

Annual Remuneration Disclosure as at 30 June 2015

Basis of preparation

The Remuneration Disclosure has been prepared in accordance with the Australian Prudential Regulation Authority (APRA) Prudential Standard (APS) 330: Public Disclosure, effective as at 30 June 2015.

Remuneration Disclosure overview

This Remuneration Disclosure has been endorsed by the Remuneration Committee and approved by the Board.

The disclosure is structured as follows:

- Section 1: Explains Suncorp Group Limited (the Group)'s Remuneration Policy and remuneration practices and outlines the linkages between remuneration and strategic objectives, both financial and non-financial. References are made to the Group's remuneration framework and governance as these define the remuneration arrangements for all employees within Suncorp Bank; and
- Section 2: Details the aggregated remuneration data for Senior Managers and Material Risk Taker (MRT) roles of Suncorp Bank during the financial year ended 30 June 2015 (FY15).

The table below identifies the definitions considered for the purpose of the Remuneration Disclosure requirements under APS 330.

Reference	Detail	Number of Individuals 2015 ¹
Remuneration Disclosure completed on a Level 2 basis	Suncorp Bank is a Business Unit of the Group and represented by Suncorp Metway Limited (SML) and its subsidiaries. SML is an authorised deposit-taking institution and a wholly owned subsidiary of the Group. Therefore this Remuneration Disclosure is completed on a Level 2 ² basis.	N/A
Senior Managers	As Suncorp Bank is represented by SML and its subsidiaries, the Key Management Personnel roles (excluding the Non-Executive Directors) for the Group are considered as the Senior Managers for the purpose of this aggregated Remuneration Disclosure. Key Management Personnel roles are Responsible Persons within the Group's Fit and Proper Policy.	13 individuals (12 roles)
Material Risk-Taker (MRT) roles for Suncorp Bank	On 28 June 2012 the Board approved the Group's definition of 'Material Risk-Taker' to align with the Responsible Persons' definition within the Group's Fit and Proper Policy as it applies to Australia. The Group's definition of Responsible Person as per the Policy is broad and includes managers who make, or participate in making, decisions that affect the whole, or a substantial part, of the business of the APRA Regulated Entity. For the purpose of this report, Executive General Managers and other specified senior roles within Suncorp Bank are identified as MRT roles.	15 individuals (11 roles)
All employees	Section 1 details the qualitative disclosure covering all employees of Suncorp Bank.	N/A

¹ The number of individuals is based on headcount. Where the individual held the disclosed role for a portion of the financial year their remuneration is pro-rated to reflect this in Section 2 of this report.

² Under Application Paragraph 3, 'where a locally incorporated ADI is a subsidiary of an authorised non-operating holding company (authorised NOHC), the authorised NOHC must ensure that the requirements under this Prudential Standard are met on a Level 2 basis' (APS 330, August 2015).

Section 1

i. Remuneration governance framework

The Remuneration Committee (Committee) leads remuneration matters at Suncorp. The Committee operates under its own Charter and reports to the Board. The Committee consists of independent Non-Executive Directors, and membership as at 30 June 2015 is as follows:

- Mr William Bartlett (Chairman)
- Mr Ewoud Kulk
- Ms Christine McLoughlin
- Dr Zygmunt Switkowski AO (Ex Officio Member)

The Committee met five times during FY15 and fully discharged its responsibilities in accordance with its Charter. The Remuneration Committee's Charter, which the Board reviews annually for appropriateness, was confirmed in June 2015. This Charter is available on the Company's website at suncorpgroup.com.au.

The Committee fees for FY15 for the Committee chair was \$40,000 and for Committee members were \$20,000.

The Group's remuneration governance framework meets the standards expected by the ASX Corporate Governance Council and a summary is set out below.



PwC were engaged as the external advisors to the Remuneration Committee until November 2014.

ii. Group Remuneration Policy and framework

The Group Remuneration Policy covers all directors and employees of the Group including Suncorp Bank and provides within the context of the Group's long-term financial soundness and risk management framework the:

- Reward objectives and principles underpinning remuneration; and
- Framework for the governance, structure and operation of remuneration within the Group.

