

SUNCORP GROUP LIMITED
ABN 66 145 290 124
ANNUAL REVIEW
2015/16



Create a better today



Financial highlights

In 2015/16, Suncorp Group's net profit after tax (NPAT) was \$1,038 million. This solid result was achieved despite global market volatility, an increase in the cost of settling claims following a record run of natural hazard events in 2015 and the impact of the lower Australian dollar. The Group's performance has been realised through refining the strategy to invigorate growth and driving more resilience to volatility. This includes elevating the role of the customer and recalibrating costs.

GENERAL INSURANCE

Delivered NPAT of \$624 million demonstrating the business's resilience despite the financial impact of weather events.

SUNCORP BANK

Significantly improved its earnings with profit after tax of \$393 million, while executing major transformation programs including updating the core banking system.

SUNCORP LIFE

Profit after tax was \$142 million. Underlying profit was above target at \$124 million, outperforming expectations with favourable claims and lapse experience.

GROUP NPAT

\$1,038m

GENERAL INSURANCE NPAT

\$624m

BANK NPAT

\$393m

LIFE UNDERLYING NPAT

\$124m

About Suncorp

Suncorp Group Limited is a top 20 ASX-listed company with \$96 billion in assets. The company has evolved into a unique franchise, delivering highly-valued banking and wealth, and insurance products and services across Australia and New Zealand.

Today the Group employs approximately 13,500 employees and serves close to nine million customers through its trusted brands including Suncorp, AAMI, GIO, Shannons, Vero and Apia.

The Customer Experience and Customer Platform functions use data, insights and forward-looking analytics to inform product innovation, and deliver experiences and solutions that meet more of our customers' needs.

Integral to meeting customer needs are three operational business units: Banking & Wealth; Insurance; and Suncorp New Zealand.

Suncorp is one of Australia's largest general insurers by gross written premium (GWP) and the second largest general insurer in New Zealand.

Suncorp Bank is one of Australia's leading banks serving one million personal, small to medium enterprise (SME) and agribusiness customers.

Life insurance and superannuation products are provided through the Group's brands and via aligned and independent financial advisers.

The Group is supported by corporate functions including Finance & Advice, Technology, Data & Labs, People Experience and Risk & Legal. A Transformation team was established to drive the Group's transition to its new operating model.

Suncorp's purpose is to *Create a better today* for all of our stakeholders, including our customers, shareholders, people and communities. This means we help people live the life they want now and plan for the life they want tomorrow.

Contents

CHAIRMAN'S REPORT	4	CORPORATE RESPONSIBILITY	17
CEO & MANAGING DIRECTOR'S REPORT	6	BOARD OF DIRECTORS	34
PERFORMANCE	8	SENIOR LEADERSHIP TEAM	35
BUSINESS STRATEGY	10	SUNCORP'S BRANDS	36
REVIEW OF OPERATIONS	12	FINANCIAL CALENDAR	37

Chairman's report



DR ZIGGY SWITKOWSKI AO
CHAIRMAN
4 AUGUST 2016



In October 2015, the Board welcomed Michael Cameron as Suncorp's new CEO & Managing Director.

This appointment was followed by a significant organisational transformation which included the launch of a new purpose to *Create a better today* for all of our stakeholders, and an operating model which emphasised that creating value for customers would underpin future profitability and growth.

To that end, Suncorp continues to be a well-capitalised, low-risk, financial services conglomerate, with a diversified earnings base that provides a strong foundation to create and sustain value for our customers, shareholders, employees and communities.

General Insurance, Life Insurance and Banking define our portfolio of financial services, our people understand their important role in helping customers during life's critical decisions and challenges, and our proud legacy sees us as close to, and dependent upon, the communities we serve in Australia and New Zealand.

The past financial year demonstrates that our businesses continue to generate strong profitability in an environment of low economic growth and unpredictable weather, and investment markets. The Group delivered a solid result, with a full year net profit after tax of \$1,038 million.

The underlying profit after tax for Suncorp's banking business improved as a result of prudent growth and improved risk management. Suncorp Life also saw underlying profits increase and is well positioned for growth as the industry undertakes reform. The General Insurance business experienced lower investment returns and higher claims costs, but was able to partially offset the financial impact of these issues with reserve releases arising from low inflation. The higher claims costs are being addressed, resulting in our insurance margins improving over the second half of the year.

