmed he is a shareholder.

Mike Sackett: (Australian Shareholder's Association, Shareholder) Good afternoon. Thank you, Mr Chairman. Mike Sackett. I'm representing Australian Shareholder's Association.

Thanks for that very exhaustive review of the insurance environment looking backwards but I have a question regarding the forward prognosis. We've already seen that the natural hazard events last year had a record high impact on Suncorp of just over AUD1 billion. This was almost double the annual allowance of AUD595 million.

In the annual report on page 34 you say that this was a major factor behind Suncorp failing to achieve its 10% return on equity target. Given that the annual allowance has in fact been exceeded in five of the last six years and that most significantly we seem to be facing a major El Nino event, in fact some analysts say perhaps the strongest ever, can shareholders be assured that more realistic natural hazard allowances have been set for this current year and for succeeding years? Thank you.

Ziggy Switkowski: Thank you for that well informed commentary and question, Mr Sackett. Firstly the natural hazard allowances over the last six years we would characterise as being realistic and based upon models that all of us use to try to anticipate the level of natural hazards that might occur in any one year it's a number that bounces around a bit and as you say, we've been on the low side for a number of years.

This year we have increased the natural hazard allowance from the AUD595 million last year to AUD670 million. We think that that is very consistent with the modelling and probably fuller than we would otherwise have accounted for because of our concern that historically we've been a bit under in our estimate.

In terms of the El Nino effect I would say the prevailing view is that El Nino leads to long dry spells that certainly perturb the weather patterns but in ways that are on average more favourable to insurance companies than less favourable. You wouldn't want to put real money on this at this stage but an El Nino season is preferred by us to a La Nina alternative which is often wetter and accompanied by costly climate events but thank you very much for your comment. Number four?

Company Representative: Good afternoon, Chairman. May I introduce Mr (inaudible) who is a shareholder.

Ziggy Switkowski: Thank you.

Unidentified Audience Member: (Shareholder) Good afternoon, sir and good afternoon to the rest of the panel. I am representing some shareholders down in another state and they have questions in relation to the

financial scandals that have been happening generally across both the financial industry and banking industry as well as insurance.

The question is in relation to how much money of the shareholders is getting spent in the Financial Services Ombudsman, the Insurance Industry Ombudsman on ex gratia payments and similar such payments where there's not necessarily an admission of problematic behaviour and if the money is quite substantial on behalf of shareholders.

What systems or basically patterns are emerging that the directors are aware of and what's getting done to fix those patterns because there seems to be a lot of payouts by the big financial bodies at the moment?

Ziggy Switkowski: That question has relevance at many levels. Firstly I guess we benefit would be the way to put it, from very, very intensive oversight by a number of regulators including APRA, ASIC and others. They have always been there in the financial services industry in Australia but are being even more active in the aftermath of the global financial crisis and who I think quite reasonably take credit for keeping the Australian financial services in good shape through some pretty challenging times.

In terms of penalties and costs that a company like Suncorp may have been exposed to through actions of an ombudsman, I'm not aware of any numbers at all of any breaches of any material quantity. That's not to deny that there were issues with Suncorp in terms of the conduct of its business and the business judgements that were made in the global financial crisis that led ultimately to fairly large impairment charges and write-offs and these have been adequately publicised and disclosed in previous years.

Happily that has all been addressed. It did not reflect inappropriate behaviour or fraudulent behaviour. It did reflect a risk taking that turned out to be challenged by changing business commercials.

Otherwise we in the Company take great pride in the integrity of our processes, the risk management systems and the culture of integrity that we require of ourselves and our employees and willingly comply with. I hope that I can stand before you regularly and say no, not us, nothing to see here. Thank you.

Unidentified Audience Member:(Shareholder) You'd say that -- I was just going to follow up because there must be --

Ziggy Switkowski: Microphone four is still live.

Unidentified Audience Member: (Shareholder) Sorry, I was just -- I find that very difficult to believe that there are no figures in auditing reports or anything like that of specific amounts of payouts.

Ziggy Switkowski: I think because there haven't been any but let me pause and turn--

Unidentified Audience Member: (Shareholder) Even smaller amounts?

Ziggy Switkowski: --to the CEO.

Patrick Snowball: If I can just build on what Ziggy's just said, if you look in the claims area we do actually run a single claims systems. We start off with the expectation that every claim is genuine and we set out to meet the obligations and the expectations of our customers. From time to time there will be situations where the

interpretation of cover is such that we actually will consider and listen to the opinion of the Ombudsman but once again that will be a genuine claim that people believe is genuinely made.

On the very edge, yes from time to time there may be a fraudulent claim or claim that's exaggerated but the numbers are de minimis and the impact on our business is de minimis. Thank you.

Ziggy Switkowski: Thanks, Patrick. Let's stay with microphone four.

Company Representative: Good afternoon, Chairman. May I introduce Mr Robb who is a shareholder?

Samuel Robb:(Shareholder) Good afternoon, Mr Chairman.

Ziggy Switkowski: Good afternoon.

Samuel Robb: (Shareholder) I have a couple of questions, one for yourself and one for Mr Snowball. Would that be appropriate?

Ziggy Switkowski: Certainly.

Samuel Robb: (Shareholder) Mr Snowball, natural hazard claims as were previously mentioned were AUD473 million above the 2015 financial year allowance and this is the fourth year in five where natural hazard claims have exceeded provisions totally in excess of AUD1 billion. Is this due to inadequate provisioning for natural hazards or are we witnessing the effects of climate change where natural hazards increase in both frequency and severity?

Patrick Snowball: Building on the answer Ziggy gave the first thing I would say is that the number will never be right. As Ziggy said we reflected on the experience of the last four or five years when we reviewed the natural hazard provision for this year and in fact instead of just taking the actuarial calculations we've put what we call a management overlay in place in addition to the expectation. If we'd had that level of overlay in place in the last six years we'd have been over on three and under on three and I don't think it gets any better than that.