The Group Remuneration Policy was last endorsed by the Committee and approved by the Board in November 2014. The scope of the policy was expanded to apply to non-APRA regulated entities owned wholly or partially by the Group in compliance with Combined Prudential Standard (CPS) 510.

The reward framework for all employees at Suncorp Bank is comprised of a mix of fixed and at-risk remuneration.

Fixed remuneration

Fixed remuneration is comprised of base salary, salary sacrificed benefits, and other benefits plus superannuation.³ Fixed remuneration is aligned to market and is determined based on a range of considerations including role size and complexity along with the individual's performance, skills and experience.

At-risk remuneration

At-risk components of remuneration must satisfy performance and risk-related requirements. They are explicitly linked to the short-term and long-term performance of the Group and moderated by prudent risk management. These components are subject to clawback in part or whole (See section iii).

The target remuneration mix for each role is determined by a number of factors including accountability of the role, level of influence over business unit or group results and relevant market practice. Actual remuneration mix is determined on individual, business unit and group performance.

Short-term incentives (STI)

Eligible employees participate in one of two types of STI:

- The Corporate Incentive Plan: As the Group's primary STI plan, it is designed to appropriately reward high performance and to encourage behaviour that supports the long-term financial soundness of the Group.
- Non-Corporate Incentive Plans: Non-Corporate Incentive Plans are developed under exceptional circumstances where market reward practices necessitates a business specific incentive plan. The plans must adhere to the Group Remuneration Policy and standards and are reviewed annually to ensure compliance with the policy and with any regulatory changes.

For all employees that participate in the Group's Corporate and Non-Corporate Incentive Plans, based on level and the amount of incentive received, a portion of the incentive is deferred for a period of two years. A two year deferral period is considered appropriate to identify, if any, instances of significant adverse outcomes have occurred (refer to section iii).

³ Superannuation is paid at a rate of 9.5% of base remuneration or the maximum contribution base, whichever is the lesser.

Long-term Incentives (LTI)

Eligible participants participate in one of two types of LTI plans:

- Senior Managers and Executive General Managers are eligible to receive performance rights granted under the Group's Equity Incentive Plan (EIP), these are subject to a market-based performance hurdle being met and potential clawback.
- Select MRT roles are eligible to receive restricted shares granted under the Restricted Share Plan (RSP), consistent with comparable roles across the Group. The shares will vest subject to a time based hurdle being met and potential clawback.

The reward strategy, derived from linking the reward philosophy with business strategy and risk tolerance, is that the principles that determine remuneration are focused on driving the performance and behaviours consistent with achieving this objective. The table below demonstrates the link between the reward principles and the reward framework:



Performance Assessment

The Balanced Scorecard is adopted to assess performance for all employees of the Group and is one of several initiatives in place to promote a culture of prudent risk-taking in accordance with Group policies and values. To embed a culture of prudent risk-taking, risk based performance measures at all organisational levels are integrated with the Group's risk management framework.

The various performance measures for all employees of the Group are broadly categorised as:

- Profit and financial
- Risk
- People
- Customer
- Other measures – which includes individual measures

Both the Corporate Incentive Plan and Non-Corporate Incentive Plans measure performance against a scorecard of financial and non-financial performance objectives.

Performance outcomes are measured based on a challenging and robust assessment of achievement relative to pre-determined targets. For Suncorp Bank, performance against goals is the basis to calculate incentive payments. Governance protocols include:

- Goals are reviewed at least annually to ensure that they are aligned with the Suncorp Bank strategy;
- Funding for the plans is assessed against the achievement of strategic business objectives of the business to ensure it delivers the long-term strategy; and
- Deferral mechanisms are used in accordance with APRA Guidelines and Associated Standards and Group policies.

iii. Remuneration aligns with risk management

A rigorous approach to effective risk management is embedded throughout the Group.