In New Zealand, both the general and life insurance businesses have increased market share as a result of ongoing product innovation.

CONTINUING TO DELIVER ROBUST RETURNS IN UNCERTAIN TIMES

Suncorp strives to deliver attractive shareholder returns through disciplined cost and capital management, enhanced reinsurance arrangements, timely investments in technology and relevant relationships, and ongoing business efficiency improvements.

The Board has declared a final ordinary dividend of 38 cents per share, bringing the year's total dividend to 68 cents per share fully franked. This is at the top end of the Group's dividend payout ratio.

During a year of substantial volatility, where the ASX 200 Accumulation Index returned 0.6%, the Group's total return performance was negative 0.9%. While this is short of our aspirations and what we have delivered in recent periods, it compares to our peer group* who delivered a total return of negative 6.5% for the year. Over the past five years our total returns are 104%, more than double the ASX 200 Accumulation Index return of 43% for the comparable period.



A REFINED SUNCORP STRATEGY

Suncorp's refinement of its business strategy in early 2016 and the implementation of a new customer-focused operating model will help drive future growth, increase resilience to volatility and ensure long-term sustainability.

The Group should deliver greater value for customers by meeting their needs more consistently and adapting to evolving customer preferences.

The Board and executive team are galvanised behind the 'One Suncorp' business model and we are steadfast in our commitment to delivering long-term value for all of our stakeholders. The Group has outstanding people, advanced systems and established corporate functions that create a powerful foundation for future growth.

NEW LEADERSHIP

Nearing the end of his first year in the job, Michael has proven himself to be the right leader for the Group, refining Suncorp's strategy to focus on growth and resilience.

With the Board's endorsement, Michael has implemented the new operating model, putting customers at the centre of the organisation. Accordingly, a number of roles among the executive team have changed, delivering fresh perspectives and new energy for Michael's ambitious plans for the Group.

In October 2015, we also welcomed Sally Herman to the Board. Sally brings extensive experience in corporate and retail banking, insurance and wealth management, and corporate social responsibility developed over the course of a long executive career.

Board Director Geoff Ricketts will retire at the 2016 AGM in September and he will not seek re-election. Geoff has made a significant contribution over a period of almost 10 years and I thank him for his service and consistently wise counsel.

I would like to express my gratitude to Suncorp's people, whose dedication and passion for this business are both impressive and a great source of competitive advantage.

I would also like to acknowledge my Board colleagues for their frank, fearless and invaluable contributions and conscientious stewardship of the Group.

Finally, thank you to our loyal customers and shareholders. Your interests have been at the centre of all our decisions as we have worked to evolve our strategy and implement the new operating model. We look forward to being able to deliver exceptional results.

CEO & Managing Director's report



MICHAEL CAMERON
CEO & MANAGING DIRECTOR
4 AUGUST 2016



I'm delighted to present my first Annual Review to our stakeholders as Suncorp CEO & Managing Director.

It has certainly been a year of change, not just for Suncorp, but across the broader financial services sector. Market conditions have presented some headwinds with the economy in transition and ongoing competitive, regulatory and political pressures. Investment markets have remained volatile, delivering low growth and low returns. The rise of technology start-up companies in the financial services sector continues to threaten the scale advantage of large incumbents and disrupt traditional business models. Heightened price competition is a key contributor to the industry's high churn rate. Improving customer retention is a key focus for our business which will positively impact the Group's future earning capacity.

We have evolved our strategy and realigned our operating model to take advantage of new opportunities, enabling us to create greater value for our almost nine million customers,

while building a more resilient organisation. We have worked hard to rectify the working claims issues identified in December, through an intervention strategy designed to restore performance. We have also streamlined functions and taken a more frugal approach to discretionary spending. These measures have allowed us to end the year in a solid position.

I'm pleased to report that in 2015/16, Suncorp Group has delivered a net profit after tax of \$1,038 million and a total ordinary dividend of 68 cents fully franked.

When I stepped into the role in October 2015, my first priority was to meet as many people across the business as possible, to listen and learn more about the challenges and opportunities ahead.

Over the past six years much has been achieved in relation to the Group's Cost, Capital and Culture programs. The significant investments made during the Building Blocks, Simplification and Optimisation programs have delivered value to stakeholders and created a strong foundation.