As I said, whatever the number is it's going to be wrong. What pushed us this year was the significant number of events around the AUD60 million to AUD80 million which are extremely difficult to model or forecast. I hope that helps.

Samuel Robb: (Shareholder) Thanks. Can I just a quick follow up question to that?

Ziggy Switkowski: Sure.

Samuel Robb: (Shareholder) Will these increased losses due to unprovisioned natural hazard payouts result in higher premiums to retail customers or will we shareholders sustain the loss?

Patrick Snowball: I think -- [inaudible] -- I mean that's a very -- that's a very valid question and the answer is that as I said in my speech, the industry has experienced about AUD4 billion of natural hazard events and certainly we are seeing adjustments to prices going through. Again, there are some years of course when there are no events and therefore you have to get that balance over a period of years, but certainly, we

maintain a very close view on the pricing of our products to ensure that we get the balance between our responsibility to our policyholders and our accountability to our shareholders. Thanks.

Ziggy Switkowski: You had a question of me?

Samuel Robb: (Shareholder) I do Mr Switkowski, I do. Mr Switkowski, in 2007 you advocated for a 60% reduction in carbon emissions by 2050 on ABC's Lateline program. Do you still agree with this position and if so, as the chairman of an ASX top 20 company, is it not your responsibility to lobby the government for strong climate action, particularly given the likely impacts on the insurance industry?

Ziggy Switkowski: So thank you for that. It's a very topical question around climate change and what Australia's policy should be and let me state my view. I believe that we are going through an extended period of global warming, that the drivers of that global warming tend to be the emissions associated with the use of fossil fuel and that as much as we can -- and by we, I mean globally -- efforts should be made to reduce our emissions and to manage a transition away from the use of fossil fuels over time.

I think that is kind of a relatively normal view. Where I part company with some commentators is to say well, and what should Australia's individual contribution should be? What should it be, given that we emit somewhere between 1% and 1.4% of the world's greenhouse gases and that heroic efforts on our part domestically will make no measurable difference to climate change, which has led me to take the view that we should accept the climate -- the global warming trend and invest effort in adapting to those changes, tightening building specifications, encouraging the use of renewable energy, considering protecting coastal -- coast lines with sea walls, et cetera.

So yes, I do believe we globally should commit to sharp reductions in emissions, but you've got to realise that it requires the US, China, the EU, Russia, India, Indonesia and Japan to commit to those changes to make any meaningful difference to our climate. Even with those commitments and even with delivery against these commitments which will be debated in Paris this December, the actual flow-on effects to measurable changes in the trend of global warming won't be observed for 20 or 30 years.

So I'm on the climate change side. I think we should work with the global community to do something about it. In the meantime we should focus our domestic resources on adapting to what will be progressively a warmer climate. Thank you for your question.

Samuel Robb: (Shareholder) No problem and just to confirm, does that mean you haven't lobbied or discussed this issue with the government in terms of being more proactive--

Ziggy Switkowski: Well my history in the past has been to be an advocate of a move to clean energy, at the heart of which I believe should be a nuclear reactor program. That's where I've been most active until other events have overtaken me. In terms of what I may or may not be advising or answering in terms of government policy, that's probably something that should stay confidential. Thank you.

Samuel Robb: (Shareholder) I have one last -- one last question.

Ziggy Switkowski: Another one? Okay last one.

Samuel Robb: (Shareholder) If you will indulge me, Mr Switkowski, I appreciate your time. Can you confirm you are not invested, that is Suncorp Group, in pure play coal mining companies or coal terminals?

Ziggy Switkowski: We have -- you know our investment book is very large and it is managed by a number of fund managers and the fund managers will be investing across a spectrum of companies in both domestic and international markets. In there might there be companies that are substantially around fossil fuels? There might be. We haven't at this stage taken a -- we haven't sought to intervene to direct the investments away from fossil fuels but we are sensitive to community mood and we are watching that space closely. Thank you.

Samuel Robb: (Shareholder) Thank you.

Ziggy Switkowski: Number two.

Company Representative: Good afternoon, Mr Chairman. May I introduce Mr Fuller who has confirmed he is a shareholder.

Ziggy Switkowski: Thank you, Mr Fuller.

Brian Fuller: (Shareholder) Thank you. My name is Brian Fuller. I've been a shareholder for a long time. First of all I want to thank all the directors -- Patrick and the new incoming managing director -- for doing such a wonderful job with the Company and for the progress we've made since 2010, 2011 when we had all those floods and disasters. I think it's wonderful the way the Company's progressed.

There are certain issues that I'd like to bring up. The presentation we had earlier on was all about children and schools and ballet and things like that. I was just wondering if it was possible if there's more promotion by the companies in that sector and in particular, in regards to schools. If you've got a forward looking company, you are based on the younger generation and that's where this whole process is directed. From what I can gather, the presentation, there's wonderful things with Suncorp. If you go back to the floods, as it said, Suncorp was the only one that supported all the flood victims where a lot of other insurance companies abandoned their people.

So there's a lot of wonderful things about Suncorp that should be out there in the community and should be well-publicised. I've got here -- this is actually a newsletter from the Heritage Bank, and they publish that four times a year and they send it out to their customers and also I'd presume some of their shareholders. I was wondering if it's possible that a similar thing could be done with Suncorp, and there should be more social contact and publicity of the good things in the community that Suncorp actually does.

My child goes to the Corinda School and they have a grant system there and Suncorp has actually put grants to the air-conditioning of the school out there. But if I didn't see it in a little bit in the Corinda newsletter I wouldn't even know that existed. So I was just wondering if it's possible --

Ziggy Switkowski: Let me take that as a helpful comment. We do invest many millions of dollars in community programs. I'd hesitate a bit to say that we are going to particularly focus on children but they are clearly beneficiaries of the programs that we fund in communities and with families et cetera. You're saying it's not as visible as it should be.

Brian Fuller: (Shareholder) Yes.

Ziggy Switkowski: We'll take that on board. Thank you.

Brian Fuller: (Shareholder) I'm not just focusing on children because naturally if you've got children you're talking about the whole family.