The Enterprise Risk Management Framework (ERMF) lays the foundation for all risk management processes across the Group. The Board sets the Risk Appetite for the Group, and has ultimate responsibility for the effectiveness of the Group's risk management practices.

To ensure the integration of effective risk management across the organisation the Group's risk management practices are governed by a framework incorporating Suncorp Group policies (including the Remuneration Policy). The Chairman of the Remuneration Committee is a member of the Audit and Risk Committees and similarly the Chairman of the Risk Committee is a member of the Remuneration Committee.

The Group's shared values and leader profiles make it clear to all employees the importance of embedding risk into decision-making processes, and risk management into the Group's operations. Business unit leaders develop their business strategy and risk tolerance with an understanding of the Group's Risk Appetite and also what is happening in the market in which the Group operates. Financial returns delivered to the Group are commensurate with the risks the Group is willing to take in pursuit of the achievement of business objectives. Additionally, risk is embedded in the way performance is measured for all employees across the Group.

In determining 'at-risk' remuneration, the Board ensures risk management is considered through:

- a separately weighted risk measure in the Group scorecard where the performance of the Group, business unit and individuals are assessed by the Risk Committee and measured with reference to how risk is managed;
- individual adherence to risk management policies is assessed to ensure all executives and employees adhere to the ERMF, demonstrating performance that is aligned to expected ethical standards;

- an assessment based on behavioural and cultural measures, which considers compliance with the Group Risk Appetite Statement. This is a significant consideration of overall performance to deliver an organisation-wide focus on prudent management of the risks the Group faces;
- the application of Remuneration Committee discretion to consider additional factors in the determination of performance outcomes.

In determining performance and remuneration outcomes, the Remuneration Committee considers all factors to demonstrate alignment with the Group's Risk Appetite and adherence to effective risk management practices to ensure the long-term financial soundness of outcomes is determined, before the Board makes its final determination of the overall STI pool.

The table below provides the key risks and the measures for Suncorp Bank which are updated periodically to ensure that they comply with the legislative standards (note: these risks have not changed over the past year):

Key Risks	Key measures	Review of the measures
Financial risks (credit risk, market risk, liquidity risks)	Metrics embedded within Scorecard KPI's include compliance with Board delegated trigger limits for key credit, liquidity and market risk limits	<ul style="list-style-type: none"> • Compliance with credit. Liquidity and market risk limits are monitored continuously
Operational risks	<p>A number of measures are used to evaluate Operational risk including:</p> <ul style="list-style-type: none"> • Data Quality Metrics across customer and operational systems • Manager Risk Assessment Ratings and Incident Reporting • Internal and External Audit Findings 	<ul style="list-style-type: none"> • Data Quality Monitoring performed monthly, quarterly and annually • Data Governance and remediation embedded within process control • Manager Risk Assessment Ratings performance is assessed Monthly and Quarterly • Internal and External Audits are performed in accordance with the Annual Audit Program
Compliance risks	<ul style="list-style-type: none"> • Internal and External Audit Findings • Branch Inspection Rating • Scorecard KPI incorporation of acceptable behaviours • Completion of Annual Mandatory Compliance Training Program 	<ul style="list-style-type: none"> • Compliance measures are reviewed on a quarterly and half yearly cycle

Deferral and clawback

Deferred amounts under the Suncorp Corporate Incentive Plan and Non-Corporate Incentive Plans and unvested LTI (from the October 2010 LTI Grant onwards) are subject to potential clawback based on the Board's judgment, as summarised below:

PURPOSE	Clawback enables the Board to adjust performance based remuneration (including deferred STI and unvested LTI) downwards (including to zero) to protect the Group's financial soundness and ability to respond to unforeseen significant issues.
CRITERIA	The following criteria are considered when determining if clawback should be applied during the deferral period. Clawback will be applied if prior to the date of payment, it is