This enables us to maintain a flat cost base, while implementing our Connected Customer strategy. Suncorp is now ready for its next phase of growth – sharpening our focus on delivering greater value for our customers and meeting more of their needs.

To achieve this, we have had to reorganise ourselves. In February 2016, I announced a new operating model, which removed structural constraints and enables us to broaden and deepen our relationships with our customers. As we move forward, our customers are now customers of the Group. With a 'One Suncorp' approach we will meet our customers' needs across brands and lines of business. Suncorp has a long history and culture of creating value for customers and we are now in position to build on this by giving them access to a Suncorp marketplace, which will allow them to self-select solutions, services and tools that are relevant and meaningful to their needs. We want to provide positive outcomes for all of our customers. This also extends to new services that will be provided by third parties

and partners such as Tröv, which will offer customers, particularly those in the millennial generation, access to on-demand insurance for single items that are important to them. Ultimately, we want to help our customers *Create a better today* through our 'One Suncorp' business model approach.

As one of Australia's and New Zealand's leading financial service providers, I'm acutely aware of the responsibility we have to all of our stakeholders. We are an integral part of the communities in which we operate.

In 2015/16 we launched our Cyclone Resilience Benefit in northern Australia, recognising practical measures which homeowners can put in place to strengthen their homes against cyclones and at the same time delivering premium reductions. The measures and building features recognised were based on our research with the Cyclone Testing Station at James Cook University, which indicated that having a strong, resilient home can help reduce the extent of damage sustained during a cyclone. We believe homeowners who undertake this work should be rewarded. The Benefit is a key part of our Protecting the North program, which aims to improve resilience through mitigation and making insurance more accessible and affordable to those who need it most.

Suncorp is also the only insurer selected to participate in the first round of a national effort to help three million Australians who are financially excluded and face significant economic and social hardship. As part of our involvement, we have committed to developing a Financial Inclusion Action Plan, which is an excellent opportunity to further challenge and drive our current practices around financial inclusion.

As a Foundation Partner of Youngcare, in 2015/16 we helped the charity celebrate its 10-year anniversary. Over the past decade, the charity has delivered life changing support to countless young Australians with high care needs by providing a choice of appropriate accommodation and expert care. Looking back, it's incredible to see what's been achieved and it's something we are proud to be part of.

Following on from our Bank of the Year win in 2015, Suncorp was this year named *Money* magazine's 2016 Business Bank of the Year, recognising the value we provide to Australia's business community. It's another great achievement for our team and once again reaffirms our position as the genuine alternative to the major banks and positions us well to become the regional financial services champion.

While many companies are feeling the pressure of transformation, Suncorp has been on a long journey of building capability and infrastructure that will support and enable us to deliver greater value for our customers. We are committed to delivering our customer initiatives, while remaining focused on three key priority areas:

- » maintaining momentum and stability
- » elevating the customer and
- » recalibrating our cost base.

Suncorp is uniquely positioned to provide customers with an experience that's never been seen before in the financial services sector and I'm confident that our customer outcomes-based operating model will allow us to *Create a better today* for all of our stakeholders.

“

When I stepped into the role in October 2015, my first priority was to meet as many people across the business as possible, to listen and learn more about the challenges and opportunities ahead.

”

