

Suncorp Group Limited

*Brighter futures*

**Corporate Governance  
Statement**

One Company  
Many Brands



# Corporate Governance Statement

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## INTRODUCTION TO SUNCORP GROUP

Suncorp Group Limited (**Suncorp Group** or **Company**) ranks in the top 15 companies in the S&P/ASX 100 Index. Suncorp Group's operations in Australia and New Zealand include a general insurance business, Suncorp Bank – a licensed Australian bank, and a specialist life insurer. As a group, Suncorp has approximately 14,500 employees and more than nine million customers.

More information on Suncorp Group can be found on our website at [suncorpgroup.com.au](http://suncorpgroup.com.au).

Welcome to the Corporate Governance Statement (**Statement**) for Suncorp Group approved by the Suncorp Group Limited Board (the **Board**). This Statement reports on Suncorp Group's corporate governance policies and practices and highlights where related governance documents are located on the website at [suncorpgroup.com.au/about-us/governance](http://suncorpgroup.com.au/about-us/governance).

The Board believes high standards of corporate governance are essential for sustainable long-term performance and creating value for shareholders. The Board is committed to delivering a robust governance system and fosters a culture that values ethical behaviour and integrity.

The Board keeps the governance system under regular review to ensure it reflects changes in law and keeps pace with best practice developments in corporate governance.

The Company's listing on the Australian Securities Exchange (**ASX**) means it must comply with the Corporations Act 2001, the ASX Listing Rules and other Australian and international laws. The ASX Listing Rules require the Company to disclose how it has applied the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (the **ASXCGC Principles and Recommendations**).

Throughout the financial year ended 30 June 2014 and at the date of this Statement, the Board believes Suncorp Group has complied with the second edition<sup>1</sup> of the ASXCGC Principles and Recommendations. The Board has early adopted, and is compliant with, the third edition<sup>2</sup> of the ASXCGC Principles and Recommendations, with effect from 1 August 2014.

The representations made in this document are accurate as at 13 August 2014. The information in this document should not be taken as an offer of securities in Suncorp Group Limited, or an invitation to apply for the purchase of securities in Suncorp Group Limited.

*Terms that are defined in this Statement appear in bold the first time they are used.*

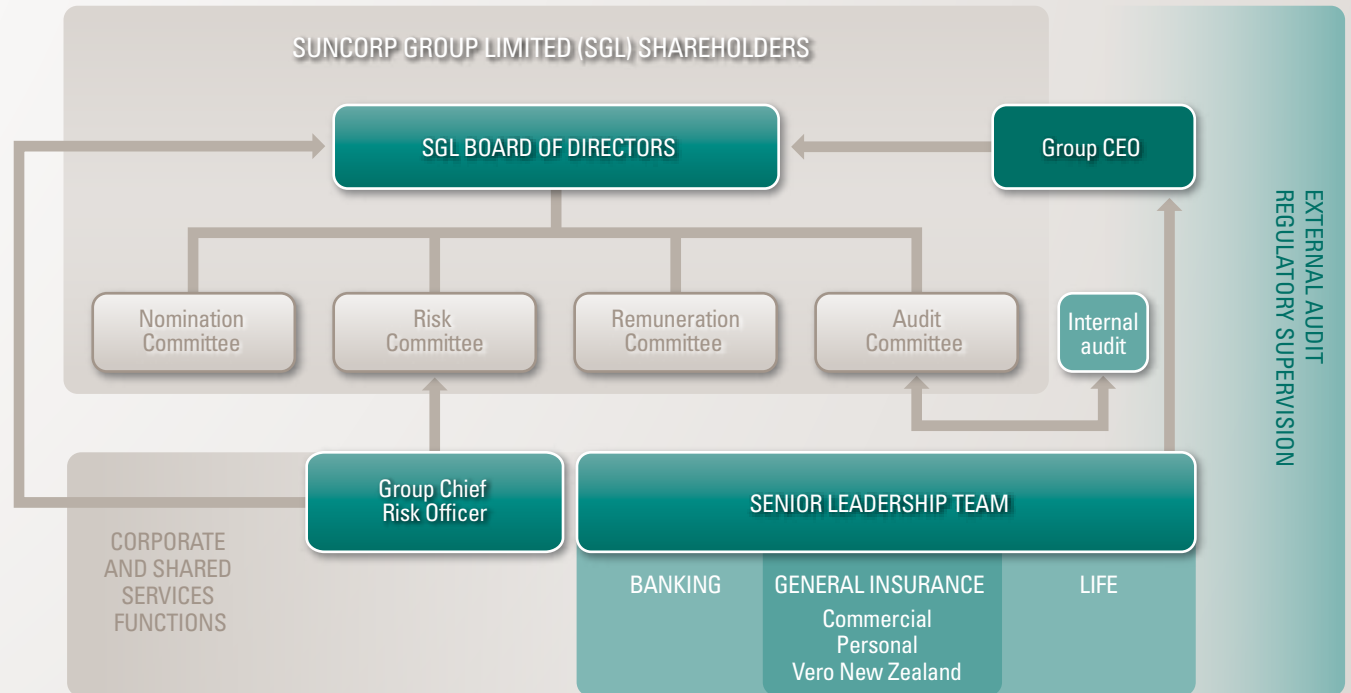
<sup>1</sup> ASXCGC Principles and Recommendations: 2nd Edition (released June 2010).

<sup>2</sup> ASXCGC Principles and Recommendations: 3rd Edition (released March 2014).

## SUNCORP GROUP GOVERNANCE FRAMEWORK

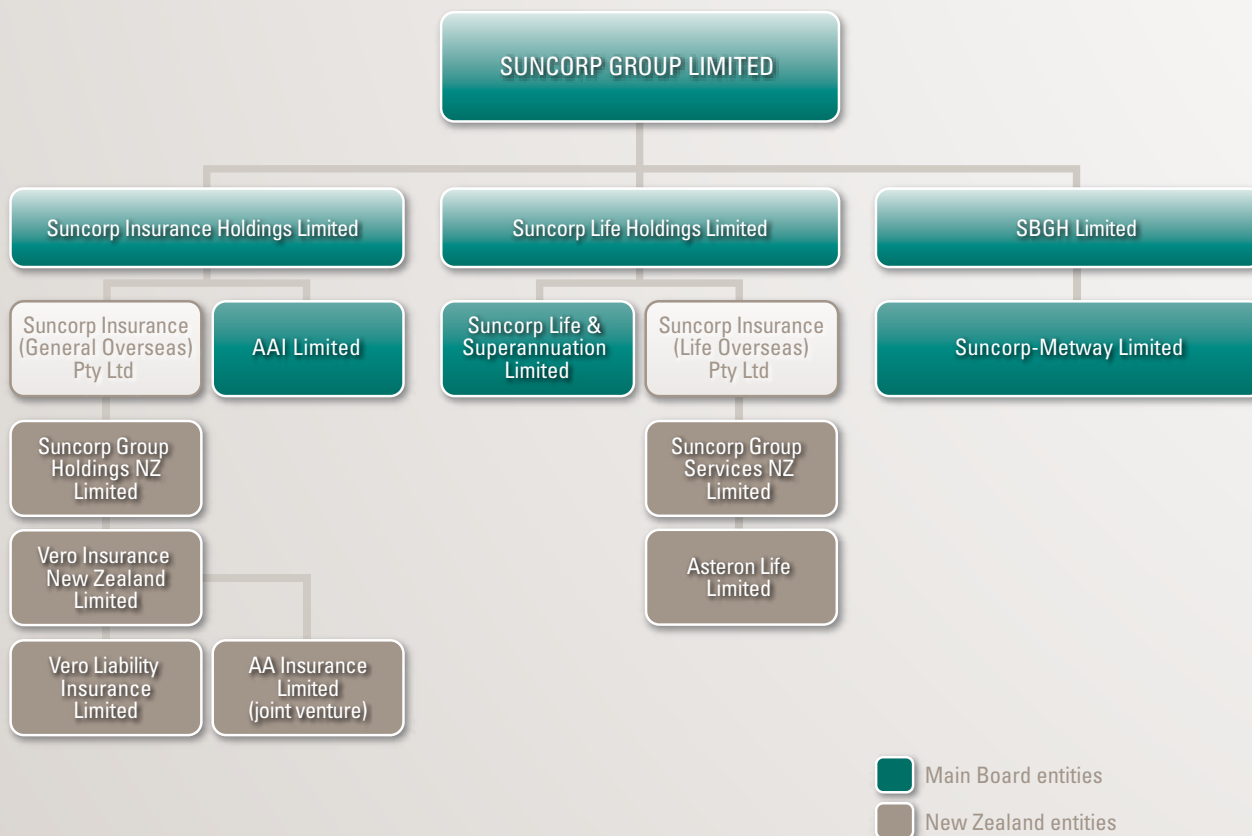
The Board is responsible for the Suncorp Group's governance framework which operates under policies, charters and practices. The Board and its committees regularly review these to ensure they keep pace with regulatory change, developments in corporate governance, the standards set by the ASX, and the prudential and solvency requirements set by other key regulatory stakeholders such as **APRA** (the Australian Prudential Regulation Authority). In August 2014 the Board reviewed its charters to reflect Suncorp Group's early adoption of the revised ASXCGC Principles and Recommendations and changes to APRA's Prudential Standards focused on governance.

The Board committees help the Board fulfil its governance role. The governance framework is illustrated opposite.