	<p>determined that:</p> <ul style="list-style-type: none"> • there was, during the performance year in respect of which the incentive was awarded, a failure to comply with Suncorp's risk management policies and practices; • the employee was aware of the above mentioned failure, or should reasonably have been aware of that failure, when the incentive was awarded; and • the matters referred to above, if known at the time, would have resulted in materially different assumptions being applied when determining the incentive to be awarded to the employee.
APPROVAL PROCESS	<p>The Group Chief Risk Officer (Group CRO) and Group Chief Financial Officer (Group CFO) produce a report on relevant matters to be considered for clawback and release of deferred incentives and unvested LTI awards for Senior Managers and the Group CEO. The Chairmen of the Remuneration, Risk and Audit Committees verify the report and confirm that all relevant matters have been considered. Based on this report:</p> <ul style="list-style-type: none"> • the Group CEO makes a recommendation to the Board via the Remuneration Committee, for approval of the release (and/or clawback where appropriate) of deferred incentives and unvested LTI awards for the Senior Managers; and • the Chairmen of the Remuneration, Risk and Audit Committees make a recommendation to the Board, for approval of the release (and/or clawback where appropriate) of deferred incentives and unvested LTI awards for the Group CEO.

The amount deferred vary by level – the more senior the role, the larger the proportion deferred given the greater amount of influence had by senior roles to influence the long-term future of the Group. The deferral arrangements by levels are summarised as follows:

Level	STI Deferral Proportion
Group CEO	<ul style="list-style-type: none"> • 50% of the STI award for the Group CEO is deferred into cash
Senior Managers	<ul style="list-style-type: none"> • 35% of the STI award for Senior Managers is deferred into cash
Executive General Managers	<ul style="list-style-type: none"> • 30% of the STI award for Executive General Managers are deferred into cash
All other employees	<ul style="list-style-type: none"> • The deferral threshold is the lower of 30% of fixed salary or \$100,000 in STI award, of which 40% will be deferred in cash (with a minimum deferral amount of \$10,000 before deferral triggered)

Risk and financial control personnel

Separate performance and remuneration review processes govern remuneration decisions concerning employees working in the areas of risk and financial control.

In these roles, performance measures are set and assessed by functional leaders, independent of their business area, with oversight from the Group CRO or Group CFO as appropriate.

In addition, employees working in risk roles across the Group typically have a comparatively higher percentage of risk-based measures in their scorecard.

Material Risk-Taker roles

The Board approved definition of MRT roles aligns with the 'responsible persons' definition in the Fit and Proper Policy, as it applies to Australia.

All new appointments for these roles, and changes to remuneration arrangements requires approval by the Board. Within pre-defined parameters, delegated authority has been granted by the Board to the Group CEO to approve appointments or changes to remuneration and terms of employment.

The Board has final oversight and reviews the remuneration arrangements of all MRT roles on an annual basis.

For the purpose of this report, the Executive General Managers and other specified senior roles within Suncorp Bank are identified as MRT roles.

Section 2: Quantitative disclosure requirements

The table below contains aggregated remuneration details for Senior Managers⁶ and MRT as calculated in accordance with Australian Accounting Standards, as required under paragraph (j) of Table 21:

\$000	FY15				FY14			
	Senior Managers		Material Risk-Takers		Senior Managers		Material Risk-Takers	
	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred	Unrestricted	Deferred
Fixed remuneration								
Cash-based ¹	10,574	-	3,992	-	10,383	-	3,731	-
Other ²	773	-	58	-	244	-	110	-
Variable remuneration³								
Cash-based ⁴	7,140	4,873	1,158	446	7,569	5,182	1,260	563
Share linked instruments ⁵	-	5,628	-	336	-	4,719	-	378