Financial performance

PERFORMANCE		2016	2015	2014	2013	2012
Return on average shareholders' equity	(%)	7.8	8.5	5.3	3.5	5.2
Basic earnings per share	(cents)	81.41	88.61	57.11	38.42	56.68
Cash return on average shareholders' equity	(%)	8.2	8.9	9.4	4.1	5.8
Basic cash earnings per share	(cents)	85.41	93.14	102.01	45.08	64.11
Return on average total assets	(%)	1.08	1.19	0.77	0.51	0.76
Reported ITR ratio	(%)	9.9	11.4	15.5	13.1	7.5
Underlying ITR ratio	(%)	10.6	14.7	14.3	13.5	12.1
General Insurance expense ratio	(%)	22.0	22.6	23.0	24.0	23.7
Bank net interest margin	(%)	1.86	1.85	1.72	1.64	1.54
FINANCIAL STRENGTH						
Total assets	(\$m)	95,748	95,651	94,429	95,905	96,062
Net assets	(\$m)	13,570	13,518	13,799	13,983	14,127
Net tangible assets backing per share	(\$)	6.02	6.05	6.32	6.11	6.15
Net profit after tax attributable to shareholders	(\$m)	1,038	1,133	730	491	724
Additional capital held by Suncorp Group Limited	(\$m)	148	320	555	224	468
General Insurance gross written premium	(\$m)	9,031	8,872	8,870	8,589	7,955
General Insurance Group PCA* ratio	(%)	1.67	1.86	2.16	1.96	1.61
Bank total lending	(\$m)	54,280	51,918	49,956	48,198	47,829
Bank Common Equity Tier 1 ratio	(%)	9.21	9.15	8.54	7.68	7.37
Suncorp Life individual in-force annual premium	(\$m)	1,032	900	852	785	722
SHAREHOLDER SUMMARY						
Ordinary share price at end of year	(\$)	12.18	13.43	13.54	11.92	8.09
Number of ordinary shares at end of period	(million)	1,279	1,279	1,279	1,278	1,278
Market capitalisation	(\$m)	15,671	17,279	17,421	15,336	10,409
Dividend per ordinary share, fully franked	(cents)	68	88	105	75	55

Non-financial performance

CUSTOMER SATISFACTION		2016	2015	2014	2013	2012
Suncorp Bank	(%)	88	89	88	84	84
Suncorp Insurance	(%)	81	83	81	79	81
AAMI	(%)	82	82	83	80	80
GIO	(%)	78	83	78	76	75
Apia	(%)	89	88	86	87	88
Vero (broker satisfaction)	(%)	45	51	47	49	44
Asteron Life (adviser satisfaction)	(%)	75	75	75	66	71
Vero New Zealand	Score out of 10	8.28	7.83	7.90	7.96	7.75
EMPLOYEES						
Total FTE (full time equivalent)		13,441	13,393	13,738	14,239	14,890
Engagement**	Score out of 100	-	77	73	70	63
Enablement**	Score out of 100	-	76	72	72	66
Leadership index**	Score out of 100	-	84	82	79	72
Women in senior leadership roles	(%)	38	37	36	32	33
Return to work from parental leave*	(%)	91	82	85	82	78
Employees that identify as having a disability**	(%)	-	2.1	2.2	-	-
Employees aged 55 years or over	(%)	10.7	10.3	10	-	-
Employee-initiated turnover*	(%)	13	12.6	12.2	13.3	16.5
Lost time injury (LTI) frequency rate		1.8	2.0	3.2	2.0	2.7*
COMMUNITY INVESTMENT						
Volunteering	\$000	1,385	842	556	723	703
Gift matching	\$000	275	228	191	-	-
Community grants	\$000	1,938	1,463	1,147	-	-
Total community investment	\$000	8,866	7,619	7,010	6,794	6,426
ENVIRONMENT*						
Scope 1 greenhouse gas emissions	CO2-e tonnes	5,306	5,926	6,311	6,584	6,832
Scope 2 greenhouse gas emissions***	CO2-e tonnes	28,378	43,343	47,194	51,151	58,616
Electricity consumption***	KWh per FTE	2,556	4,178	4,348	4,429	4,662
Fuel used in company vehicles	litres per FTE	170	214	221	225	222
Air travel	Km per FTE	3,497	4,936	4,461	4,821	3,744
Paper used for print and offices	tonnes	900	1,503	1,389	1,715	1,775
Proportion of office waste diverted from landfill	(%)	60	54	50	49	-

NOTES *EXCLUDES NEW ZEALAND **TO BE UNDERTAKEN FIRST HALF FY17 ***PART OF THIS REDUCTION IS ATTRIBUTABLE TO A CHANGE IN THE ACCOUNTING METHOD FOR SUNCORP'S ELECTRICITY ASSOCIATED WITH AFTER-HOURS AIR CONDITIONING

Business strategy

As Suncorp becomes a more purpose-driven organisation focused on delivering greater value for its customers, the Group's purpose, business model, strategy and priorities have evolved. In 2016, Suncorp's purpose is to *Create a better today* for its customers, shareholders, employees and the communities where it operates. The new business model will deliver greater value for customers by putting them at the centre of the organisation.