# Corporate Governance Statement (continued)

Suncorp Group's corporate structure is illustrated below. Licensed entities in New Zealand include Vero Insurance New Zealand Limited (**VINZL**), Asteron Life Limited (**ALLNZ**), Vero Liability Insurance Limited (**VLIL**) and AA Insurance Limited (**AAI**). These companies are governed through their respective boards of directors, which comprise a majority of independent non-executive directors. Mr Geoffrey Ricketts CNZM was Chairman of VINZL, VLIL and ALLNZ and Mr Ewoud Kulk was Chairman of AAI during 2013/14.



## PART 1 BOARD AND MANAGEMENT – ROLES AND RESPONSIBILITIES

### 1.1 THE BOARD'S ROLE

The Board is ultimately responsible for the sound and prudent management of the Company. The Board's role is to represent Suncorp Group's shareholders, to account for performance and deliver long-term shareholder value. The Board is therefore responsible for strategic direction, for monitoring and guiding management, for overseeing effective governance and for ensuring Suncorp Group's long-term financial soundness.

The Board directs management in the execution of business objectives, strategies and financial performance. Other than the responsibilities specifically reserved for the Board and its committees in their respective charters, responsibility for management of Suncorp Group's day-to-day business activities is delegated to the Suncorp Group Chief Executive Officer (**Group CEO**), Mr Patrick Snowball, who is accountable to the Board. The Board and the Group CEO are supported by the senior leadership team (**Senior Executives**) who report to the Group CEO.

The Company's Constitution provides that the business and affairs of the Company are to be managed under the Board's direction. The Board Charter details the Board's role, responsibilities, powers, duties and functions. The Constitution and the Board Charter are available on the website.

The Board regularly reviews the Board Charter and the delegation of Board authority to the Group CEO.



The Constitution, Board Charter and Board committee charters are available on the website at [suncorpgroup.com.au/about-us/governance](http://suncorpgroup.com.au/about-us/governance).

## 1.2 KEY RESPONSIBILITIES

The Board Charter sets out the principles for how the Board operates and describes the Board's functions and responsibilities and those formally delegated to management, as summarised in the table opposite. The Board Charter also sets out the key matters to be considered by each main board entity in the group, including a matrix of regulatory governance matters each entity considers.

Information in relation to management of risks is set out in Part 5.

## 1.3 BOARD COMPOSITION AND STRUCTURE

The Company's Constitution and Board Charter set out the Board's composition as follows:

- a minimum of seven directors
- a maximum of 13 directors
- a majority must be independent, non-executive directors.

The Board Charter sets out the quorum for meetings.

### BOARD OF DIRECTORS SUMMARY OF PRINCIPAL RESPONSIBILITIES

#### Approve:

- strategic direction, the Risk Appetite Statement and related objectives for Suncorp Group
- annual budgets, dividend policy and dividend payments
- remuneration of the Group CEO and Senior Executives, including measures of performance, targets and succession plans for the Group CEO
- major operating and capital expenditure and credit facilities in excess of the limits delegated to management
- appointment/removal of the Group CEO, Company Secretary and Senior Executives
- determine the Group CEO's level of authority in respect of operating and capital expenditure and credit facilities and authorise the Group CEO's further delegation of those authorities to management.

#### Review/approve:

- management proposals regarding acquisitions and divestitures of companies, businesses and functions
- Suncorp Group capital management policies and plans, having regard to the various liquidity and capital adequacy regulatory requirements applying to the Suncorp Group
- financial and regulatory reporting
- the Enterprise Risk Management Framework and risk management strategies.

#### Monitor:

- Suncorp Group financial performance and Senior Executive performance in implementation and achievement of strategic and business objectives
- processes whereby business risks are identified and approve systems and controls to manage those risks and monitor compliance.

### SUMMARY OF FUNCTIONS THE BOARD HAS DELEGATED TO MANAGEMENT

- Develop corporate strategies and business plans in consultation with directors and implement the corporate strategies approved by the Board
- Make recommendations to the Board on significant strategic and business initiatives
- Develop an annual budget for the Board's consideration and conduct Suncorp Group's business activities within the approved budget limits
- Make recommendations to the Board or relevant Board committee on appointments to Senior Executive roles
- Develop and maintain succession plans for senior management roles
- Develop and maintain risk management systems and frameworks as approved by the Board or Risk Committee
- Manage the business in accordance with regulatory and legislative requirements and within Suncorp Group's approved policy and procedures framework.



# Corporate Governance Statement (continued)

## PART 1 BOARD AND MANAGEMENT – ROLES AND RESPONSIBILITIES (CONTINUED)

### 1.4 DIRECTORS' CONFLICTS OF INTEREST

To ensure the appropriate management of any actual or potential conflict of interest, the Board has adopted the following procedures:

- Directors have a continuing obligation to keep the Board advised of any interest that has arisen that could potentially conflict with those of the Suncorp Group.
- Where the Board believes a potential conflict exists, the director concerned will not take part in any decision associated with the matter, including not receiving the relevant Board papers nor being present at the meeting when the matter is considered, and not being informed of the final decision taken.

### 1.5 INDEPENDENCE

The Board regularly reviews the independence of each non-executive director and formally annually assesses each director's required disclosure in accordance with the ASXCGC Principles and Recommendations, the Corporations Act 2001, the Board Charter and the Suncorp Group Conflicts of Interest Policy.

In relation to any material contract or other relationship with Suncorp Group, the Board considers a relationship to materially interfere with, or could reasonably be perceived to materially interfere with, a director's independent judgment, where it is of such substance and consequence and there is a genuine possibility it would affect the director's judgment across certain or all aspects of their role as a director.

The Board takes a qualitative approach to materiality and assesses independence on a case-by-case basis by reference to each director's particular circumstances rather than applying strict quantitative thresholds.

The Board Charter stipulates a majority of the Board must be independent, non-executive directors. In July 2014 the Board formally assessed each director's independence in accordance with the recent ASXCGC Principles and Recommendations.

The Board considers all of the current non-executive directors to be independent. In reaching this view, the following matters were taken into consideration:

- Mr Michael Cameron is the Chief Executive Officer and Managing Director of The GPT Group, an organisation that owns a number of commercial properties leased to the Suncorp Group. The lease arrangements with The GPT Group were in place prior to Mr Cameron's appointment as director, with the exception being leased premises at 530 Collins Street, Melbourne. This was a strategic decision referred to the Board, and Mr Cameron was excluded from the Board's deliberations, Board material and the ultimate decision was made in accordance with the process outlined in section 1.4. The Board believes this relationship does not affect Mr Cameron's independence. The basis of this opinion is that the selection of a real estate provider is the responsibility of management and such decisions are made in the ordinary course of business.

Accordingly, the Board has determined that the services provided were not deemed to be material.

- Mr Geoffrey Ricketts CNZM has previously acted as a consultant for Russell McVeagh, Solicitors (NZ), which has provided legal services to the Suncorp Group in the past. Mr Ricketts is no longer a consultant nor performs any consulting work for this firm, and the firm is not on the panel of law firms which Suncorp Group uses for legal services.
- Mr William Bartlett has served as a non-executive director for 11 years. Notwithstanding that such tenure could be perceived to impact his independence of judgment, the Board values having a mix of longer serving directors with a deep understanding of the Suncorp Group and hence considers Mr Bartlett remains independent.

Determinations regarding independence do not change any director's obligations in managing any conflict of interest that may arise between carrying out their duties as a director of the Company and their other interests and duties.

## 1.6 DIRECTORS' SKILLS AND EXPERIENCE

The Board is committed to ensuring its composition continues to:

- include directors with an appropriate collective mix of skills, experience, expertise and diversity (including gender diversity) while still remaining of a size that facilitates effective decision-making
- retain a balance between long-serving directors with established experience and knowledge of Suncorp Group's business and history, and new directors who bring fresh perspectives and insights.

A statement on the Board Renewal Policy and factors relevant in making its decisions are set out in the Board Charter.

Collectively, the Board has an extensive range of commercial skills and other relevant experience which are vital for the effective management of the business. Board members, including some who are also directors of other ASX-listed companies, together have a combination of experience in the following business areas:

- insurance and risk management
- law, governance and regulation
- human resources and executive remuneration
- accounting and actuarial disciplines
- corporate strategy
- banking
- capital raisings
- international business.

The Board considers its current members have an appropriate mix of skills that enable the Board to discharge its responsibilities and deliver the Company's strategy and corporate objectives.

The names of the current directors, together with details of their qualifications, their terms of office and independent status are set out in the table below.

Detailed biographies may be found in the 2013/14 Directors' Report and Financial Statements.

NAME OF DIRECTOR	TERM IN OFFICE	QUALIFICATIONS	STATUS: INDEPENDENT OR EXECUTIVE
Dr Zygmunt Switkowski AO (Board Chairman)	8 years 11 months	BSc (Hons), PhD, FAICD, FTSE	Independent
Ms Ilana Atlas	3 years 7 months	BJuris (Hons) (WAust), LLB (Hons) (WAust), LLM (Syd)	Independent
Mr William Bartlett	11 years 2 months	FCA, CPA, FCMA, CA (SA)	Independent
Mr Michael Cameron	2 years 4 months	FCPA, FCA, FAICD	Independent
Ms Audette Exel AO	2 years 2 months	BA, LLB (Hons)	Independent
Mr Ewoud Kulk	7 years 5 months	BEcon, FAICD	Independent
Dr Douglas McTaggart	2 years 4 months	BEcon (Hons), MA, PhD, DUniv	Independent
Mr Geoffrey Ricketts CNZM	7 years 5 months	LLB (Hons)	Independent
Mr Patrick Snowball	4 years 11 months	MA, Hon LLD	Executive

## 1.7 INDEPENDENCE OF THE BOARD CHAIRMAN

The Board Chairman is elected from the independent non-executive directors in accordance with the Board Charter.

