

## Solid performance, divestment of Suncorp Bank delayed

<b>Company/ASX Code</b>	Suncorp Group / SUN
<b>AGM time and date</b>	11am, Tuesday 26 September 2023
<b>Location</b>	Sofitel Brisbane Central, 249 Turbot Street, Brisbane, Queensland and online at <a href="http://meetings.linkgroup.com/suncorp23">http://meetings.linkgroup.com/suncorp23</a>
<b>Registry</b>	Link Market Services
<b>Type of meeting</b>	Hybrid
<b>Monitor</b>	John Whittington, assisted by Steven Mabb
<b>Pre-AGM Meeting</b>	Yes, with Chair Christine McLoughlin

Monitor Shareholding: The individuals (or their associates) involved in the preparation of this voting intention have no shareholding in this company.

### 1. How we intend to vote

No.	Resolution description	
1	Remuneration Report	For
2	Grant of performance rights to the Group CEO & Managing Director	For
3a	Re-election of Mr Elmer Funke Kupper as a director	For
3b	Re-election of Mr Simon Machell as a director	For

### 2. Summary of Issues and Voting Intentions for AGM

- Solid financial performance in FY23
- Annual Report and Remuneration Report both are clear and communicate most information needed well, and remuneration quantum and structure are aligned with ASA guidelines
- The ASA continues to be disappointed that the company didn't allow a shareholder vote on the divestment of Suncorp Bank

ASA intends to vote open proxies for all resolutions.

### 3. Matters Considered

#### Accounts and reports

Suncorp had a solid financial performance for the year, returning to an annual profit of just over \$1bn, a level that had not been achieved since each of the years 2014-2018.

#### Financial performance

(As at FYE)	2023	2022	2021	2020	2019
NPAT (\$m)	1,148	681	1,033	913	175
UPAT (\$m)	1,062	991	921	830	1,115
Share price (\$)	13.49	10.98	11.11	9.23	13.47
Dividend (cents)	60	40	66	36	70
Simple TSR (%)	28%	2%	28%	-29%	-3%
EPS (cents)	91	54	81	72	14
CEO total remuneration, actual (\$m)	3.604	3.747	2.903	2.317	1.767 (part year)

Simple total shareholder return (TSR) is calculated by dividing change in share price plus dividend paid during the year, excluding franking, by the share price at the start of the year.

#### Governance and culture

Governance of the company seems good with the company meeting most ASA guidelines.

With only three in the board of ten female, the board does not meet our current gender diversity expectation of at least 40% female and at least 40% male, however they are committed to achieving this level and as we have increased this from 30% in May 2023, we are allowing time for the company to adapt to changing community expectations.

We are disappointed that the company does not provide a genuine board skills matrix – they only provide a table with very generous assessments, and we are asking the company to do better. As a result, it is very difficult for shareholders to assess if there are risks due to insufficient specialist skills on the board (we suspect not but need a genuine matrix to be sure).

The company does not disclose how long the current auditor has served and when the last competitive audit tender was held. It also allows payment for political fund raisers and does not disclose the amounts paid in the Annual Report or Corporate Governance Statement. We are asking for better disclosure in both these areas.

#### Key events

The sale of Suncorp Bank to ANZ is still in regulatory limbo with the Australian Competition and Consumer Committee (ACCC) not authorising the sale but both ANZ and Suncorp have appealed this decision to the independent Australian Competition Tribunal. If the sale proceeds, it is now not likely to occur until mid-2024.

## **Key board or senior management changes**

There were no changes in board or significant changes in senior management during the year.

## **Sustainability/ESG**

The company provides comprehensive sustainability and Task Force on Climate-Related Financial Disclosures (TCFD) reports which allow shareholders to make an informed decision about these matters.

## **4. Rationale for Voting Intentions**

### **Resolution 1 Remuneration Report (for)**

The report is one of the better this monitor has read and, to a large degree, communicates the structure and outcome very well without taking interminable numbers of pages on unnecessary detail. There are some excellent graphics which this monitor hasn't seen elsewhere, and it would be good to see more companies use them.

The quantum (ie \$ amount) of the awards are in line with similar companies.

Remuneration is part fixed and part variable where the variable component should be considered variable pay rather than a bonus. Performance under target/expectations will result in lower pay, performance above target/expectations will result in higher pay.

The variable element consists of short-term incentives (STI) which can vary between 0 and 150% of fixed pay, and long-term incentives (LTI) which can vary between 0 and 100% of fixed pay. So total pay can vary from just fixed pay alone (for very poor performance) to 3.5 times fixed pay (for exceptional performance).

STIs are awarded half in cash immediately, and half in share rights which vest over two subsequent years and are calculated based on performance against 13 targets (weighted 50% financial) for the current year. LTIs are awarded in share rights which vest in the fourth year and are calculated based on total shareholder return (TSR) over the next three years against both the ASX100 (50%) and ASX100 financial organisations (50%).

Senior executives are required to hold Suncorp share equivalent to 100% of fixed pay within four years of their appointment.