PURPOSE

**Create a
better today**

BUSINESS MODEL

ONE SUNCORP

STRATEGY

Customer

Capital

Cost

Culture

PRIORITY

RESILIENCE

PURPOSE

In line with our revised strategy, we engaged our employees and stakeholders to refresh our purpose — *Create a better today*. This guides our decision making and actions, and defines why we exist and what we want to be known for.

BUSINESS MODEL

The investment through the Building Blocks, Simplification and Optimisation programs has laid the foundation for the Group to transition to a new 'One Suncorp' model with the customer at the centre of the business.

'One Suncorp' is an integrated, customer-centric business model that enables customers to choose any of the Group's products, services or brands, assisted by navigation and selection tools that deliver the best possible solutions to meet their needs.

To enable this approach, we have changed the way we operate, removing structural constraints allowing us to have full visibility of our customers across all brands, to better understand, serve and meet more of their needs.

STRATEGY

Suncorp's strategy to leverage its strategic assets of Cost, Capital, Culture and Customer remains the same, however we have sharpened our focus on elevating the customer.

This means a shift from the current approach of selling unrelated and unconnected products to one which broadens and deepens our relationships with our customers. We are also connecting them to branded marketplaces, offering personalised experiences and solutions aimed at solving their problems and meeting more of their needs.

By meeting more of our customers' needs we will deliver new revenue opportunities for our business.

Our focus also remains on effectively managing Capital and Cost, and building on our innovative and collaborative Culture. The focus on Cost will continue in order to maintain our scale advantage and allow reinvestment, our Capital management is focused on optimising the balance sheet and our Culture is essential to delivering our strategy.

PRIORITY

Suncorp has identified three key priority areas based on building resilience. The Group is focused on:

- » Maintaining momentum and stability to deliver our market commitments
- » Elevating the customer by focusing on Connected Customers and building the Suncorp marketplace
- » Recalibrating costs to create a leaner, more effective and competitive business.

By focusing on our priorities we will increase the number of Connected Customers — customers with two or more needs met from the four needs categories of Home, Mobility, Self and Money. This will help us improve customer retention and growth and deliver our shareholder promise of 10% return on equity.

CORPORATE RESPONSIBILITY

LEADERSHIP

Providing industry leadership through robust governance, transparency and risk management processes.

CUSTOMERS

Creating value for our customers.

WORKPLACE

Creating an environment where our people are safe, valued and can do their best work.

COMMUNITY AND ENVIRONMENT

Supporting, protecting and enhancing our communities and environment.

Suncorp takes its commitment to Corporate Responsibility seriously. The Group actively considers economic, social and environmental risks and opportunities in all that it does and strives to make a positive difference for all of its stakeholders. This includes demonstrating leadership across our industry, ensuring we have robust systems and procedures in place to govern our business ethically and transparently; creating value for our customers; keeping our people safe, engaged and providing them with opportunities to succeed; and contributing to and supporting our communities while minimising impacts to our environment.

Review of operations

General Insurance

Suncorp is one of Australia's largest general insurers by gross written premium (GWP) and the largest personal-injury insurer through Compulsory Third Party (CTP) and Workers' Compensation insurance.

The well-known portfolio of personal and commercial insurance brands delivers products and services to personal customers, small and medium-sized businesses, as well as corporate clients. Customers can access Suncorp's products and services directly, or through intermediaries.

In 2015/16 the General Insurance business achieved a profit after tax of \$624 million.

The Group acted decisively to improve the working claims experience for customers with an intervention strategy to address both external and internal factors, increasing expertise on the ground, separating the senior claims function between home and motor, reducing the proportion of cash settlements and revising the estimation process.

All of this is helping to restore performance and re-establish a market-leading position.

In December 2015, Suncorp welcomed the announcement that it was one of four providers to offer CTP insurance in South Australia. The policies will be issued under the AAMI brand and came into effect on 1 July 2016. The entry into the South Australian market allows Suncorp to provide more value for customers, as well as new opportunities for our people.

Suncorp also worked hard to deliver greater value for its customers by improving its product distribution channels. Suncorp Commercial Insurance customers can now choose to purchase products online, or via brokers, call centres and authorised representative channels.