The Board Chairman plays a pivotal governance role. He chairs the Nomination Committee and is an ex officio member of all Board committees.

Further information about Dr Switkowski is in the 2013/14 Directors' Report and Financial Statements.

## 1.8 LETTERS OF APPOINTMENT

Suncorp Group has formal letters of appointment in place with all non-executive directors setting out the terms of their appointment.

Information on the executive director, Mr Patrick Snowball's, contractual arrangements as Group CEO are included in the Remuneration Report in the 2013/14 Directors' Report and Financial Statements.

# Corporate Governance Statement (continued)

## PART 1 BOARD AND MANAGEMENT – ROLES AND RESPONSIBILITIES (CONTINUED)

### 1.9 BOARD COMPOSITION

The composition of the Board is subject to review in a number of ways:

- The Company's Constitution provides that at every Annual General Meeting (**AGM**) one third of the directors, excluding the Group CEO, must seek re-election by shareholders.
- Directors' re-election is not automatic as it is subject to assessment by the Nomination Committee. The Board confirms to shareholders whether it supports a retiring director's re-election in a statement accompanying the next AGM Notice.
- The Nomination Committee reviews the Board's composition periodically in line with the Board Renewal Policy, either when a vacancy arises, or as part of ongoing Board succession planning.
- The Board is committed to a continuing process of board renewal and assessing its performance. The annual Board appraisal includes an assessment of future requirements in relation to Board composition and overall Board performance. The Board appraisal process is explained in section 1.15.

### 1.10 MEETINGS OF THE BOARD

The Board generally holds monthly meetings to consider matters relevant to Suncorp Group's operations and performance, with additional Board meetings held as required throughout the year. Board meetings are linked to the Company's corporate and investor calendar.

At least twice a year the Board meets with the Senior Executives to consider matters of strategic importance. Senior Executives are also invited to attend directors' meetings where matters relevant to their respective business unit are considered. Immediately following each meeting of directors, the non-executive directors meet without the executive director or any other management representatives present.

The Board held 12 meetings in 2013/14 and two strategic planning sessions. Details of directors' attendance at Board meetings are provided in the 2013/14 Directors' Report and Financial Statements.

### 1.11 RELATED PARTY TRANSACTIONS

Transactions which involve a Suncorp Group entity giving a financial benefit to a director or Senior Executive or their related party or related entity are disclosed in the Remuneration Report in the Directors' Report and Financial Statements.

### 1.12 FIT AND PROPER POLICY

Under APRA's Prudential Standard, Suncorp Group must maintain a fit and proper policy designed to assist in managing the risks associated with the appointment of persons to roles that have a significant impact on the sound and prudent management of Suncorp Group.

Suncorp Group directors, Senior Executives and other senior managers who occupy key roles are subject to a formal assessment at the time of appointment, and on an annual basis thereafter, to confirm they possess and have maintained the necessary skills, knowledge and expertise to undertake and fulfil the particular duties and responsibilities of the position they hold within the APRA-regulated entity within Suncorp Group.

### 1.13 DIRECTOR INDUCTION AND EDUCATION

Directors have a duty to perform their statutory obligations and to act in good faith in a way most likely to promote the success of Suncorp Group. On appointment, all directors are individually briefed on their duties as directors.

As part of a comprehensive induction program covering the Suncorp Group's financial, strategic, operational and risk management position, a new director meets the Board Chairman, the Group CEO, members of the Senior Executive team and other senior managers to gain valuable insights into relevant operational matters and matters of corporate strategy. These meetings are held soon after a director's appointment.

Ongoing director education is provided through regular management presentations on key business functions or activities. Directors are offered access to external education and professional development training at the Company's expense. KPMG, the external auditor, and industry experts also address the Board from time to time on matters relevant to Suncorp Group's business or its operating environment. Most of the topics are determined in advance, tailored to Suncorp Group and form part of the Board's annual meeting schedule.



The Nomination Committee Charter is available on the website at [suncorpgroup.com.au/about-us/governance](http://suncorpgroup.com.au/about-us/governance).



### 1.13 DIRECTOR INDUCTION AND EDUCATION (CONTINUED)

To ensure directors remain equally informed on all material matters impacting Suncorp Group's businesses, copies of all submissions for Board committee meetings are provided to directors, and non-executive directors may attend meetings of any Board committee regardless of whether they currently serve on that committee.

### 1.14 DIRECTORS' ACCESS TO INFORMATION AND INDEPENDENT ADVICE

Directors have unrestricted access to internal records and to senior management, and receive regular financial and operational reports.

Each director has entered into a deed that provides for access to documents, in certain circumstances, following their retirement as a director.

Directors are entitled, with the approval of the Board Chairman, to obtain independent professional advice relating to their role as a director, at Suncorp Group's expense. A copy of any advice received by a director is made available to all other Board members except, where the circumstances make that inappropriate.

### 1.15 BOARD APPRAISAL

A performance appraisal of the Board and its committees is conducted annually. An independent consultant is engaged to facilitate the process, usually every third year, and the Board Chairman conducts appraisals in the years where a consultant is not engaged.

Generally, the same methodology applies to both types of appraisals:

- directors complete questionnaires to assess the Board's and its committees' effectiveness in meeting the requirements of their charters and may also be interviewed
- contributions of individual directors are assessed

- the Board Chairman may meet further with individual directors. Senior Executives may be asked to provide feedback on the Board.

The Board as a whole then discusses and considers the report and any recommendations are agreed as necessary. When the external consultant facilitates, the results may also be benchmarked against other companies.

During 2013/14, a self-assessment was conducted of the Board and its committees, facilitated by the Australian Institute of Company Directors and led by the Chairman.

### 1.16 BOARD SUCCESSION PLANNING

Board renewal and succession planning is an important part of the governance process. The Board regularly reviews and evaluates its succession planning process. The Nomination Committee oversees this process.

Once the Nomination Committee determines a new director is to be appointed, external consultants undertake a candidate search based on the Board's specific selection criteria. Candidate searches include background checks on character, education, employment experience, criminal history, and bankruptcy checks to ensure suitability.

The Nomination Committee recommends candidates for re-election to the Board.

### 1.17 MINIMUM SHAREHOLDING REQUIREMENT

To align directors' interests with those of shareholders, on 31 October 2013 the Company introduced a minimum shareholding requirement. This requires a director to hold, directly or indirectly, by October 2017, a number of Suncorp securities that is equivalent to the gross non-executive director fee at that time. The Group CEO is also subject to this requirement.

More information on the directors' minimum shareholding requirement is included in the Remuneration Report.

## PART 2 BOARD COMMITTEES

### 2.1 FOUR BOARD COMMITTEES

The Board has established the following committees:

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Committee.

Each committee's charter sets out its role, responsibilities, composition and structure.

The Board appoints other sub-committees from time to time to deal with projects relating to the conduct of Suncorp Group's various activities.

The Board committees play a crucial part in the governance framework. The Board reviews and approves annually the committee charters, chairmanship and membership. Details of the membership, composition and responsibilities of each Board committee are set out in the table below.

The Board receives the committee minutes and an update from the Chair of each committee on an ongoing basis, setting out the committee's achievements based on their duties.

The number of committee meetings held during the year and details of directors' attendance at those meetings are disclosed in the 2013/14 Directors' Report and Financial Statements.



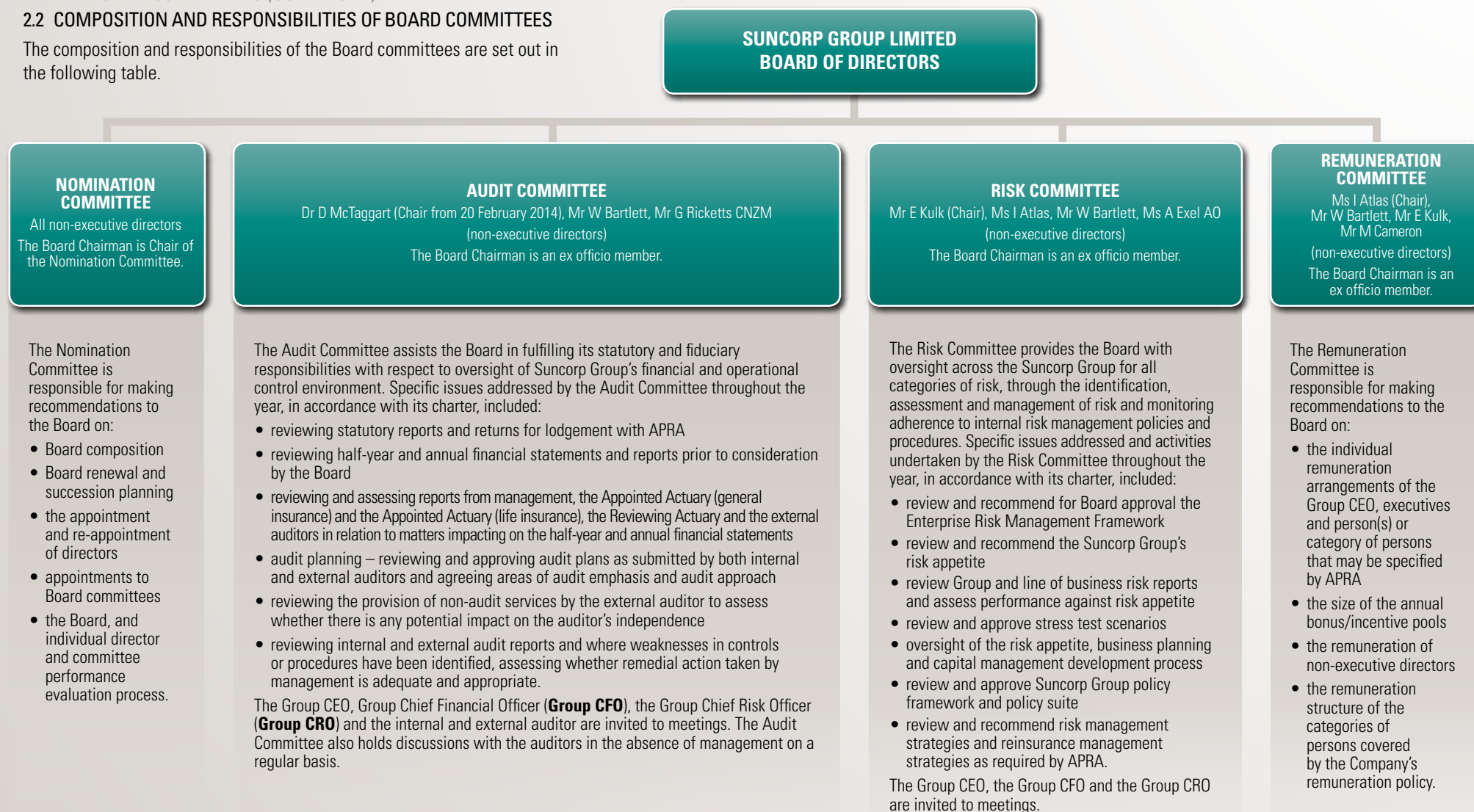
The Board committee charters are available on the website at [suncorpgroup.com.au/about-us/governance](http://suncorpgroup.com.au/about-us/governance). The 2013/14 Directors' Report and Financial Statements is available on the website at [suncorpgroup.com.au/investors/reports](http://suncorpgroup.com.au/investors/reports).