Ziggy Switkowski: Right.

Brian Fuller: (Shareholder) You're talking about mum, dad, grandparents et cetera. So by directing to the children you're not directing it to the children, you're directing it to the whole family.

Ziggy Switkowski: Let me ask the CEO to add some things.

Patrick Snowball: It's a very good point and as Ziggy says, we do a lot of work in the communities. I think that the culture of Suncorp is very much about the communities. And I could highlight specifically a program that's going on at the moment which is open to all the communities in Queensland to work with the local police force to come up with ideas that make the communities safer and better places, and we're giving grants of up to AUD10,000 to people coming up with ideas currently across the whole of Queensland. And certainly we can put you in touch with that.

We also have initiatives across our Creating Brighter Futures where we match-fund and make funds available to our own people in the communities. So not only do we have what I call major community sponsorship, for instance we've pledged AUD5 million to the ANZAC centenary public fund, but we do have a lot of funding available to spread more liberally in smaller amounts across the community, so we're certainly doing that at the moment.

Brian Fuller: (Shareholder) Yes. I was just trying to say that it's not that visible and I'll give you an example in the schools is the Commonwealth Bank has a very big signature in the schools. My son actually got a whole package from the Commonwealth Bank at the beginning of the year with a moneybox. Just what I'm trying to say is there's just not that visibility of all the good things that Suncorp are doing.

Ziggy Switkowski: Okay, we've got that. Do you have a question?

Brian Fuller: (Shareholder) Yes. Just one other thing. What the other gentleman brought up about climate change, you could actually tie that in with the schools in regards to the science. They used to have that solar car competition between Adelaide and Darwin where the schoolchildren built cars, solar cars, and race them. Right, now so what I was saying is it could all be tied in as a package. You could have a solar car competition or something like that to focus on.

Ziggy Switkowski: Okay, all right. All right, I think we've got a good sense of where you'd like us to go, so thank you.

Brian Fuller: (Shareholder) Just one last thing. I just wanted to say thank you to Patrick for --

Ziggy Switkowski: Again?

Brian Fuller: (Shareholder) -- his hard work over the years. One other thing, he was talking about the beaches and we've got a company called Suncorp, haven't we?

Ziggy Switkowski: Yes.

Brian Fuller: (Shareholder) Yes and we live in the Sunshine State. One thing I was talking to my uncle in England only a week ago and he was saying they've got the worst summer over there they've ever had.
(Inaudible - multiple speakers)

Ziggy Switkowski: I think you've got a number of marketing messages there.

Brian Fuller: (Shareholder) So Patrick could come back to Queensland sometimes, just when he gets a bit sick of that English weather.

Ziggy Switkowski: You've been warned. Thank you very much. Microphone number 4.

Company Representative: Good afternoon, Chairman. May I introduce Mr Gray who is a shareholder.

Ziggy Switkowski: Mr Gray.

Andrew Gray: (Argus Superannuation Fund, Shareholder) Andrew Gray on behalf of the Argus Super Fund. Initially, Mr Chairman, I would like to commend the Board and yourself for a great year.

Ziggy Switkowski: Thank you.

Andrew Gray: (Argus Superannuation Fund, Shareholder) Well done. And I'm also here to kind of say sorry to Patrick Snowball. You might not remember this but when he first arrived here with his very pukka English accent compared to my Scottish accent, I had the temerity to say to him that he was paid far too much money because he was an unknown at that stage. But as the results of the last five years will show, he did know what he was doing and he's turned in a marvellous result.

As to the question of whether he's paid too much or not, I still believe he is, but I might reserve my comments until we get around to the remuneration report. But to finish this section, after having said that I thought he was paid far too much, we were having a cup of tea outside and to his credit, he came up and tapped me on the shoulder and he said oh, Mr Gray, you're the fellow that thinks that I'm being paid too much, and I thought there speaks an ex-tank commander, straight and direct to the point. Thank you Mr Chairman.

Ziggy Switkowski: Thank you, Mr Gray, for those gracious comments. We have another one on microphone 4.

Company Representative: Just a follow-on question from the first one, I believe. Good afternoon, Chairman. This is a question from Mrs (inaudible) who is a shareholder.

Ziggy Switkowski: Welcome.

Unidentified Audience Member: (Shareholder) Good afternoon, Mr Chairman and to the Board. In the past year, has senior management or the Board examined the Company's policies for identifying as quickly as possible errors made by staff, for instance losing certificates of title or switching customers to less appropriate contracts, and taking immediate corrective action so that wrongs done to customers do not turn into protracted

disputes. If so, what operational changes resulted from such a review or intervention and what evidence is there of improved company performance in these respects?

I have an example from another shareholder which was -- as an example to this, from a member of the Suncorp staff. It was from (inaudible) at Suncorp, and I read, just in part.

It appears that all documents from the above settlement have been misplaced. After an extensive search of both Asteron and Suncorp it seems that we have no option but to ask that you draw up new transfer and Form 24 on our behalf. I appreciate that this process could take some time as I understand that it may take a while to get in contact with the vendors, but if I could ask that you keep me updated on all progress with regards to this file. My sincere apologies for all this inconvenience may have caused you.

In this particular instance it took 10 months, 10 months for the titles and all of the mess to be sorted out.

Ziggy Switkowski: Okay. Well, thank you very much for raising that this afternoon. We process obviously tens of thousands if not hundreds of thousands of claims and I think with very high levels of satisfaction and certainly quality processes.

But do a few end up being imperfectly managed or falling short of what our clients or our customers want? Possibly. And I get occasionally letters sent to me as the Chair which will have those kinds of overtones of a customer feeling poorly served, a process that looks clunky and a time that's taken too long.

So we act on everything that we become aware of. We have very high confidence in our processes and in the way we serve customers. But are there instances where we wish we'd done things better? Yes, there are. That might be one of them. If you want to pursue that further we can do that outside this meeting. But thank you.

Unidentified Audience Member: (Shareholder) Thank you.