The launch of digital platforms across General Insurance has improved customer experiences. A single-technology platform underpins Suncorp's home, motor, CTP and Workers' Compensation insurance lines and associated brands. With all of these products on one platform,

it is easier for Suncorp to gain a better understanding of its customers and respond with innovative solutions that meet their evolving needs.

Additionally, in May 2016 and in partnership with US-based technology provider Trōv, Suncorp launched the world's first on-demand insurance platform, Trōv Protection. Beginning with coverage for common electronics such as phones, cameras and computers, for the first time ever, Trōv Protection users can turn insurance coverage for individual items on or off, whenever they choose, entirely from their mobile phones. Other categories will be progressively added.

A key focus of the General Insurance business during 2015/16 has been continuing advocacy for mitigation to combat the impacts of natural hazards and other climatic events. The Suncorp team has worked closely with local, state and federal governments to increase awareness around improving the resilience of buildings in key regions, including northern Australia through its Protecting the North initiative.

“We are proud of our continued national leadership in responding to weather events, while also addressing natural hazard risk with practical, grassroots programs which increase community and household resilience.”

CEO INSURANCE ANTHONY DAY

Suncorp’s submissions to the Northern Australia Insurance Premiums Taskforce and Northern Australia Infrastructure Facility highlighted why mitigation is the only sustainable way of reducing insurance premiums. Suncorp wholeheartedly supports mitigation as a key finding from the Government taskforce assigned to the northern Australia project and will continue to advocate its benefits at all levels of government for home owners and communities.

In line with Suncorp’s support for mitigation, the Group, in partnership with James Cook University’s Cyclone Testing Station, will assist in the creation of a smartphone app that supports northern Australian homeowners in deciding how to strengthen their homes against the impacts of cyclones. James Cook University received an \$180,000 Advance Queensland grant from the State Government with matching funds from Suncorp Insurance. Suncorp will also contribute claims data and expertise towards the project.

In order to further improve the quality and efficiency of its value chain, Suncorp Group took full ownership of the ACM Parts joint

venture after purchasing joint venture partner LKQ Corporation’s stake in the business. The new ownership structure will provide Suncorp with reduced vehicle repair costs and improved turnaround times for customers.

ACM Parts operates eight sites across Australia, with a team of 160 people selling more than 4,500 automotive products. It has established Australia’s first aftermarket certification program and is delivering an outstanding service selling high-quality, cost-effective automotive parts.

Investment in joint ventures remains a priority of the General Insurance business. Capital S.M.A.R.T Repairs continues to help Suncorp ensure quality, reduce costs and offer a world-standard level of service for our shared customers. Off the back of high customer satisfaction, the award-winning smash repair business has expanded to 34 sites across Australia and one site in New Zealand, and now handles more than a third of Suncorp’s motor repairs.

Suncorp is also expanding its successful HomeRepair joint venture, with the launch of the

Apia Home Assist pilot, which provides Apia home insurance customers in Melbourne with easy access to a plumber, electrician, locksmith or carpenter through the HomeRepair network. For a small increase in premium, Melbourne customers will be entitled to three service callouts each year. The pilot will provide valuable insights into our customers’ needs, allowing Apia to make any adjustments to the service before rolling it out more broadly.

AWARDS

- » Australian Banking & Finance (AB&F) General Insurance Company of the Year
 - » AB&F Innovation of the Year for Essentials by AAI
 - » AB&F General Insurance Product of the Year for Essentials by AAI
 - » *Money* magazine Best Innovative Product for Essentials by AAI
-



New Zealand

Our vision in New Zealand is to become 'the number one choice for New Zealanders because we give our customers the freedom and flexibility to look after their financial wellbeing in a way that best suits them'.

To that end, in 2016 Vero New Zealand and Suncorp Life New Zealand were brought together to form Suncorp New Zealand. This change will help the business better connect New Zealanders to products, services, and experiences that enhance and protect their financial wellbeing.

Vero Insurance personal lines outperformed their respective markets, experiencing strong growth over the financial year of 10.9%, which is more than double the New Zealand market growth of 4.4%.

During the year, Vero partnered with The Warehouse Group Financial Services to underwrite Warehouse Money personal insurance products. Warehouse Money products are sold through a 'digital-first' insurance offering featuring full online quote and buy tools, as well as providing a comprehensive online policy self-service tool in the New Zealand market, optimised for mobile use.