# Corporate Governance Statement (continued)

## PART 2 BOARD COMMITTEES (CONTINUED)

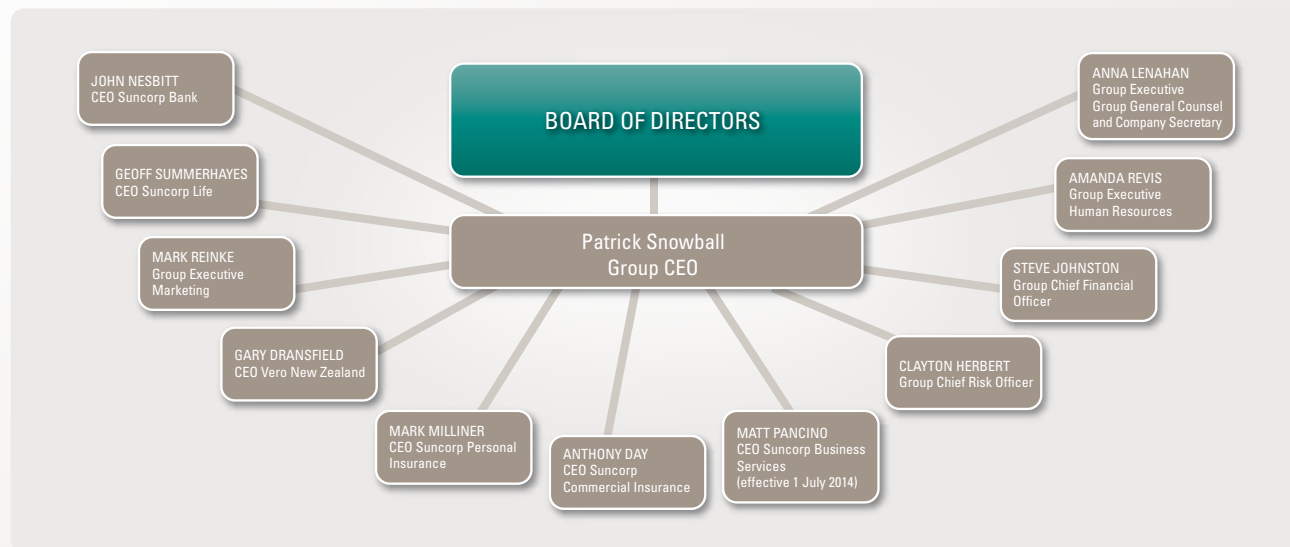
### 2.2 COMPOSITION AND RESPONSIBILITIES OF BOARD COMMITTEES

The composition and responsibilities of the Board committees are set out in the following table.



### PART 3 SENIOR EXECUTIVES

The Board and the Group CEO are supported by the Senior Executives who report to the Group CEO. The Senior Executives at the date of this Statement are:



#### 3.1 COMPANY SECRETARY

Ms Anna Lenahan is Group Executive Group General Counsel and Company Secretary with overall responsibility for the legal, company secretarial and governance functions.

Mr Darren Solomon was appointed joint Company Secretary in August 2010, having acted as joint Company Secretary of Suncorp-Metway Limited since March 2010. Mr Solomon has more than 20 years' legal and company secretarial experience within banking and financial services.

The Company Secretary is directly accountable to the Board, through the Board Chairman, for all governance matters that relate to the Board's proper functioning.

#### 3.2 SENIOR EXECUTIVE INDUCTION AND EDUCATION PROCESSES

When a Senior Executive is appointed they receive information and training on Suncorp Group's key policies, practices and procedures, as well as information relevant to the role they will be performing and the management and business structure within which they will be operating.

Persons appointed to Senior Executive roles, whether new or existing employees, are expected to have the qualifications and industry experience necessary to perform properly the particular duties and responsibilities of their role and to maintain those qualifications and expertise while they remain in that role. This is also a requirement under APRA's Prudential Standards which apply to all of the Group's major operating entities.

In the same way as Board directors are assessed, under the Fit and Proper Policy, all Senior Executives are subject to a formal assessment at the time of appointment and on an annual basis thereafter, to confirm they possess and have maintained the necessary skills, knowledge and expertise to undertake and fulfil the particular duties and responsibilities of the position they hold within the APRA-regulated entity.

The Suncorp Group supports Senior Executives and other employees in maintaining and enhancing their industry and business knowledge and expertise, and associated professional qualifications.

# Corporate Governance Statement (continued)

## PART 3 SENIOR EXECUTIVES (CONTINUED)

### 3.3 EVALUATION OF SENIOR EXECUTIVES

A scorecard system is used to establish performance measures and monitor the performance of executives (including the Group CEO, Senior Executive team and their direct reports) against those measures.

The performance measures contained in the scorecards are a mixture of financial and non-financial indicators and risk-related measures that align with the Suncorp Group and business unit business plans approved by the Board, and reflect the individual executive's overall accountabilities and responsibilities.

The Suncorp Group's performance management system also requires leaders to balance the scorecard result with the manner in which the results were obtained, as the overall performance of each Senior Executive is assessed having regard to the corporate values and the general manner in which the Senior Executive is seen to be supporting the desired corporate culture.

At the end of the financial year, the Group CEO conducts an assessment of the performance of each member of the Senior Executive team, relative to the scorecard measures and peer group performance, in the context of industry and market conditions. Those assessments are submitted to the Remuneration Committee for review prior to submission to the Board as part of the annual remuneration review process.

The Senior Executive performance assessments for the financial year ended 30 June 2014 were conducted in accordance with the arrangements described above.

The Group CEO's performance is subject to Board assessment at the end of the financial year. The Board Chairman then communicates the review outcomes as agreed by the Board to the Group CEO.

## PART 4 REMUNERATION FRAMEWORK – STRENGTHENING THE LINK BETWEEN PERFORMANCE AND REWARD

Suncorp Group is committed to a fair and responsible executive remuneration framework. Executives are remunerated in a way that reflects their performance in relation to the delivery of corporate strategy and superior financial performance. With a significant portion of executives' remuneration 'at risk', this strengthens the alignment of executive reward with the interests of shareholders.

### 4.1 REMUNERATION COMMITTEE – COMPRISES INDEPENDENT BOARD MEMBERS

#### CHAIR: MS ILANA ATLAS

Members: Messrs William Bartlett, Michael Cameron, Ewoud Kulk

Ex officio member: Dr Zygmunt Switkowski AO (Board Chairman)

Number of meetings held in 2014: 5

All members are independent non-executive directors.

The Remuneration Committee, which makes recommendations to the Board on remuneration policy and governance:

- is chaired by Ms Ilana Atlas, an independent non-executive director with extensive experience in remuneration and human resource practices
- consists of five independent non-executive directors including the Board Chairman as an ex officio member
- has Mr William Bartlett, Mr Ewoud Kulk and Mr Michael Cameron as its members, all of whom have an extensive understanding of risk management, an important consideration in remuneration governance. Mr Kulk is the Risk Committee Chairman; Mr Bartlett is also a member of the Risk Committee and the Audit Committee.

A summary of the key responsibilities of the Remuneration Committee is set out in section 2.2.

The Remuneration Committee consults experts and investors on the appropriateness of Suncorp Group's remuneration arrangements. Committee Chair Ms Ilana Atlas also meets with a number of institutional shareholders during the financial year to discuss the remuneration framework, strategy and policy and to elicit feedback on the Remuneration Report.

### 4.2 REMUNERATION REPORT

The remuneration policy and structures in place for executives and directors, including full details of directors' and executives' benefits and interests, are explained in the Remuneration Report. The Remuneration Report also clearly discloses:

- what drives remuneration for executives
- the processes for evaluating the performance of the Group CEO and Senior Executives and the results of those evaluations
- the variability of long-term incentives from year to year depending on vesting conditions related to the performance measure for long-term incentives, which is relative total shareholder return
- how incentives are deferred and subject to clawback provisions
- how the remuneration structure clearly distinguishes between non-executive director and executive remuneration.

