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# Explanatory Memorandum

20th Annual General Meeting,  
28 October 2008



**This Explanatory Memorandum accompanies the Notice of Meeting for the Suncorp-Metway Ltd 20th Annual General Meeting to be held on Tuesday, 28 October 2008.**

Information relevant to the business to be considered at the Annual General Meeting is provided in this Explanatory Memorandum and shareholders should read this document in full.

## Agenda Item 1.

### Receive and consider financial reports

This item provides shareholders with an opportunity to ask questions concerning the Company's financial statements and reports for the year ended 30 June 2008 and the Company's performance generally. The auditor will be present to answer questions from shareholders relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit. The auditor will also respond to any written questions submitted to the Company no later than five business days prior to the meeting.

## Agenda Item 2.

### Adoption of the Remuneration Report

The Company's Remuneration Report, as contained in the 2008 Suncorp Annual Report, has been submitted to shareholders for consideration and adoption. Following consideration of the Remuneration Report, shareholders will be given a reasonable opportunity to ask questions about, or make comments on, the Remuneration Report. Shareholders who elected not to receive a copy of the Annual Report can view that report on the Suncorp website: ([www.suncorp.com.au](http://www.suncorp.com.au)) or a copy can be posted to shareholders free of charge by contacting the Share Registry, Link Market Services on 1300 882 012.

The Remuneration Report provides information on the following issues:

- The policies adopted by the board for determining the nature and amount of remuneration of directors, secretaries and senior managers
- The relationship between the remuneration policies and the Company's performance

- The performance conditions that apply to the different components of the remuneration structure, why those performance conditions were chosen and how performance is measured against them
- The basis of comparison used for assessing the Company's performance relative to other companies, and
- Remuneration details for directors and senior executives.

The Board believes the Company's remuneration policies and structures as outlined in the Remuneration Report, are appropriate relative to the size of the Company, its business objectives and current and emerging market practices.

Shareholders should note that the vote will be advisory only and does not bind the directors or the Company.

## Agenda Item 3.

### Re-election of Directors

In accordance with clause 14(3) of the Company's constitution, Mr W J Bartlett, Mr C Skilton and Dr Z E Switkowski will retire at the Annual General Meeting and, being eligible, offer themselves for re-election.

Details of the directors are on page two.

## Board recommendation

The Board, having conducted a review of the performance of each of the directors offering themselves for re-election, recommends that shareholders vote in favour of the re-election of all retiring directors.



**Dr Switkowski** was appointed a director of the Company in September 2005 and is Chairman of the Remuneration Committee and a member of the Risk Committee.

He has extensive commercial and public company experience having held a number of senior executive and director appointments with large national and international companies including Kodak (Australasia) Pty Ltd and Optus Communications Ltd. He was also Chief Executive Officer and Managing Director of Telstra Corporation Limited, one of Australia's largest listed companies, from March 1999 to June 2005.

Dr Switkowski is Chairman of the Australian Nuclear Science and Technology Organisation and a director of TABCORP Holdings Limited, Healthscope Limited and Opera Australia.

Dr Switkowski holds a Bachelor of Science (Hons) degree and a Doctorate in Philosophy, is 60 years of age and resides in Victoria.



**Mr Bartlett** has been a director of the Company since 1 July 2003 and is Chairman of the Audit Committee.

He is a Fellow of the Institute of Chartered Accountants with over 35 years' experience in accounting and was a partner of Ernst & Young in Australia for 23 years, retiring on 30 June 2003. Mr Bartlett also has extensive experience in the actuarial, insurance and financial services sectors through membership of many industry and regulatory advisory bodies including the Life Insurance Actuarial Standards Board 1994–2007. In December 2004, he was appointed as consultant to the Financial Reporting Council.

Mr Bartlett is a director of Reinsurance Group of America Inc; RGA Reinsurance Company of Australia Limited, GWA International Limited and Abacus Property Group.

Mr Bartlett is 59 years of age and resides in New South Wales.



**Mr Skilton** is the Chief Financial Officer for the Suncorp Group, a role he has held since June 2001 and was appointed a director of the Company on 13 November 2002.

He is a member of the Institute of Chartered Accountants (England and Wales) and has over 20 years experience in various senior roles in the finance sector, including executive positions with Westpac Banking Corporation and as Managing Director and Chief Executive Officer of AIDC Ltd.

Mr Skilton holds a Bachelor of Science degree, majoring in Economics and Accounting, is 54 years of age and resides in Queensland.