CANTERBURY EARTHQUAKE

The Canterbury earthquake recovery programme is nearing completion with more than 92% of total expected costs paid. The focus remains on resolving remaining claims by the end of the calendar year 2016 and winding back the rebuild programme in 2017. The business worked closely with the Earthquake Commission to identify remaining claims that will likely go overcap and need to be managed by Vero.

The New Zealand business has also been recognised with a number of prestigious industry awards.

VERO

Intermediated Insurance Company of the Year

2015 New Zealand Insurance Industry Awards

VERO

Best Intermediated Insurer 2015

Survey of New Zealand brokers and advisers

Suncorp Bank

Suncorp Bank is providing a genuine alternative to the major banks by offering award-winning products and services, and a superior experience to its personal, small business, commercial and agribusiness customers across Australia.

The Bank performed strongly throughout 2015/16 in an ongoing low-growth, low interest rate operating environment. Profit after tax was \$393 million, up 11% on the previous year and the net interest margin increased to 1.86%, at the top end of the Bank's target range. This result was supported by a continued focus on strong credit quality and sustainable, high quality lending growth. The home mortgage portfolio grew 5.9%, which was broadly in line with system growth. In this challenging environment, it's important to carefully manage costs. Costs reduced by 3.4%, resulting in the cost to income ratio declining to 52.5%.

Achieving Advanced Accreditation remains a key priority. While the Bank continues to pursue the approval of its Accreditation, the business is already benefiting from a better understanding of underlying risk and profit drivers. Its risk management capability is more sophisticated and there is a strong risk culture within the business.

Advancements in technology and digital communications continue to influence the way customers engage with Suncorp. In support of this change, the Bank continues to evolve and improve its products and services, to ensure its customers can bank when, where and how they want. This includes the launch of fingerprint login for internet banking and new digitally inspired, interactive branches. This strengthened focus on meeting customers' needs

through technology is supported by the delivery of the Bank's new core banking platform. This major technology upgrade provides the Bank with the foundation to streamline and simplify its product offerings, improving efficiency and capability.

The trend for customers to increasingly use technology to complete their everyday banking, and visit a branch for more complex financial needs is continuing. In response to this change, the Bank is investing in new mobile technologies and improved service capabilities, as well as continually reviewing its services and branch locations. This will help provide customers with access across multiple channels, including online, in person and over the phone.

Suncorp's strong heritage of being connected to its customers continues to extend to its communities, through its enhanced focus on supporting the financial future of Australia's younger generation. This year, the Bank formed a national partnership with the Financial Basics Foundation, a not-for-profit organisation which aims to enable and empower teachers and schools across the country to help students learn how to effectively manage their money.

The Bank has also launched an Agribusiness Professional

Development Program – connecting farmers who are starting their career in agriculture, with experienced multi-generational farmers looking to bestow their years of knowledge, experience and learnings on the next generation.

In recognition of the Bank's strong support of the business sector, the Bank was awarded *Money* magazine's 2016 Business Bank of the Year Award. The award recognised the Bank's competitive suite of full featured products, and its commitment to being a genuine alternative for business customers. It's the second major award the Bank has received from the publication in the past two years, after being the first non-major bank to be named Bank of the Year in 2015.

AWARDS

- » *Money* magazine 2016 Business Bank of the Year
- » Top non-major in the 2016 Mortgage Professional Australia Brokers on Banks survey
- » 2015 Product of the Year, receiving a 5 Star Canstar rating for Home Package Plus
- » *Money* magazine's Best of the Best Awards 2016 Best Kids Savings Account
- » 2016 Canstar Innovation Award for Billsplitter app

“Financial Basics Foundation, with the support of Suncorp, aims to fill the gap by enabling and empowering teachers and schools across the country to help students learn how to manage their money, and avoid getting into unhealthy debt.”

KATRINA BIRCH, CEO FINANCIAL BASICS FOUNDATION



Suncorp Life

Suncorp's Life insurance business provides a range of life insurance and superannuation products direct through the Group's brands and via independent financial advisers.

In 2015/16, Suncorp Life's profit after tax was \$142 million, up 13.6% on the previous year. Growth has been delivered through the management of favourable claims and retention rates.

Suncorp Life is focused on delivering sustainable growth in the advised business and achieving a leadership position in the Direct channel. This is achieved by ensuring products and services meet customer needs to improve their overall experience.