The Remuneration Report is put before shareholders for adoption at each AGM.



#### 4.3 NON-EXECUTIVE DIRECTORS' FEES

The Company's Constitution contains provisions about the remuneration of directors.

As remuneration for their services, the non-executive directors are paid an amount of remuneration determined by the Board, subject to a maximum annual aggregate amount determined by shareholders in a general meeting. This aggregate amount has been set at \$3,500,000. Directors (other than the Board Chairman) may also be paid additional remuneration for their service on Board committees. There were no changes to fees paid to non-executive directors during the 2013/14 financial year.

The Remuneration Report discloses the fees paid to the non-executive directors.

#### 4.4 DIRECTORS' AND SENIOR EXECUTIVES' EQUITY SHAREHOLDINGS

As part of the Company's long-term incentive plan, the Group CEO and Senior Executives may receive performance rights (to ordinary shares in the Company) that vest subject to total shareholder return performance hurdles being met.

Directors' and executives' shareholdings are disclosed in the Remuneration Report in the 2013/14 Directors' Report and Financial Statements.



The Remuneration Committee Charter is available on the website at [suncorpgroup.com.au/about-us/governance](http://suncorpgroup.com.au/about-us/governance). The Remuneration Report is available on the website at [suncorpgroup.com.au/investors/reports](http://suncorpgroup.com.au/investors/reports).

### PART 5 RISK: ENABLING BUSINESS AT SUNCORP

Acceptance of risk is an integral part of business at Suncorp. The Board places great importance on Suncorp Group's risk management function being a robust, independent function with responsibility for all material business risk acceptance decisions.

The risk function operates within a strong risk management framework that matured during 2013/14 and will evolve further in 2014/15 as the focus on risk continues. The strength of Suncorp's risk management framework and capability was formally recognised in 2013 when Standard & Poor's upgraded the enterprise risk management rating from 'adequate' to 'adequate with strong risk controls'.

#### 5.1 SUNCORP GROUP ENTERPRISE RISK MANAGEMENT FRAMEWORK

The pricing and management of risk is fundamental to Suncorp Group's ability to provide competitive products and financial services to customers and is therefore a critical factor in its overall profitability and stability.

Risk is defined as any threat to the achievement of Suncorp Group's objectives and the Board recognises that an effective system of risk management plays a critical role in the setting and achievement of Suncorp Group's strategic objectives.

'Risk appetite' is the nature and degree of risk the Board is willing to accept overall and for each material risk type, in pursuit of these strategic objectives. The Board seeks to only take on those

risks that fall within this stated risk appetite and to manage these risks to achieve an optimal overall return.

The Enterprise Risk Management Framework (**ERMF**) is designed to support this approach and to enhance the risk culture and employees' risk decision-making.

The ERMF lays the foundation for all risk management processes, embeds Board-approved Risk Management Policy and demonstrates the Board's and management's commitment to effective risk management as a key element of business success.

At the highest level, the ERMF comprises:

- Suncorp Group's risk appetite framework and its link to strategic business and capital plans
- accountabilities and governance arrangements for the management of risk within Suncorp Group's 'three lines of defence' risk management model
- Suncorp Group's risk management processes.

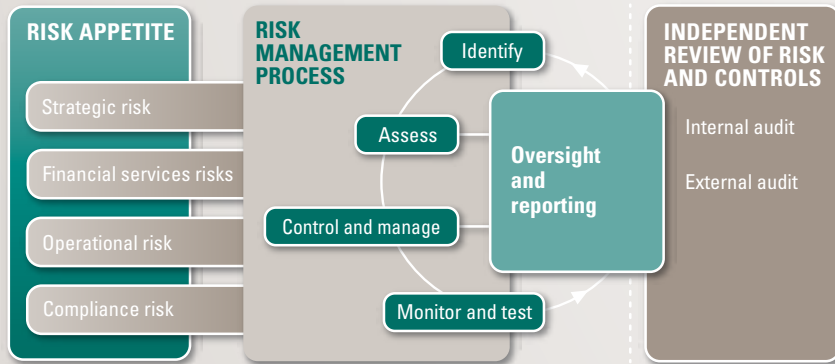


# Corporate Governance Statement (continued)

## PART 5 RISK: ENABLING BUSINESS AT SUNCORP (CONTINUED)

### 5.1 SUNCORP GROUP ENTERPRISE RISK MANAGEMENT FRAMEWORK (CONTINUED)

The ERMF is summarised in the following diagram:



Suncorp Group’s organisational design shapes how risk is managed and is based on three principles:

1. Each line of business has ‘end-to-end’ accountability for all aspects of their business, including those risks outside the business’s direct control, such as those managed by service providers.
2. Individuals take responsibility for their actions and decisions, within a risk-aware culture.
3. Structures and processes are simplified, to make it easier to manage the business.

The Risk Committee reviewed and endorsed the ERMf for Board approval, which it does annually. Suncorp Group’s external and internal audit teams also regularly review the ERMf to satisfy the Board that the framework continues to be sound.

### 5.1.1 THREE LINES OF DEFENCE

Risk at Suncorp is assumed within a calculated and controlled framework that assigns clear lines of responsibility for risk, represented by three ‘lines of defence’.

**1st line: All business areas:** Primary responsibility for risk management lies at the business unit level, which forms the first line of defence. Business ownership of risk is essential to the undertaking and control of risk and all managers have a responsibility to ensure business risks are consistent with risk appetite and managed appropriately.

**2nd line: Risk management function:** The risk management function forms the second line of defence, where independent teams assess and monitor all material risks.

**3rd line: Internal and external audit functions:** The third line of defence comes through Suncorp Group’s internal and external audit functions which challenge and give independent assurance and report on the Suncorp Group’s risk management system, processes and controls.



## 5.1.2 RISK CATEGORISATION AND POLICY-SETTING

Effective risk management involves sound governance and ensuring management decisions are founded on a solid risk assessment that clearly identifies different categories and types of risks, and assesses and manages these against the Board's clearly articulated risk appetite.

The risks Suncorp Group manages include strategic, counterparty, market, asset and liability, liquidity, insurance, operational, and compliance-related risks. Specific detail on sustainability-related risks is contained in the Suncorp Group's 2013/14 Annual Review available on the Suncorp Group's website at [suncorpgroup.com.au/investors/reports](http://suncorpgroup.com.au/investors/reports).

Board and Management-approved policies, delegations, authorities and limits are influenced by the Suncorp Group's risk appetite. Policies, procedures, limits and other controls are in place at either the Suncorp Group or business unit level to manage these risks and align to the Board's risk appetite, as depicted in the table opposite.

CATEGORY	DESCRIPTION	KEY POLICIES, CONTROLS & LIMITS	
<b>STRATEGIC RISK</b>	The risk of loss arising from uncertainty about the future operating environment, including reputation, industry, economic and regulatory environment, branding, crisis management, and partners and suppliers.	Business plans ICAAPs M&A policy	Risk appetite statements Risk management policy
<b>FINANCIAL RISK</b>	<p>Counterparty risk – the risk to each party to a contract that the counterparty will not meet its financial obligations in accordance with agreed terms.</p> <p>Market risk – the risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, commodity prices, and market volatilities.</p> <p>Asset and liability risk – the risk to earnings and capital from mismatches between assets and liabilities with varying maturity and repricing profiles and from mismatches in term.</p> <p>Liquidity risk – the risk that the Group will be unable to service its cash flow obligations today or in the future.</p> <p>Insurance risk – the risk of financial loss and the inability to meet liabilities due to inadequate or inappropriate insurance product design, pricing, underwriting, concentration risk, reserving, claims management or reinsurance management.</p>	<p>Reinsurance programmes</p> <p>Insurance risk</p> <p>Intra-group transactions and exposures</p> <p>Investment</p> <p>Foreign exchange</p> <p>Group liquidity management</p> <p>Counterparty risk management</p>	<p>Bank credit risk management</p> <p>Large exposure and concentration</p> <p>Bank traded market risk</p> <p>Interest rate risk in the banking book</p> <p>Bank securitisation and covered bonds</p> <p>Bank liquidity and funding</p> <p>Life pricing advice</p>
<b>OPERATIONAL RISK</b>	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk, but excludes strategic and reputational risks.	<p>Business continuity</p> <p>Delegation of authority</p> <p>Financial crimes</p> <p>Group security</p> <p>IT acceptable use</p> <p>Model integrity</p>	<p>Outsourcing and procurement</p> <p>Project management</p> <p>Product approval</p> <p>Human resources</p>
<b>COMPLIANCE RISK</b>	The risk of legal or regulatory sanctions, financial loss, or loss to reputation which the Group may suffer as a result of its failure to comply with all applicable regulations, codes of conduct and good practice standards.	<p>Code of Conduct</p> <p>Compliance</p> <p>Conflicts of Interest</p> <p>Disclosure</p> <p>Fit and Proper</p>	<p>Privacy</p> <p>Sanctions</p> <p>Securities Trading</p> <p>Whistleblower</p>

# Corporate Governance Statement (continued)

## PART 5 RISK: ENABLING BUSINESS AT SUNCORP (CONTINUED)

### 5.1.3 RISK APPETITE IS DEFINED AT SUNCORP GROUP AND BUSINESS UNIT LEVEL

Risk appetite is the nature and level of risk the Board is willing to accept in the pursuit of strategic objectives. Risk appetite is a key component of setting the strategic direction of the Suncorp Group, and responds to a number of drivers such as capital strength, underlying business performance, staff capability and capacity, culture, systems capability, competitor behaviour and macro-economic forces.

The Risk Appetite Statements (**RAS**) are articulated at both a Suncorp Group and a business unit level and form part of strategic business plans.