In conclusion, we believe that the level of remuneration is not excessive, the incentives are generally aligned with shareholders, disclosure is good, and the clarity and understandability of the report itself is excellent. As a result, we will be supporting the report.

### **Resolution 2 Grant of performance rights to the Group CEO & Managing Director (for)**

This is for the issue of a maximum of 230,867 performance rights worth \$3.1m (based on the volume weighted average price of the five trading days leading up to 1 July).

This grant is different from previous years in that makes changes to require current APRA requirements for significant financial institutions. These changes are:

- Whilst the performance conditions will be tested in year three, the award itself will only vest one-third in year 4, one-third in year 5, and one-third in year 6. This we believe to be a great improvement and would like companies not regulated by APRA to adopt similar vesting schedules.

- In addition to the two current relative total shareholder return (TSR) performance measures, two new ones, one based on *Relative Suncorp Group Insurance Customer NPS (Consumer)* and *Relative Trust and Reputation* have been added. In general, we have concerns about non-financial performance measures as they are usually not as transparent and may be more easily manipulated, however we acknowledge that the requirements of the relevant regulator must be followed. We are seeking to ensure that these two metrics used by Suncorp will be easily observable by shareholders and thus pass the transparency test and be less open to manipulation.

We believe that the level of award is not excessive and is aligned with shareholders so will support this grant.

### **Resolution 3a Re-election of Mr Elmer Funke Kupper as a director (for)**

Mr Funke Kupper, a former CEO of the ASX and Tabcorp who previously held senior executive positions at ANZ, was appointed to the board in January 2020. He has a shareholding equivalent to over 200% of his expected annual remuneration and is independent.

Mr Funke Kupper is a non-executive director of one unlisted company, MYOB Group. We do not consider his workload excessive.

We believe that Mr Funke Kupper is well qualified, can contribute to the board and we support his election.

### **Resolution 3b Re-election of Mr Simon Machell as a director (for)**

Mr Machell, a former CEO of Norwich Union/Aviva with extensive experience in the insurance industry, was appointed to the board in April 2017. He has a shareholding equivalent to over 260% of his expected annual remuneration and is independent.

Mr Machell is a non-executive director of Prudential Assurance Company Singapore and Chair of the Pacific Life Re Limited Australian entity board and a director of its Bermuda entity boards, as well as being a non-executive director of Tesco Bank and Chair of Tesco Underwriting in the UK. As none of these are listed, we do not consider his workload excessive.

We believe that Mr Machell is well qualified, can contribute to the board and we support his election.

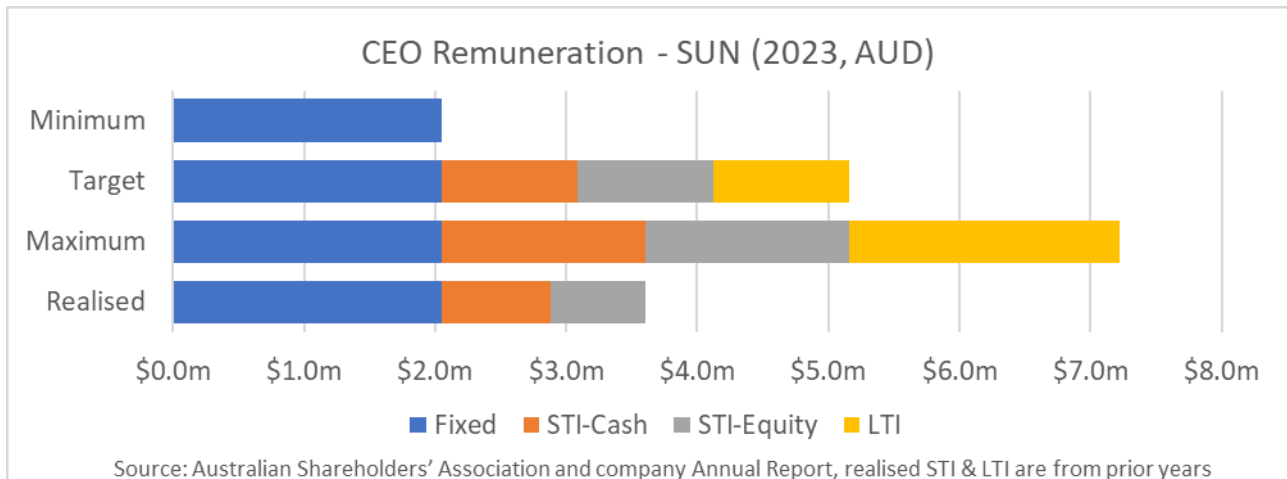
#### **ASA Disclaimer**

*This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:*

- *makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- *shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

*This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.*

## Appendix 1 Remuneration framework detail



The amounts in the graphic above are the amounts that are envisaged in the design of the remuneration plan. \*Target remuneration is sometimes called budgeted remuneration and is what the company expects to award the CEO in an ordinary year, with deferred amounts subject to hurdles in subsequent years before vesting. Some remuneration framework set a maximum opportunity amount, but not all.