Ziggy Switkowski: I'm looking at other questions. No, okay. So that looks like they are the questions of a general nature, so we don't need to vote on this so we move now to the next item of business, which is an advisory vote on the remuneration report. This report provides information on our remuneration framework, the relationship between that framework and the Company's performance and the details of the senior leadership team and Director remuneration.

As outlined in the rem report the Board is committed to a fair and responsible executive remuneration framework. We've now got Mr Gray's endorsement as to the validity of that framework. It also believes that the Company's remuneration framework is appropriate relative to the size of the Company, its business objectives and current and emerging market practices.

Feedback from regulators, from shareholders and our key stakeholders as well as those of you at our Annual General Meetings is actively encouraged and used in the development of our remuneration practices. The Board believes that the remuneration framework continues to serve stakeholders well and therefore remains substantially unchanged in 2015.

This framework fosters a pay-for-performance culture, linking executive remuneration to the achievement of the Group's strategic objectives. A significant proportion of executive remuneration is at risk and subject to

clawback with outcomes linked to financial and non-financial performance achievements which also generates sustainable returns for shareholders.

Now, as Patrick and I have detailed earlier, in 2015 the Group's profits were well above 2014 and this result, which is a strong result, was achieved despite 2015 representing a difficult year for natural hazards, probably the worst in our recent history, amounting to over AUD1 billion in net claims.

These results exemplify the good results, the Company's earnings diversification with each line of business contributing positively to our performance. The remuneration package for our incoming Group CEO Michael Cameron consists of fixed remuneration of AUD2.1 million per annum, a target short-term incentive opportunity that is 100% of that amount, of the fixed rem, and an initial long-term incentive award with a face value of AUD3 million of Suncorp shares.

The senior executive remuneration has been reviewed in line with our remuneration policy and the external market and other business and role critical factors to ensure that our senior execs are paid at an appropriate level. And the majority of senior executives received in this past year no fixed rem increase in the financial year, our judgement being that the aggregate package was there or thereabouts in terms of benchmarks.

The short-term incentives, the awards under that program to senior executives were in the range of 85% to 97% of the target provided for under the plan and the figure for the Group's CEO was 90%. 100% of the long-term incentive reward, which was made in 2011 with a three-year vesting period, vested for all participating senior executives, as similarly the third tranche of the initial grant made to the Group CEO when he was contracted initially in 2009 also vested in full, reflecting the strong share price performance of Suncorp in that three-year interval.

The criteria for remuneration clawback has been updated during the year to ensure consistent and principles-based application for all executives. And non-executive Director fees were not increased during this past financial year. And so looking ahead, the Company will continue to assess and refine the remuneration framework so that it continues to promote sustainable performance, risk alignment and competitive pay positioning against the backdrop of a challenging business environment.

Now the shareholder, your vote on this resolution is advisory only. That's the practice and does not bind the Company or its directors. However, each year the Board considers the level of shareholder support it received and the matters raised by shareholders in discussion. We'll do so again following your commentary and following this meeting.

We have received strong shareholder support for the remuneration report this year and this is reflected in the direct and proxy voting results which are now shown on the screen. So, with that narrative and with those results, could I ask for any questions or comments from the audience here about the remuneration report and invite you to step up to the microphones. I see microphone number two.

Company Representative: Mr. Chairman, may I introduce Mr. Sackett.

Mike Sackett: (Australian Shareholder's Association, Shareholder) Thank you, again representing Australian Shareholders Association. Actually, I should have prefaced my earlier remarks with two compliments, one for

the good work of Mr. Snowball over the last six years. ASA indeed recognises that. Secondly, we very much appreciate the fact that your results are represented a month earlier than before. This meeting is being held earlier and dividend was paid earlier and we are very appreciative of that. We note that the simplification processes helped to enable that.

Turning to the Rem report, I want to just focus on short term incentive payments to executive staff. In the year just finished, the actual payments made were -- represented about 90% of the maximum target. This is in a year when regular dividends and share price essentially were flat. The special dividend came down. This perhaps seems generous. Given that profits and financials have a 60% weighting in the STI determination and the fact that your return on equity was rather less than the 10% target.

Can you demonstrate to the shareholders present today that the STI payments to executive staff were in fact proportionate to shareholder benefits over the year? Thank you.

Ziggy Switkowski: Thank you and thank you for the invitation to try to demonstrate that. Firstly, in terms of shareholder returns, the long term incentive, which measures the performance of the share price and dividends against a peer group and pays out if we are in the top half of -- in terms of performance over a three year period -- is where the alignment with shareholder returns is most intimate.

To that extent, when shareholders benefit in terms of outperformance of share price, so do our shareholders. The short term incentive is largely made up of a balanced scorecard with probably 10 line items, half of which refer to financial results and the other half refer to customer service, customer satisfaction, occupational health and safety, risk culture, employee engagement, et cetera. So to score, which last year, for the CEO was 90%, not against a maximum of 100%. That was the target. The maximum was higher still, at about 150%.

So the -- we didn't get anywhere near what the maximum could have been if there had been outperformance on each of the lines. The one line that held back the final number was that of return on equity, which was reduced because of these extraordinary levels of natural hazards. We believe that the short term incentive, the way it's composed and the history of how it pays out, serves the purpose of reinforcing the right behaviours of executives in terms of focusing on the things that we think are a priority in our business plan, that the long term incentive rewards executives in an appropriate way over a period of time when our share price outperforms our peer group, which in the last three years has been the case quite comfortably.

So it is an issue which we discussed with our investors. You can see from the votes, they have accepted, and in fact endorsed, our approach and framework and in the year ahead, while we always look to improve the framework, we think that we've got the formula about right. The numbers, notwithstanding Mr. Gray's commentary that the absolute level of Rem for our CEO is higher than he would have set it, the absolute numbers for the senior team and other executives when benchmarked against our peer group -- you can think who they might be -- feel about right.

But thank you. Number four. Oh, Mr. Gray. No.