There is a dynamic relationship between strategy and business planning, RAS and capital management in achieving Suncorp Group's strategic objectives. When approving risk appetite, the Board considers:

- the competing requirements and constraints imposed by key stakeholders and the current risk profile
- the strategic direction and the future capital needs based on these strategies
- the potential impact of significant and plausible stress scenarios to Suncorp Group's overall financial position.

### 5.1.4 RISK PROFILING

Risk profiles outline the number and type of risks and their potential effects. The risk rating scale, or level of risk, applies uniformly across Suncorp Group to ensure a consistent measurement of risk.

The maintenance and updating of risk profiles is thus a key aspect of the risk management process. In developing risk profiles, the risk assessment process takes account of the potential impact and likelihood of the risk.

The Suncorp Group and business unit risk profiles form part of quarterly reporting to the Board Risk Committee.

### 5.1.5 STRESS-TESTING

The risk management approach is based on examining the consequences of worst case scenarios and determining whether these are acceptable. This approach is adopted for all material risk types and is often achieved by 'stress-testing' which the Board and management use as a risk assessment tool, to inform and support decision-making in respect of risk appetite and to test the adequacy of internal capital targets.

The stress-testing framework tests the resilience of Suncorp Group's capital buffer above the minimum regulatory capital requirements, using clearly defined Suncorp Group and business unit-specific risk factors for a range of scenarios and over different timeframes.

## 5.2 RISK EVOLUTION AT SUNCORP IN 2013/14

### 5.2.1 THREE PILLAR RISK STRATEGY

During the 2013/14 financial year Suncorp Group embarked on a *three pillar* strategy to further evolve the risk function into a more dynamic and forward-looking function that embraces the challenges and opportunities Suncorp Group's conglomerate structure brings.

Refine and embed Group  
CRO structure

Enhance risk capability  
and maturity

Strengthen the risk community

### PILLAR 1— REFINE AND EMBED GROUP CRO'S TEAM STRUCTURE

The first pillar culminated in the formal lines of accountability of all Australian business unit Chief Risk Officers being reappointed to the Group CRO from 1 July 2014.

This enhanced structure fosters a more cohesive risk community, provides greater independence to the second line of defence risk function and facilitates a more efficient development of the overall risk framework and risk management capability.

### PILLAR 2 – ENHANCE RISK CAPABILITY AND MATURITY

The second pillar embeds the three lines of defence model more consistently across the Suncorp Group by:

- ensuring the risk operating model, and people development and training, support risk-related activities and roles across each line of defence
- refining the Suncorp Group and business unit risk functions to ensure clarity of roles and accountabilities are in line with risk capability and maturity.

### PILLAR 3 – STRENGTHEN THE RISK COMMUNITY

The third pillar consists of rolling out initiatives to support the development of talent, capability and leadership in the Risk job family and establishing risk as a valued, trusted partner and contributor to Suncorp Group's success.

### 5.2.2 RISK MATURITY MODEL IMPLEMENTED IN 2013/14

Suncorp Group implemented its Risk Maturity Model during the 2013/14 financial year. This objective, evidenced-based tool enables a consistent and transparent assessment of the maturity of the risk capability and culture across Suncorp Group, and provides confidence to the Board and senior management that risk management capability is at a level that supports risk appetite and therefore the achievement of Suncorp Group's business objectives.

As part of their three-year business plans, commencing 1 July 2014, the business units have developed target risk

## 5.2.2 RISK MATURITY MODEL IMPLEMENTED IN 2013/14 (CONTINUED)

maturity levels. These targets help identify improvement areas and inform the remuneration framework, driving the link between risk capability and business planning and importantly, further embedding risk awareness and optimal risk management practices.

During 2013/14, Suncorp Group's risk appetite framework matured further with greater strategic alignment introduced for capital targets, customer interests and operational risks.

The embedding of awareness of risk appetite continues across the Suncorp Group so that the appetite for and approach to risk is well understood across the workforce and integrated into daily tasks.

## 5.3 WELL-ESTABLISHED, INTEGRATED RISK CULTURE

The Board recognises an effective risk management framework involves more than robust controls and can only function if risk is embedded deep within the Suncorp Group's culture and employees' awareness, with clear ownership and accountability for risk assigned right across the organisation.

As a leading provider of financial services in Australia and New Zealand, it is essential that Suncorp Group employees understand they are an active participant in a risk-aware culture and the role they perform is part of an active risk management framework.

It is the responsibility of all employees to take a rigorous approach to managing risk and to adhere to the Suncorp Group's risk management policy.

The Groups' risk culture is the set of acceptable behaviours that guide employees in the taking and managing of risk – and reflects the shared values and attitudes that embed risk management into Suncorp Group's operations and factor risk into decision-making processes. The Suncorp Group advocates and supports a strong, positive, risk-aware culture and the importance of alignment with the Suncorp Group's risk appetite is clearly and widely understood.

Advocating and promoting a positive risk culture across the Suncorp Group is a key focus and theme in Suncorp's strategy. With the Board's endorsement and engagement, the Suncorp Group has adopted a set of risk-culture principles which the business units will further embed in alignment with their strategies and risk appetite in 2014/15.

Employees are encouraged to focus on what makes a strong risk culture and accordingly:

- risk and governance language is becoming much more consistent across the Suncorp Group
- transparent, open dialogue is encouraged, making it easier for people to raise concerns
- diversity in views is encouraged as this leads to better decision-making.

The Suncorp Group carries out a regular health check of its risk culture through a range of group-wide feedback mechanisms such as engagement surveys and management questionnaires.

## 5.4 STRATEGIC RISK MANAGEMENT

The consideration of strategic risks is integral to development of Suncorp Group's strategy and the decision-making process for all business initiatives across the Suncorp Group.

An annual strategic planning process refines the Suncorp Group's strategic direction which the Board endorses with input from the Group CRO on business plans (including capital management plans) and Suncorp Group and business unit RAS.

Identification of longer term strategic risks for presentation and discussion with the Board and the Senior Executive team forms part of the November Board strategy retreat. This involves:

- educating and seeking input from the Board on strategic risks/opportunities and highlighting areas of future priority (as a prelude to the next planning process)
- demonstrating to the Board that strategic risks are being managed over the medium to long term

- broadly raising the profile and understanding of strategic risks/opportunities beyond the strategic plan period with the Senior Executive team.

## 5.5 RISK-BASED CAPITAL – LINKING RISK WITH CAPITAL MANAGEMENT

The Board's focus is increasingly on Suncorp's ability to understand and quantify the risks inherent in all business decisions, to drive optimal capital allocation within and across its lines of business.

Risk-based capital (**RBC**) requirements exist to protect financial institutions, investors and the economy by ensuring an institution maintains enough capital to sustain it against operating losses. RBC is a method for measuring the amount of capital the Suncorp Group needs to support its overall business operations in consideration of its size and risk profile and therefore acts to limit the amount of risk the Suncorp Group can accept. RBC is used by regulators in the financial analysis of conglomerates.

The Suncorp Group has made significant progress during the year in developing its RBC capability, which allows it to quantify risk to optimise return on capital, and enhance decision-making.

Each business unit now expects RBC to play an increasingly important role in its Internal Capital Adequacy Assessment Process (**ICAAP**), and further strengthen the links between risk, business planning and capital management.

## 5.6 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Suncorp Group's ICAAP is used to ensure adequate capital exists to meet the current and future obligations to policyholders and deposit holders.

The ICAAP includes strategies for maintaining adequate capital over time, and setting targets and triggers in the context of the Suncorp Group and business unit risk profile.



# Corporate Governance Statement (continued)

## PART 5 RISK: ENABLING BUSINESS AT SUNCORP (CONTINUED)

### 5.6 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP) (CONTINUED)

ICAAP reporting sets out current and projected capital levels relative to regulatory capital requirements and target capital levels, and details the outcomes of stress-testing and outcomes of actual versus planned capital management actions. RBC will be progressively incorporated into the group's ICAAP to provide a more risk-sensitive capital management capability.

- Establishment of group and business unit risk appetite facilitates target capital setting and is a key input into the business planning process.
- Capital targets and triggers are set using both stress-testing and RBC modelling.
- Capital reporting and monitoring processes ensure that wherever possible capital targets are not breached.
- ICAAP is reviewed annually, and independently at least every three years.

### 5.7 RISK GOVERNANCE

The accountabilities model in the ERMF clearly establishes the roles and responsibilities for managing risk.

#### 5.7.1 RISK COMMITTEE – COMPRISES INDEPENDENT BOARD MEMBERS

##### CHAIR: MR EWOUT KULK

Members: Ms Ilana Atlas, Mr William Bartlett, Ms Audette Exel AO

Ex officio member: Dr Zygmunt Switkowski AO (Board Chairman)

Number of meetings held in 2014: 5

All members are independent non-executive directors.

The Risk Committee:

- is chaired by Mr Ewoud Kulk, an independent non-executive director with extensive experience in insurance and risk management, who is also a member of the Remuneration Committee
- consists of five independent non-executive directors including the Board Chairman as an ex officio member
- has Ms Ilana Atlas, Mr William Bartlett, and Ms Audette Exel AO as its members, all of whom have an extensive understanding of risk management. Ms Atlas is the Remuneration Committee Chair; Mr Bartlett is also a member of the Audit Committee and the Remuneration Committee.

The key responsibilities of the Risk Committee are set out in section 2.2.

The Risk Committee has delegated authority from the Board to approve and oversee the processes used to identify, evaluate and manage risk, and to recommend risk appetite to the Board. The Risk Committee therefore takes primary responsibility for ensuring the ERMF constitutes an appropriate and effective framework for the management of risk and assuring the Board that the policies, internal controls and processes that support it are sound and are working as intended. That assurance must be independent of business units and the Suncorp Group risk management function.