#### Agenda Item 4.

##### Adoption of new constitution

The Company's constitution has not been substantially amended since its adoption in 1999.

Therefore, a review of the constitution was undertaken by the Board with a view to updating its language, removing outdated provisions and amending it to reflect current law and company practice. As a result of that review, it is recommended that a new constitution be adopted rather than amend the existing constitution.

A copy of the Company's existing constitution and the proposed constitution are available on the Company's website at: [www.suncorp.com.au](http://www.suncorp.com.au) or copies can be obtained from the Company's Share Registrar, Link Market Services, on **1300 882 012**.

A copy of the proposed constitution will also be available at the Annual General Meeting.

The principal changes to the existing constitution are summarised below:

##### Metropolitan Permanent Building Society Trust

The Company's existing constitution contains provisions relating to the Metropolitan Permanent Building Society Trust (Trust) and the 'non-participating shares' formerly held for the benefit of the Trust. The Trust has now been terminated and the 'non-participating shares' have converted to ordinary shares in the Company.

The provisions of the existing constitution which relate to the Trust and its shares have either automatically ceased to apply or no longer have any operation as a result of the termination of the Trust. Therefore those provisions do not appear in the proposed constitution.

##### Non-marketable parcels of shares

Under the existing constitution, the Company does not have any authority to deal with non-marketable parcels of shares, being holdings of shares with a market value of less than \$500 (Non-Marketable Parcels).

Due to the high administrative cost to the Company of maintaining a large number of small holdings, it is recommended that the proposed constitution include provisions that allow the Company to deal with Non-Marketable Parcels in accordance with the requirements of the Australian Securities Exchange (ASX) Listing Rules.

Rule 16 of the proposed constitution provides for the Company to sell Non-Marketable Parcels and provides that:

- the procedure may only be used once in any 12 month period
- the Company must notify each holder of a Non-Marketable Parcel that it intends to use the procedure
- each holder must have six weeks in which to advise the Company that the holder wishes to retain the shares, in which case they will not be sold
- the power to sell lapses following the announcement of a takeover but may be started again after the close of the offers under the takeover
- the Company or the purchaser must pay the costs of the sale, and
- the proceeds of the sale will not be sent until the Company has received any certificate relating to the securities (or is satisfied that the certificate has been lost or destroyed).

##### Direct voting

Rule 20 of the proposed constitution permits the Company, in the future, to provide shareholders with a facility to vote directly on resolutions to be considered at a general meeting, by sending their votes to the Company prior to the meeting. This means shareholders' votes can still be counted even when they cannot attend the meeting personally and do not appoint a proxy. Shareholders will continue to be entitled to appoint proxies, even if the Company decides to introduce direct voting at future meetings.

The rule allows the directors to adopt rules and procedures to facilitate direct voting in the future.

##### Election and removal of directors

It is proposed to require nominations for the election of any new director to be provided to the Company at least 45 business days before a meeting at which directors may be elected (30 business days if the meeting is requisitioned by shareholders). The current provision requires all nominations to be provided at least 30 business days before the meeting. The additional time will allow the Company adequate time to finalise notices of meetings after the deadline for nominations has elapsed and is permitted by the ASX Listing Rules.

Consistent with Australian Prudential Regulation Authority requirements, it is proposed that the office of a director will become vacant if the director is disqualified from acting as a director under the *Banking Act 1959 (Cth)* (proposed rule 24.6(d)). The rule also provides that a director's office is vacated if he is disqualified from acting as a director under any other relevant legislation.

##### Indemnity provisions

The constitution currently requires the Company to indemnify its directors and officers against liabilities incurred in properly carrying out their duties. It is proposed to expand the clause to require the Company to indemnify directors and officers of subsidiary companies and to permit the Company to provide directors' and officers' insurance for its directors and officers.

The amendments reflect the Company's current practice in indemnifying and insuring its directors and officers.

##### Conduct of general meetings

The new constitution contains additional powers to enable the chairman of a general meeting to ensure that the meeting is conducted in an orderly manner. The powers enable the chairman to:

- allow further time to obtain a quorum in general meetings (i.e. if a quorum has not been obtained in the 30 minutes allocated)

- postpone or cancel a meeting if it appears that there is insufficient space for the members to attend or if the business of the meeting is unlikely to be capable of being carried on in an orderly and proper manner (including because of the behaviour of a person present)
- take any action necessary to enable the meeting to be carried out in an orderly and proper manner, and to ensure the safety of all those persons present at the meeting
- refuse entry to, or require a person to leave, the meeting in certain circumstances, and
- conduct the meeting and determine the procedures to be adopted and the application of those procedures.