Company Representative: Good afternoon Mr. Chairman. May I introduce Mrs. Cragg.

Carole Cragg: (Shareholder) Hello. I'm Carole Cragg. I heard you mention clawback a couple of times. I'm wondering if anything has been clawed back and who it's been clawed back from, like over what -- how much has been clawed back and for what reason. It's not something I understand.

Ziggy Switkowski: Clawback has become required by regulators and investors to ensure that if subsequent to the payment of a bonus, for example, it is discovered that the financial results, again as an example, were misstated, manipulated, fraudulently achieved. In our company we never expect to have such instances and we continue not to have such instances. But there are rules and the clawback is one of those rules.

Say if a year or two down the line we observe that certain outcomes were rewarded through the mechanism of a bonus and that those outcomes were poorly based, we can go and ask for that money back. That's generally common across the financial services industry these days and it's beginning to roll out over companies in general. As I say, it's a mechanism that theoretically is important. It would be very, very unsettling to find that there would be such a need in a Company with our values. Number 4 again.

Andrew Gray: (Argus Superannuation Fund, Shareholder) I think the previous lady had a good point there. The remuneration report runs to 27 pages, which is not abnormal these days but it defies one of the rules of management that I was first taught, keep it simple. I defy anyone to say that 27 pages to tell you what you're going to hand out to directors and staff is simple. It is not simple.

Now getting back to Mr Patrick Snowball again, if you'd like to have a look at page 31 -- and I think this is a valid point -- there seems to me to be a big discrepancy between the salary for the CEO and the so-called 10 leading executives in the Company. Now if you have a look at those figures on page 31 I think it is.

Ziggy Switkowski: I know them.

Andrew Gray: (Argus Superannuation Fund, Shareholder) The 10 people there don't get within cooee of the Chief Executive's salary. In fact you can multiply them by four, except for one, Mr Nesbitt, so he's obviously doing a better job than the others. But I put it to you that if you're building a company -- and I speak as an ex-insurance company manager, though I've been retired -- I'm now in my 82nd year, I'm going back a bit as to what the practices were then, but I do believe that we should be trying to have a succession plan coming up through the ranks.

When I look at Patrick's salary compared to your next line of executives it doesn't look as if you've got a succession plan that is going to work so that we're going to have someone who comes up through the ranks. I think we only need to look back to the previous CEOs to see that we don't get it right every time. We had one whose background was purely building, Lend Lease and so we used to come along every year and his knowledge of insurance was not a fraction of Patrick's and eventually you had to give him the flick. That cost us millions of dollars to move him on. So thankfully I'm very happy to see Patrick and commend him again on a job well done. I hope he won't think too harshly of my comments about him.

Ziggy Switkowski: Okay, thank you for those comments. I take it, Mr Gray, you're advocating that we double the salaries for the senior executives while holding Patrick constant? [Laughter]

Thank you. They are very constructive comments. On the rem report we are required to address a whole bunch of issues. The rem report this year is shorter, I believe, than it was last year and our polling of the investors that own large amounts of our shares leads us to believe that our rem report is one of the better ones in terms of clarity and brevity, believe it or not. So we will take your encouragement to do better next year.

Another question?

Okay, that appears to address all the questions and comments on the rem report. So you now get to vote. So please tick the box for or against at resolution number 1 on your voting card. As disclosed in the notice of meeting there are voting restrictions applicable to this resolution. Votes cast on this resolution will be excluded by any key management personnel whose rem is detailed in the rem report as well as the closely related parties, unless they hold directed proxies, and as chairman of the meeting I intend to vote all my undirected proxies in favour of this advisory resolution.

Taking into account the direct and proxy votes shown, with votes against 2.44%, it looks pretty certain that this advisory resolution will be passed.

Okay, thank you for that. We move to resolution number 2, which is the next item of business, to approve the grant of performance rights to the value of AUD3 million, under the Suncorp Group Equity Incentive Plan to the incoming Managing Director and Group CEO, Michael Cameron. This grant of performance rights will represent Michael's long-term incentive remuneration for the 2015 year.

As outlined in the notice of meeting the purpose of long term incentive rem is to focus the Group's CEO and senior executives on the Company's long term business strategy, align their interests with your interests as shareholders and to support the creation of long-term shareholder value.

Suncorp delivered a total TSR, total shareholder return of 6.8% for the year ended June 30 2015, that was just above the ASX 50 of 5.5% for the same period. It did reflect a flat performance in terms of a slight decline, 0.8% decline, in the share price more than offset by the dollar and AUD0.08 of total dividends that were paid in the 2014/2015 year. We are a high dividend paying, fully franked deliverer of value to our shareholders.

Now there is no requirement on us to seek shareholder approval in relation to the grant of these performance rights but we've always believed as a Board that it's good practice to come back to shareholders each year and seek your approval in recognition of the importance of your engagement with us, such as we're having at the moment, on key remuneration issues.

Of course, the Board, with Michael Cameron, is -- well, the Board endorses the proposed award but Michael Cameron clearly will abstain from voting.

Again, strong shareholder support has been received for this resolution. It's shown by the direct and proxy voting results which now appear on your screen.

So with that commentary and those numbers again I invite any questions or comments on this resolution.

Company Representative: Mr Chairman, may I reintroduce Mr Sackett.

Ziggy Switkowski: Hi.

Mike Sackett: (Australian Shareholder's Association, Shareholder) Thank you. We do indeed have some comments on this. ASA, as you probably know, contains that long-term incentives are the single most important component of any incentive package. At last year's AGM the ASA rep asked that performance rights payable to the CEO be linked to a performance period of at least four years and relate not only to total shareholder return but also to at least one other company specific measure, such as, for example, earnings per share. The ASA record of that meeting indicates that you undertook that Suncorp would review future performance rights issues and I just want to record disappointment that no progress appears to have been made in that regard. Thank you.

Ziggy Switkowski: Well, thank you for that comment. In fact, following last year's AGM, as we do pretty much every year because this is a continuing topic of interest, we've gone out and -- well, firstly we've had our own debate about the merits of extending the vesting period from three to four years as well as including another metric beyond total shareholder return for the long-term incentive. I know the Shareholders' Association knows this better than most of us.