The Risk Committee approves significant changes to risk management policies and receives reports from management on Suncorp Group's risk profile and policy framework and external developments which could impact the ERMF's effectiveness.

The Risk Committee meets quarterly with management to assess current and emerging risks, identified through the Suncorp Group's risk reporting process.

In 2013/14 the Risk Committee's focus on embedding the ERMF continued. Each business unit reports to the Risk Committee on the performance of its business against the targets contained in the business unit's RAS.

Management provides updated stress-testing scenario results every six months to the Risk Committee.

#### 5.7.2 RISK MANAGEMENT COMMITTEES

At a management level, the risk management committees form an important part of the risk accountabilities model with a number of committees comprising executive representation from both Suncorp Group and business units. The risk management committees perform a valuable role in bringing together key subject matter experts to monitor and oversee elements of the ERMF.

Each committee has its own charter and executes specified responsibilities in the ERMF.

#### 5.7.3 SPECIFIC ACCOUNTABILITIES FOR RISK MANAGEMENT

Management has a mandate and an obligation to manage risk in accordance with the Board-approved RAS and more broadly in accordance with Suncorp Group's risk policies.

The Board has delegated to the Group CEO its authority to manage and supervise the day-to-day operations and activities, including authorities and limits for key risks facing the Suncorp Group and authority to commit and make operational and capital expenditures.

The Board authorises the Group CEO to further delegate authorities to individuals in accountable positions. The Group CEO has discretion to delegate these authorities and limits to management.

- The Senior Executive team provides executive oversight and direction-setting across the Group, taking risk considerations into account.
- The Group CRO, who is a member of the Senior Executive team, is responsible for promoting and supporting risk considerations with the Senior Executive team and is charged with the overall day-to-day accountability for the Suncorp Group's risk



### 5.7.3 SPECIFIC ACCOUNTABILITIES FOR RISK MANAGEMENT (CONTINUED)

management framework and overall risk adequacy. The Group CRO reports to the Group CEO and has unfettered access to the Board.

- Business unit Chief Risk Officers have formal lines of accountability to the Group CRO effective 1 July 2014.

Internal Audit provides independent testing and verification of the efficacy of risk standards and compliance, and validates the overall risk framework and provides assurance it is functioning as designed. Internal Audit provides reports to both the Audit and the Risk Committees.

### 5.7.4 RISK MANAGEMENT PROCESSES

As part of the ERMF, internal controls have been implemented across the Suncorp Group to ensure appropriate risk identification, assessment, control, management, monitoring and reporting.

These support the proactive management of risk, including the regular maintenance of risk profiles which support the Board's and management's oversight of risk.

### 5.7.5 RISK REVIEWS

The Group CRO conducts quarterly risk reviews with each business unit, the Corporate Centre and Suncorp Group shared services functions. These reviews provide the opportunity to discuss risk maturity, risk appetite, key risk issues, recent audit, compliance, or loss situations, new initiatives, and other risk matters relevant to the risk performance of the business unit.

In 2013/14, these reviews were enhanced to also focus on the achievement of target risk maturity levels.

### 5.7.6 COMPLIANCE

Suncorp Group aims to conduct its business in compliance with all relevant laws, rules, regulations, industry standards and codes,

internal policies and procedures, and having regard to accepted community and ethical standards.

The Suncorp Group acts promptly to correct incidents of non-compliance no matter how identified, including determining whether a compliance failure is a breach that is reportable to a regulator.

Managers complete a periodic due diligence attestation to confirm the status of compliance within their area of responsibility. The compliance status, including actual and potential breaches, is captured in a centralised incident and risk system to ensure necessary stakeholders are aware of material matters affecting Suncorp Group operations.

### 5.7.7 REGULATOR RELATIONSHIP MANAGEMENT

Policies and procedures have been developed to ensure open communications between Suncorp Group and regulators occur in a timely manner including the reference of all material correspondence between the Suncorp Group and regulators to the Board or relevant Board committee.

### 5.7.8 APRA DECLARATIONS

In accordance with APRA's Prudential Standards, regulated entities must submit a risk management declaration to APRA signed by the Board annually confirming the adequacy of the regulated entity's risk management systems.

The risk management declarations are based on reports considered and reviews conducted by the Board Risk Committee during the course of the year and on the representations provided to the Board and Group CEO by management in regard to the adequacy of Suncorp Group's risk management systems.

## PART 6 GOVERNANCE POLICIES OF GENERAL APPLICATION THROUGHOUT SUNCORP GROUP

### 6.1 DEALINGS IN COMPANY SECURITIES

The Board has adopted a Securities Trading Policy that prohibits directors and prescribed persons from trading in Suncorp securities at any time while in possession of price-sensitive information, and at certain other times surrounding the release of the Company's half-year and annual financial results to the ASX, and the date of the AGM.

Directors must not enter into a transaction that is designed to limit the economic risk of a holding in unvested Suncorp securities (i.e. a hedging transaction).

Approval to trade in Suncorp securities is coordinated by the Company Secretary who is also responsible for reporting all transactions by directors and prescribed persons to the Board. All executed trading in Suncorp securities by directors and 'prescribed persons' is reported to the Suncorp Group Board collectively in a timely manner.

In accordance with the provisions of the Corporations Act 2001 and the ASX Listing Rules, the ASX is advised promptly of any director's transactions in Suncorp securities.

The Securities Trading Policy is made available to directors via the Company Secretary and employees through the intranet site.



The Securities Trading Policy is available on the website at [suncorpgroup.com.au/about-us/governance](http://suncorpgroup.com.au/about-us/governance).

# Corporate Governance Statement (continued)

## PART 6 GOVERNANCE POLICIES OF GENERAL APPLICATION THROUGHOUT SUNCORP GROUP (CONTINUED)

### 6.2 SUNCORP GROUP CODE OF CONDUCT

The Board revised the Suncorp Group Code of Conduct in May 2014. This code outlines the standards of behaviour expected of all directors, executives, management and employees.

In addition to the Code of Conduct, the main business activities are also subject to a number of industry codes such as the General Insurance Code of Practice and the Banking Code of Conduct.

There are also a number of internal policies in place as part of a compliance framework to monitor and encourage adherence with the Code of Conduct and industry codes. The key related policies are the:

- Conflicts of Interest Policy
- Whistleblower Policy
- Securities Trading Policy.

The Company monitors compliance with the Code of Conduct and its various other policies using an internal due diligence system.



The Code of Conduct and Whistleblower Policy are available on the website at [suncorpgroup.com.au/about-us/governance](http://suncorpgroup.com.au/about-us/governance).

### 6.3 DIVERSITY AT SUNCORP

Building a more diverse and inclusive workforce is one of the Suncorp Group's strategic priorities. This focus helps attract and retain the best talent and creates diversity of thought, enabling Suncorp to develop more innovative products and services and to better identify and manage risk. This all translates to better outcomes for the Suncorp Group's customers and shareholders.

Diversity and inclusion at Suncorp have the highest level of commitment and support. The Group CEO chairs the Suncorp Diversity Council which oversees diversity strategy and policy and monitors progress against agreed objectives. The Diversity Council meets quarterly and the Board receives quarterly progress updates. The Senior Executive team reviews progress against key diversity measures on a monthly basis to agree any actions to be taken, specific to each business unit. The Suncorp Group's policy on diversity is contained within its Equal Employment Opportunity and Diversity Policy, a summary of which is available on the website at [suncorpgroup.com.au/about-us/governance](http://suncorpgroup.com.au/about-us/governance).

Over the past year, Suncorp Group made strong progress with its Board-approved Group Diversity and Inclusion Strategy gaining national recognition and winning 'Best Workplace Diversity Strategy' at the 2013 Australian HR Awards. Suncorp Group was also one of 16 ASX200 companies to receive a 'green' status in the 2013 Women on Boards Traffic Light Index, in recognition of the Group's efforts in embedding gender diversity principles across the business.

Gender diversity remains a key priority of Suncorp Group's diversity and inclusion strategy. Suncorp Group has expanded its focus areas within the last 12 months to include:

- mature-aged talent
- people with disability
- Indigenous engagement.

In the last 12 months a number of successful initiatives in the pursuit of greater workforce diversity and inclusion were delivered. Some highlights include:

- **Recruitment** – expanding recruitment channels to attract female talent and achieving far greater gender balance on the interview shortlists for senior leader role vacancies
- **Development** – delivering targeted leadership development programs to strengthen the pipeline of female talent into senior leadership roles

- **Talent planning** – focusing on female talent and succession planning during senior leadership talent reviews
- **Culture** – delivering awareness programs to leaders to identify and counteract hidden biases which might hinder the advancement of diverse talent into leadership
- **Gender pay equity** – embedding equal pay principles and processes into the Suncorp Group's employment lifecycle
- **Flexible ways of working** – expanding innovative, flexible working initiatives to help employees achieve a reasonable balance between work and home.

In 2011 the Suncorp Group set a measurable gender objective to increase the representation of women in senior leadership to 33% by June 2014. This target has been exceeded and as at 30 June 2014, the proportion of women the Suncorp Group employed was:

GROUP	FY14 TARGET	FY14 ACTUAL % OF WOMEN	FY17 TARGET
Directors	-	22%	33%
Senior leaders <sup>3</sup>	33%	36%	40%
All leaders <sup>4</sup>	-	45%	-
Total workforce	-	57%	-

In the 2014 Suncorp Employee Engagement (SEE) Survey, 87% of respondents agreed that Suncorp Group understands and appreciates differences amongst employees and 79% of respondents said they were supported in achieving a reasonable balance between their work and personal life.