1. Represents actual fixed remuneration received, including salary sacrificed benefits and employer superannuation.
2. Represents non-monetary benefits including airfares and insurances paid on behalf of the employee and the net annual leave and long service leave accrual for the financial year.
3. Equity-settled performance rights issued as LTI are expensed to the profit or loss based on their fair value at grant date over the financial year from grant date to vesting date. The fair value is assessed using a Monte-Carlo model and reflects the fact that an individual's entitlement to the shares is dependent on relative TSR performance. The values realised in subsequent years may differ to the accounting expense reported, depending on the extent to which the performance hurdles are met.
4. Cash incentives earned during the financial year. The deferred cash portion awarded includes interest accrued on prior year deferred STI's and is subject to potential clawback during the deferral period.
5. Refer to the Suncorp Group Limited Annual Report for the financial year ended 30 June 2015 and 30 June 2014 for details regarding employee share plans and associated remuneration strategies to drive long-term strategic behavior.
6. To be consistent with other disclosures, KMPs for SGL (excluding non-executive directors) are considered as Senior Managers for the purpose of APS Remuneration Disclosure requirements.

Thirteen Senior Managers and 15 MRT received a variable remuneration award during the FY15, in FY14 14 Senior Managers and 16 MRT received a variable remuneration award. No guaranteed bonus or sign-on awards were made to the disclosed individuals during FY15. The table below summarises the the termination payments made/granted to Senior Managers and MRT in FY15 and FY14.

	FY15				FY14			
	Senior Managers		Material Risk-Takers		Senior Managers		Material Risk-Takers	
	No. of individuals	Total Amount \$000	No. of individuals	Total Amount \$000	No. of individuals	Total Amount \$000	No. of individuals	Total Amount \$000
Termination payments ¹	-	-	1	721	1	767	2	980

1. Termination payments are paid in accordance with contractual commitments.

The following table summarises the requirements under paragraphs (i), (j) and (k) of table 21 for Senior Managers⁷ and MRT.

\$000	FY15		FY14	
	Senior Managers	Material Risk-Takers	Senior Managers	Material Risk-Takers
Total outstanding deferred remuneration¹	48,208	2,931	47,643	3,775
Cash-based ²	15,241	1,276	14,248	969
Shares and share-linked instruments ³	32,967	1,655	33,395	2,806
Total paid during the year⁴	13,161	916	17,758	2,835
Total reductions due to explicit adjustments⁵	0	(67)	(910)	(218)
Total reductions due to implicit adjustments⁶	(649)	(37)	-	-

1. Includes the total outstanding deferred cash and equity awards as at 30 June. Outstanding deferred remuneration is exposed to ex post explicit and implicit adjustments. All deferred remuneration outstanding for an employee in the position of Senior Manager or MRT at 30 June has been included, even where that award was earned in a different capacity within the Suncorp Group. The deferred balance has been excluded where the Senior Manager or MRT is no longer employed in that capacity at 30 June.
2. Deferred cash-based remuneration represents the deferred portion of STI's awarded in 2013, 2014 and 2015 financial years (2014: 2012, 2013 and 2014 financial years), together with the interest accrued on outstanding deferral, for all Senior Managers and MRT employed within that capacity as at 30 June. Deferred cash may have been accrued whilst employed in non Senior Manager or MRT positions.
3. Deferred equity represents the market value as at 30 June, calculated by the number of performance rights or restricted shares granted multiplied by the closing share price as traded on the ASX on 30 June. The balance consists of all offers up to and including 30 June, that are still to vest for Senior Managers and MRT employed in that capacity as at 30 June.
4. Consists of all deferred cash incentives from prior years and associated interest paid during the financial year, received whilst employed in the capacity of Senior Manager or MRT. The value also includes any deferred equity vested during the financial year.
5. Represents the market value at grant date of performance rights or restricted shares forfeited during the financial year.
6. Represents any reduction in the market value at grant date compared to market value at 30 June, for performance rights or restricted shares yet to vest, or reduction in the market value at grant date compared to market value at vesting date during the period. Note increases may have occurred during the period, however, only reductions have been disclosed in accordance with the requirements of APS330.
7. To be consistent with other disclosures, KMPs for SGL (excluding non-executive directors) are considered as Senior Managers for the purpose of APS Remuneration Disclosure requirements