The practice in the wider listed company community is mixed. In fact where there was a little bit of interest a couple of years ago to extend the vesting period I think now that interest has fallen away and three years is still the most prevalent period over which total shareholder return is measured. I suspect that that still is the right answer but, of course, as we do every year we'll go back and have another look.

In terms of additional metrics -- and here the suggestion is that instead of just having total shareholder return we contemplate having another metric and split the return in half, either the reward in half so that half is roughly -- half is connected to total shareholder return and the other half might be linked to your suggestion, earnings per share, return on equity, return on risk based capital, cash flows -- it could be tied to achievement of specific strategic goals. Again, the practice in the wider market is variable and I would say that it's pretty much split between the use of one metric versus two.

In the case of remuneration -- the remuneration committee's attitude and the Board's attitude has been unless we're convinced that a change is clearly justified we'll stay with the form that we have because all the feedback we get is people -- our investors -- are broadly comfortable with it, until it can be convinced that we should change it. So for the time being it is exactly the way it's been for some years. We'll have another look and we may have this conversation again next year or may not. But again, I appreciate your feedback on that.

Okay. It appears that all the questions and comments on these performance rights have now been addressed, raised et cetera, so would you now please tick the box for or against at resolution 2 on your voting card. As disclosed in the memorandum there are voting exclusions, obviously no vote will be cast by Michael Cameron or any of his associates. As I said, as Chairman of the meeting I intend to vote all undirected proxies in favour of this resolution, taking into account the numbers, of which there is 1.93% votes against the resolution. It's a fair bet to say that this ordinary resolution will be passed when we publish the final outcomes later this evening.

We move now to resolution number 3, which is to seek your approval for the grant of up to 240,000 restricted shares under the Suncorp Group equity Incentive Plan to the incoming Managing Director and Group CEO, Michael Cameron. This grant takes into account all the incentives and bonuses which may have been forfeited

by him as a result of concluding his previous employment and commencing as Group CEO on October 1 2015, next week.

As noted in earlier resolutions there is no requirement of us to seek your approval in relation to the grant of these restricted shares but we continue to believe it is good practice to seek your approval in recognition of the importance of shareholder engagement on these key remuneration issues.

The Board endorses the proposed award. Michael Cameron abstains from voting. Again, we show you the results of the votes to date received by direct and proxy voting results and invite any question or comment about the grant of restricted shares to the incoming Group CEO.

There appears to be no questions or comments on the incoming Group CEOs reflected shares so now is the time to tick the box for or against. There is? I missed somebody. Sorry.

Company Representative: Afternoon Chairman, we have Mr Piljic.

Radovan Piljic: (Shareholder) Hello.

Ziggy Switkowski: Good afternoon.

Radovan Piljic: (Shareholder) I've got -- my opinion about the way the procedure's going on, I don't believe we should actually mention in your commentary that people are overwhelmingly voted in favour of it and also I don't believe we should wait first before you display the percentage of people who voted for it.

Ziggy Switkowski: Thank you for that because it is an issue that has come up in the past. On balance, including I believe with the support of the Shareholders' Association, the advice has been, present the results and then invite questions. So clearly there are different views on this. In presenting the results I don't commentate on whether they're good or bad, except at the end when I make an obvious conclusion.

Radovan Piljic: (Shareholder) Because I feel it may influence people who how they vote. It's like at the union meeting with a show of hands.

Ziggy Switkowski: It's a valid comment, it is a valid comment. But on balance when we talk to people -- and the practice that we're seeing happening at AGMs elsewhere -- is to follow the process that we are following this afternoon.

Radovan Piljic: (Shareholder) Can I ask another question?

Ziggy Switkowski: Certainly.

Radovan Piljic: (Shareholder) This most probably refers more to the remuneration part of it. So what's the intention of the fixed income part of the remuneration? Because it seems to me it's like attendance money and then the short term incentive and long term incentive is actually to get you to perform some work.

Ziggy Switkowski: Well--

Radovan Piljic: (Shareholder) Can I keep going?

Ziggy Switkowski: Certainly.

Radovan Piljic: (Shareholder) Yes. If an employee did that and sat down at one of the branches and that and said and being paid and then said oh give me a bit extra so I can actually do some work. Because that's the way this remuneration system seems to be to me. And the other thing is too, is a lot of you people on different boards and so on and it forms a closed loop where it's self-feeding.

Ziggy Switkowski: Anymore?

Radovan Piljic: (Shareholder) No, that's it.

Ziggy Switkowski: And your comments are very well informed, very constructive and they capture to some extent the nature of the debate that often has happened around executive rem at the most senior levels. Over time, the package, the way in which salaries are composed has evolved into a fairly familiar framework.

There is base pay, there is a reward and an incentive on an annual basis tied to the delivery of specific business outcomes that are captured in the business plan and then there is a longer term incentive tied generally to the performance of share price to ensure a reward is tied as best as possible to the rewards that shareholders have received. And then the aggregate is benchmarked against the pool of candidates that constitutes CEOs, as senior leaders at this level across the country and in some cases globally where we seek a global executive. So that's where we've landed.

Now, periodically and maybe continuously there are questions asked about is the absolute level appropriate? How much of this is a true reward for extraordinary effort versus less so? Do we have the long term incentive properly aligned? And they are all good questions. We as a Company have settled on the structure that we have today.

We believe it's a very conventional structure. We are very careful in the way in which we compare with other companies and in the checks that we do with our advisers and consultants. I acknowledge a very good point that we all end up talking to each other across the larger business community, so we gravitate to similar sort of outcomes. That's certainly a danger in the process.

But at the end of the day, we think we've got it about right and I'm happy to have that conversation with people. I have it all the time with our fund managers and investors and as I say, at the end of the day we look at the votes and mostly our investors support the position that we've reached.

I paused to see if there are any other questions. Please.