##### General

The proposed constitution reflects changes in terminology which have occurred since the constitution was last reviewed. For example, references to the SCH Business Rules have been replaced with references to the ASTC Settlement Rules. Rule 36.13 of the proposed constitution permits the Company to establish dividend reinvestment plans, bonus share plans and employee incentive plans. The Company currently has a dividend reinvestment plan and various employee share plans.

##### Board recommendation

The Board considers that the new constitution is appropriate and in the interests of shareholders. Accordingly, the Board recommends that shareholders vote in favour of item 4.

# Addendum to the Explanatory Memorandum

## Agenda item 5

Listing Rule 7.1 imposes a limit on the number of equity securities (eg ordinary shares, convertible preference shares or options to subscribe for shares) which a company can issue without shareholder approval. In general terms, the limit is that a company may not, without shareholder approval, issue, in any 12 month period, equity securities which are more than 15% of:

- the number of fully paid ordinary shares on issue 12 months before the issue; plus
- the number of fully paid ordinary shares issued in that 12 month period under an exception contained in Listing Rule 7.2 or with shareholder approval.

Listing Rule 7.4 states that an issue by a company of equity securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 when made and the company's members subsequently approve it.

Under item 5, the Company is seeking approval under Listing Rule 7.4 for the each of the following share issues in the past 12 months:

(a) 15,924,605 Shares on 10 April 2008.

These Shares were issued at \$12.88 each to UBS Nominees Pty Ltd pursuant to an Underwriting Agreement dated 28 February 2008 between the Company and UBS AG, Australia Branch (**UBS**) under which UBS agreed to underwrite participation in the Company's dividend reinvestment plan (**DRP**) to the level of 65% in respect of the 2008 interim dividend.

(b) 7,350,000 CPS on 12 June 2008.

These CPS were issued at \$100 each under the prospectus for the issue of the CPS dated 14 May 2008 as supplemented by the supplementary prospectus dated 4 June 2008 (**CPS Prospectus**). The terms and conditions of the CPS are set out in the CPS Prospectus, a copy of which is available on the Company's website at [www.suncorp.com](http://www.suncorp.com) or from the Company's Share Registrar, Link Market Services, on 1300 882 012.

The CPS were allotted to persons who applied for CPS under the CPS Prospectus.

For the purposes of applying Listing Rule 7.1, these CPS are treated as equivalent to the issue of 50,197,718 Shares (which assumes conversion at a VWAP (as defined in the CPS Prospectus) of \$14.79).

(c) 13,539,048 Shares on 25 September 2008.

These Shares were issued at approximately \$9.55 each to UBS Nominees Pty Ltd pursuant to an Underwriting Agreement dated 26 August 2008 between the Company and UBS (as amended on 19 September 2008) under which UBS agreed to underwrite participation in the DRP.

(d) 23,117,956 Shares on 25 September 2008.

These Shares were issued at \$8.35 each to existing institutional and other major shareholders.

The proceeds of the CPS and the Shares are being used to repay existing debt, finance new loans and for general corporate purposes.

All of the Shares referred to in paragraphs (a), (c) and (d) were fully paid ordinary shares ranking equally in all respects with the other Shares on issue.

The Company was not required to obtain shareholder approval under the Listing Rules (or otherwise) for the issue of these Shares and CPS. However, if the Company does not subsequently obtain shareholder approval of these issues under Listing Rule 7.4, the number of additional equity securities the Company can issue in the 12 month period without shareholder approval will be reduced significantly below 15%. This would restrict the Company's ability to raise additional capital by issuing equity securities during that period.

The Board believes that the approval of the issue of these Shares and CPS is beneficial for the Company as it allows it to retain the flexibility to issue the maximum number of equity securities permitted under Listing Rule 7.1 without further shareholder approval if and when the need or opportunity arises. The Board recommends that shareholders vote in favour of each resolution proposed in item 5.

### Voting exclusion statement

The Company will disregard any votes cast on items 5(a), (b), (c) or (d) by any person who participated in the issue dealt with by the relevant resolution and any of their associates, unless it is cast:

- by a person as proxy for a person who is entitled to vote (in accordance with the directions on the proxy form); or
- by the person chairing the meeting as proxy for a person who is entitled to vote (in accordance with a direction on the proxy form to vote as the proxy decides).