<sup>3</sup> 'Senior leaders' refers to senior management roles at Suncorp. It includes Senior Executives, Executive General Managers and Executive Managers together with a small number of other senior roles of influence.

<sup>4</sup> 'All leaders' refers to senior leaders plus all other people leader roles across the Suncorp Group.

### 6.3 DIVERSITY AT SUNCORP (CONTINUED)

These results far exceed global high-performing norms by +11 and +18 respectively.<sup>5</sup>

The Suncorp Group 2014 Annual Review contains further information about diversity and inclusion at Suncorp and employee engagement.



**Suncorp Group's policy on diversity is contained within its Equal Employment Opportunity and Diversity Policy, a summary of which is available on the website at [suncorpgroup.com.au/about-us/governance](http://suncorpgroup.com.au/about-us/governance).**

### 6.4 ASX CONTINUOUS DISCLOSURE

Suncorp Group aims to keep analysts, investors and shareholders and the market fully informed of its financial performance and strategy.

Suncorp Group has a Disclosure Policy and associated disclosure procedures that:

- regulates the communication of market sensitive information
- outlines the processes for ensuring material information is not disclosed on a selective basis
- sets out the Group's processes to ensure compliance with its continuous disclosure obligations.

The Disclosure Policy was updated in August 2014 and summarises the processes that have been adopted to ensure the Suncorp Group complies with its continuous disclosure obligations under the Corporations Act 2001, the ASX Listing Rules and other regulatory requirements including APRA's Prudential Standard APS 330 Public Disclosures. The Disclosure Policy applies to

<sup>5</sup> Global high-performing norms are provided by Hay Group who administer the Suncorp Employee Engagement (SEE) Survey. They represent the comparative scores of high-performing organisations and are based on data collected over the past five years from over 30 companies around the world.

all Suncorp Group directors, employees, contractors, advisors and consultants.

A Corporate Disclosure Officer is responsible for ensuring compliance with ASX continuous disclosure requirements, and for coordinating disclosure of information to the ASX, analysts, investors, shareholders, the media and the public. The Suncorp Group also has a disclosure committee to assist the Corporate Disclosure Officer in making disclosure-related decisions, consisting of the Group CEO, the Group CFO, the Group General Counsel and Company Secretary and the Head of Investor Relations.

#### 6.4.1 MEDIA RELATIONS POLICY

The Suncorp Group Media Relations Policy, which supplements the Disclosure Policy, outlines procedures for managing the disciplined release of information and responses to the media and other external parties. The key policy objectives are to portray Suncorp Group and its brands, products and services in a balanced way.

Employees may not make comment to the media or to other external parties on any aspect of the business unless they are authorised to comment. Media releases and participation in major public forums (e.g. presentations at significant conferences) must be approved in advance by Suncorp Group or the relevant line of business corporate affairs team.

#### 6.4.2 MAINTAINING RELATIONSHIPS WITH KEY STAKEHOLDERS

Suncorp Group's Investor Relations team coordinates an active investor relations program to maintain dialogue with institutional investors, retail investors and sell-side analysts through meetings, presentations, and other ad hoc events. The program includes domestic and international investor roadshows, conferences and briefings. Any material information is released to the ASX prior to briefings with shareholders or analysts.

A key event on the Investor Relations calendar is the Investor Day which is generally held in May each year.



**The Disclosure Policy is published on the Suncorp Group website at [suncorpgroup.com.au/about-us/governance](http://suncorpgroup.com.au/about-us/governance).**

### 6.4.3 ONLINE AND ELECTRONIC COMMUNICATION WITH SECURITY HOLDERS IS ENCOURAGED

Suncorp Group's latest ASX announcements are automatically published on the website, enabling access to the broader investment community. Interested parties can register to receive news updates.

Suncorp Group seeks to continually improve its online and electronic communications and improve the functionality of the website and encourages security holders to elect to receive shareholder reports and other communications electronically.

Shareholders are encouraged to, and do, regularly communicate electronically with Suncorp's share registry, Link Market Services, on all shareholder-related matters.

#### 6.4.4 AGM

The Suncorp Group AGM will be held on Thursday 23 October 2014 at the Sofitel Hotel, 249 Turbot Street, Brisbane. A formal notice and AGM documents are sent to shareholders at least 28 days in advance – this material includes explanatory notes that clearly explain the nature of the AGM business and the resolutions to be put to shareholders.

The AGM begins with a business presentation, followed by a question and answer session led by the Board Chairman. Shareholders are encouraged to attend the AGM or submit questions to the Board prior the meeting. Shareholders who are unable to attend are encouraged to vote directly (online) in advance of the meeting or appoint a proxy. The AGM voting result is lodged with the ASX as soon as practicable after the AGM and published on the website. The AGM is webcast live on the website for interested parties who are unable to attend.



# Corporate Governance Statement (continued)

## PART 7: INTEGRITY OF CORPORATE REPORTING

### 7.1 AUDIT COMMITTEE – COMPRISES INDEPENDENT BOARD MEMBERS

The primary role of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to oversight of Suncorp Group's financial and operational control environment.

The key responsibilities of the Audit Committee are set out in its formal charter (refer section 2.2). The Audit Committee comprises solely non-executive directors who are suitably qualified in accounting, economics and financial management.

#### AUDIT COMMITTEE CHAIR: DR DOUGLAS MCTAGGART

Members: Messrs William Bartlett (previously Chair until 20 February 2014), Geoffrey Ricketts CNZM

Ex officio member: Dr Zygmunt Switkowski AO (Board Chairman)

Number of meetings held in 2014: 4

All members are independent non-executive directors.

The Board appoints one of the Audit Committee members, other than the Board Chairman or Risk Committee Chair, to serve as Audit Committee Chairman. The Audit Committee Chair must be an independent director. The Audit Committee:

- is chaired by Dr Douglas McTaggart, an independent non-executive director with extensive experience in accounting and finance
- consists of four independent non-executive directors including the Board Chairman as an ex-officio member
- has Mr William Bartlett and Mr Geoffrey Ricketts CNZM as its members, both of whom have an extensive understanding of audit and finance.

The Audit Committee monitors internal control policies and procedures designed to safeguard Suncorp Group's assets and maintain the integrity of corporate reporting.

The Group CEO, Group CFO, Group CRO and the internal and external auditor are invited to meetings at the Audit Committee's discretion. The Audit Committee also holds discussions with the auditors in the absence of management on a regular basis.

### 7.2 INTERNAL AUDIT FUNCTION

The Audit Committee has adopted an Internal Audit Charter. The objectives of Internal Audit include:

- assessing whether risks have been adequately identified and assessed
- assessing whether internal controls (including management oversight processes) are properly designed, and are consistently and effectively operating to mitigate those risks
- conducting investigations on behalf of the Audit Committee, senior management and regulators as required.

Members of the internal audit department have full, free and unrestricted access to all Suncorp Group activities, records, property and personnel.

The internal audit function is independent of the external auditor.

### 7.3 INTEGRITY OF FINANCIAL AND CORPORATE REPORTING

The Board receives monthly reports from management on the financial performance of each business unit and the Suncorp Group, including details of all key financial and business results reported against budget, with regular updates on yearly forecasts.

The Audit Committee has assured the integrity of the Company's financial statements for the financial year ended 30 June 2014 and that the Company's financial reports for the 2013/14 financial year comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

### 7.4 WRITTEN DECLARATIONS

When the Board considers the statutory financial statements and reports for the Suncorp Group in February and August each year, written certifications regarding the integrity of those

financial statements and the Suncorp Group's risk management and internal compliance and control systems are provided by the Group CEO, the Group CFO and the Group CRO.

For the 2013/14 financial year the Group CEO, Group CFO and Group CRO have provided:

- a written declaration regarding the integrity of the financial statements of the Suncorp Group
- assurance that Suncorp Group's risk management and internal compliance and control systems are operating effectively in all material respects.

These certifications meet the requirements of s295A of the Corporations Act 2001.

The certifications the Group CEO, Group CFO and Group CRO provide are based on responses management provide to a management certification questionnaire, which is designed to provide an assurance to directors on matters that may impact the financial statements of Suncorp Group companies.

### 7.5 EXTERNAL AUDITOR – KPMG

Suncorp Group's external auditor is KPMG.

The Audit Committee is responsible for recommending to the Board the appointment and removal of the external independent auditor and for determining the terms of engagement. The Audit Committee reviews annually the effectiveness, performance and independence of the external auditor.

KPMG have a partner rotation policy that requires the signing and engagement partner to change every five years in accordance with the requirements of the Corporations Act 2001. The Board has endorsed that rotation policy.

KPMG provide a written report, to each Audit Committee meeting, on audit and non-audit services provided to the Suncorp Group and the associated fees for those services. KPMG also confirm their independence as auditor has been maintained in

## 7.5 EXTERNAL AUDITOR – KPMG (CONTINUED)

relation to the Suncorp Group, having regard to relevant policies, professional rules and statutory requirements.

### 7.5.1 EXTERNAL AUDITOR ATTENDS AGM

KPMG, the external auditor, is required to attend the Company's AGM each year. Shareholders are advised the auditor will be available to address questions relevant to the conduct of the audit and the preparation and content of the auditor's report.



The Audit Committee Charter is available on the website at [suncorpgroup.com.au/about-us/governance](http://suncorpgroup.com.au/about-us/governance).

The independent auditor's statements are included in the Directors' Report and Financial Statements, available on the website at [suncorpgroup.com.au/investors/reports](http://suncorpgroup.com.au/investors/reports).