Company Representative: Afternoon Chairman. We have Mr. Kendall who is a shareholder.

Ziggy Switkowski: Thank you.

Rodney Kendall: (Shareholder) Thanks Mr. Chairman. Look, I just wanted to add my support to that previous gentleman, because I think I'm one of those people who probably raised the same question at previous AGMs about being shown the votes before the people here have voted. I think that is not a good practice. I've been to other AGMs where that doesn't occur. Yes there are other AGMs where it does occur.

In particular the ones where it doesn't occur is the one where you get issued with an electronic device as you enter and you are then asked to enter your vote and that vote is then added to the proxy votes before they are

shown and you only ever see one final vote come up. Now admittedly I understand that system costs some money to operate so that might be a factor in the Board's consideration.

Look, just sitting there and watching those numbers come up and listening to what you said where I think you said that 55% of all the shares in the Company have been voted and looking at the negative vote that's up there opposing a particular resolution, my guess is that the -- all those resolutions so far have been passed without the people in this room even voting. Just based on the simple mathematics. And off the top of my head that is without a calculator in front of me to work it out completely. So I think I would strongly--

Ziggy Switkowski: I think originally you're probably right.

Rodney Kendall: (Shareholder) --urge the Board to consider allowing the people to have their vote even if it's just marking a piece of paper before that vote is shown on the screen. Thank you.

Ziggy Switkowski: Well -- so thank you for that. Because if the technology is available and convenient, we should look at doing that. And I will go back to the Shareholder's Association and discuss what they view to be best practice in this area. But I very much understand where you're coming from. So thanks.

Okay. So, would you now please vote, tick the box for or against at resolution number three on your voting card. There is the normal voting exclusions. Obviously Michael Cameron won't vote. I intend to vote all my undirected proxies in favour of this resolution and have another look at these numbers.

Just as proposed the earlier comments, we have typically we get 55%, 56% of votes of eligible votes cast and for companies such as ours, a good turnout is about 60%. That would be very good. So in fact these votes are likely to be very representative, given the large numbers involved, of what we would get from engaged shareholders who go to the trouble of voting, including all of you.

Thank you for that. So again, the ordinary resolution on the basis of those numbers look like it will be passed.

We now move to the re-election of directors and election of a director. So with the re-election of directors Doug McTaggart and I stand to be re-elected. And this is -- and in the final item of business will relate to the election of Christine McLoughlin, who was appointed by the Board earlier this year.

Now the first item here concerns my own re-election as a director so I'm going to ask Doug McTaggart who has been appointed by the Board as the Deputy Chairman for the purposes of this resolution to chair this part of the meeting. Doug?

Doug McTaggart: Thank you, Ziggy. I've waited a long time to stand here. Thank you, ladies and gentlemen, and good afternoon.

Ziggy's background and experience is detailed in the explanatory memorandum. Ziggy Switkowski is one of Australia's most experienced and capable directors and business leaders. He was recently awarded an Officer of the Order of Australia for his contribution to business amongst many other areas.

Ziggy joined the Suncorp Board as a director of Suncorp Metway Limited nearly 10 years ago. He became Chairman of our Company in 2011. In addition he is an ex officio member of the remuneration committee, risk committee and audit committee.

During that time the Board has found his commercial experience and insights into a wide range of issues to be very valuable. Moreover Ziggy is an excellent chair of Board meetings ensuring efficient and productive and harmonious outcomes in what are sometimes difficult and contentious issues.

The Board regularly reviews the independence of each non-executive director and undertakes an annual review. This was most recently done in July. The Board considers Ziggy to be independent and recognises that tenure is only one of many factors relevant to assessing independence. The Board also believes he conducts himself with clear independence of judgement.

Accordingly, the Board supports Ziggy's re-election and I would now like to invite Ziggy to speak about his election.

Ziggy Switkowski: Well thank you very much, Doug. I sit here before you seeking reappointment for a further three years and this is the fourth such occasion in which I have sat before an AGM of Suncorp seeking your support, in 2006, 2009, 2012 and now 2015.

Every three year interval contains highlights, dramas and events and in the last three years as we've seen from the earlier narratives we've had extreme weather events, upheavals in the financial markets, changes in Board membership and more recently a CEO succession. Along the way the Company's got stronger, it's stayed relevant with a clear eyed view of the future and of the many forces which might reshape our businesses.

Just to give you my sense of the job of the Chairman which involves composing and leading a capable and collegiate Board, a Board which contributes to the defining of the Company's strategy, that acts as counsellors to the CEO and the senior team, that monitors compliance to social, ethical and regulatory standards, where the Chair along with the CEO helps to be the public face of an organisation and which collectively looks after the interests, your interests as shareholders and of other stakeholders.

Now we have the arrival of a new CEO. These functions still remain relevant and they're important even if personalities and working patterns inevitably change. If I have your support, if I get re-elected I will work diligently with my Board colleagues and management to serve your interests as shareholders and mine as well, I'm a shareholder too, and to then continue to manage the process of Board renewal and succession to best lead this Company through the exciting times ahead. Thank you.

Doug McTaggart: Thank you, Ziggy. Details of direct votes and proxies lodged in relation to this resolution will be shown on the screen. Would anyone with a question or comment about Ziggy's re-election please move to one of the microphones?

Company Representative: Deputy Chairman, may I re-introduce Mr Sackett?

Doug McTaggart: Mr Sackett.

Mike Sackett: (Australian Shareholder's Association, Shareholder) Thank you, Mr Chairman. The longstanding members of the Board will have heard ASA make this comment before and while we're very appreciative of the work you've done for Suncorp over the past years we are concerned about your other responsibilities and what appears to be a dauntingly high workload. Just to repeat for new shareholders in this

room, you chair the massive task of National Broadband Network, you're a non-executive director of Tabcorp and Oil Search and you are Chancellor of RMIT.

It's just simply, again for the benefit of new shareholders in this room, what can the Board say to reassure us that this is not an overly heavy workload that will not be to the ultimate benefit of Suncorp?

Thank you.

Doug McTaggart: Thank you for your question, Mr Sackett. Can I speak on behalf of the Board? As you correctly point out, Ziggy is currently chair of NBNC Co, a director of Tabcorp and Oil Search and Chancellor of RMIT.

Ziggy feels that this workload is manageable. From the Board's perspective we all see and know just how hard Ziggy works and just how much he enjoys it. My observation is that at all the Board meetings, Risk Committee meetings, audit committee meetings, remuneration committee meetings and on rating committee meetings that Suncorp has held through the year, the Chairman Ziggy Switkowski has been at every one of them.

The Board regularly as I noted earlier on, reviews its performance and in particular the performance of the Chairman and I can say that the Board is well satisfied that Ziggy manages his workload exceptionally well.

A question from microphone four.

Company Representative: Good afternoon, Mr McTaggart. May I reintroduce Ms Cragg?

Carole Cragg: (Shareholder) Carole Cragg. I'd just like to see written down somewhere and it's in relation to what was just said, a list for each director of all the other boards they serve on, a list of how many hours they spend and the hourly rate that we pay please.

Doug McTaggart: Well that's certainly something we'll take into consideration. The annual report does articulate the other responsibilities of directors in some detail. It doesn't go to the extent of addressing hours worked or remuneration paid. That is something we can certainly discuss.

Are there any other questions in relation to this motion?

As that appears to address all questions and comments I now ask you to please tick the box for or against at resolution 4A on your voting cards. As Chairman of the meeting for this resolution I intend to vote all undirected proxies in favour of this resolution.

Taking into account the direct and proxy votes shown on the screen it appears that this ordinary resolution will be passed. Congratulations, Ziggy. I now reluctantly vacate the role.

Ziggy Switkowski: Thank you, Doug, and thank you all for your presumed support of this resolution.

The next two items of business deal with the re-election of Dr McTaggart and Christine McLoughlin. I might catch up to where I have to be.

Let's talk about Doug McTaggart. Doug's background and experience is detailed in the explanatory memorandum. Dr McTaggart has been a director of the Company since April 2012. He is Chairman of the audit committee and brings to the Board a deep understanding of Queensland's I would say national, well

some would even say global if not cosmic environment and certainly of Australian and international investments markets. As you know, he is a Queenslander.

The Board supports Dr McTaggart's re-election and before asking for comments and your vote I invite Doug to address this audience. Doug?

Doug McTaggart: Thank you, Ziggy.

My last three and a half years on the Suncorp Board have been challenging, exciting and rewarding in terms of both personally but in terms of what the Board and management have been able to achieve on behalf of you, the shareholders. The organisation has moved from strength to strength and as Patrick Snowball elegantly exits he leaves the Company in a much stronger position and on the threshold of exciting new opportunities.

The next three years with Michael Cameron at the helm look to be equally challenging, exciting and rewarding. With your support I look forward to again being an active participant on this Board.

Thank you very much.

Ziggy Switkowski: Thank you very much, Doug. Here's an opportunity to ask questions or make comments before I ask you for your vote. There are the proxy and direct voting results.

Obviously a hometown crowd.

Can I now ask you to tick the box for or against at resolution 4B on your voting card. As Chairman of the meeting I intend to vote all the undirected proxies in favour of this resolution.

Taking into account the direct and proxy votes shown on the screen it appears that this ordinary resolution will be passed. Congratulations, Doug.

The next and final item of this meeting is for the election of Christine McLoughlin. Christine's background and experience is detailed in the explanatory memorandum. She was appointed by the Board in February of this year and brings a wealth of management and boardroom expertise across areas of strategy, risk, human resources and communications in the financial services industry and others.

Christine is a member of the risk committee and a member of the remuneration committee and again before asking for your vote or your opinions I should say the Board supports Christine's election and I'd like to invite Christine to address the AGM. Christine?

Christine McLoughlin: Thank you, Ziggy, and good afternoon shareholders and guests.

Like you I'm also a shareholder and like most of you also a customer of Suncorp or one of the Suncorp brands. I'm delighted to be standing for election to the Suncorp Board today and I welcome the opportunity to represent you, our shareholders.

I've worked both in the executive and non-executive capacity for over 30 years now both in Australia and overseas and I have experience in sectors spanning financial services including insurance; in fact I'm passionate about insurance, mining and resources, telecommunications, health and education. I believe this experience puts me in good stead to serve you on the Suncorp Board.

My other current directorships include Spark Infrastructure Group, NIB Health Insurance and Whitehaven Coal. I'm also the non-executive director of a national charity, the Smith Family, which works in supporting the education for disadvantaged children. I previously served as the Chairman of the Australian Payments Council and a director of Westpac's insurance businesses.

That coupled with the breadth of my current portfolio puts me in a position to stay well abreast of what is happening in a rapidly changing commercial world.

I'm familiar with the opportunities and issues facing the financial services and insurance industry and I'm delighted to have the opportunity to work with this very capable executive team and this very well credentialed Board. If you support me today in my election I would look forward to serving you for the years ahead.

Thank you.

Ziggy Switkowski: Thank you very much, Christine. The details of the votes and proxies are now shown on the screen and I now open the matter up for any questions or comments.

There appear to be none so could you now please vote, tick the box for or against at resolution 4C on your voting card. As the Chairman of the meeting I will vote all undirected proxies in favour of this resolution.

Taking into account the numbers that are in front of you it's likely that this ordinary resolution will be passed. Congratulations, Christine.

Right, we're just about there. All the resolutions have now been discussed. The poll will remain open for another few minutes, 10 minutes or so to enable you to complete your voting card and then place these cards in the ballot boxes as you exit the room. If you need any help just let us know. Once the share registry has counted the votes the results of the poll will be advised to the Australian Securities Exchange later today.

That concludes the business of the meeting. I declare the meeting closed. I thank you all for your attendance, for your courteous attention, for your very, very good questions and for your support and invite you all to join the directors and the senior leadership team for afternoon tea.

Thank you very much