Suncorp Life has simplified the superannuation business, which included the transition to a new administration platform and the launch of a new product offering – Suncorp Brighter Super. This proposition is designed around simplicity for both the customer and adviser.

As an online-only product, it allows customers to take a more active role in managing their money.

The Life business has also introduced a number of other innovative solutions including a Needs Assessment Tool to help customers understand their Life insurance needs and the release of a new product offering – MyStyle Life Insurance, which fills the gap between complex advised Life products and the simplified Direct propositions. New Zealand also released an Adviser Toolbox app.

The Australian life insurance industry continues to focus on reform and customer outcomes, driven by the need for improved sustainability and transparency in the industry. Suncorp Life has exited its self-employed aligned distribution channel to simplify its distribution footprint and is well placed to capitalise on opportunities arising from the broader industry transformation.

The direct business delivered 14.3% growth in in-force premiums through the Group's general insurance brands. The advice channel is embedding ongoing changes to remuneration structures, regulatory oversight and industry codes. As adviser networks transition, Suncorp is focused on continuing to develop sustainable advice partnerships and will also continue to introduce new efficiency enhancements such as the Adviser Service Fee capability – an automated collection and payment service for advice fees.

Suncorp's continued focus on process simplification and innovative enhancements has led to positive customer satisfaction levels and a number of Australian and New Zealand industry awards, including the Financial Services Council Consumer Innovation Award for 2015 for a newly-designed Tele-claims system. Asteron Life NZ was awarded Best Life Insurance Company, New Zealand at the World Finance Global Insurance Awards, and Women's Employer of the Year at the 2015 New Zealand Industry Awards.

Corporate Responsibility

Suncorp Group's approach to Corporate Responsibility (CR) is centred on driving shared value with our stakeholders, while managing the environmental, social and governance risks and opportunities that impact our economic performance and social licence to operate. Our focus remains on areas of impact for Suncorp – industry leadership, customers, workplace, and communities.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

Building meaningful stakeholder relationships is core to Suncorp's purpose. Through focus groups, research and regular engagement Suncorp gains valuable feedback and insight, equipping the business to make informed decisions and remain relevant today and in the future.

Stakeholder engagement also plays an important role in meeting our CR commitments through regular materiality assessments. This engagement is shared across the Group, with specialist managers responsible for managing relationships with key stakeholder groups, so that we can understand and better respond to any of their concerns.

Suncorp's key stakeholders include:

- » customers
- » employees
- » shareholders
- » communities
- » governments and regulators
- » business partners including key suppliers.

An internal review conducted in 2015/16 identified and ranked the aspects most important to the Group and its key stakeholders. Major themes included ensuring robust governance and risk management processes to support Suncorp's revised strategy; engaging, empowering and protecting our people through times of change; delivering value for our customers through a number of key initiatives, while being there for them when it matters most; and investing in our communities and protecting our environment through programs that help *Create a better today*.

These themes were identified through:

- » customer feedback
- » employee surveys
- » a comprehensive examination of industry trends
- » competitor analysis
- » research agency reports
- » World Economic Forum Global Risks Report
- » media monitoring
- » Suncorp Group's reputation report prepared by research consultancy, amr.

This report details how we have managed and reported against the themes identified through the review.

LEADERSHIP

PAGE 18

CUSTOMERS

PAGE 22

WORKPLACE

PAGE 26

COMMUNITY AND ENVIRONMENT

PAGE 30

GRI (4.0)

Suncorp's reporting is influenced by the Global Reporting Initiative (GRI) Sustainability Guidelines (4.0). The GRI framework provides a globally accepted way for companies to report their economic, environmental and social performance.

An index of the GRI indicators reported by Suncorp is available from suncorpgroup.com.au/responsibility/reports.

Suncorp completes the Carbon Disclosure Project survey annually, is a participant of London Benchmarking Group and is globally recognised for Corporate Responsibility by the FTSE4Good Index.



Leadership

Providing industry leadership through robust governance, transparency and risk management processes

As a top 20 ASX-listed company, Suncorp upholds the industry's most robust governance and risk management processes. These are essential to maintaining integrity and confidence in the company as a leading financial services provider.

Suncorp is proud of its track record and believes effective corporate governance is critical to creating ongoing value for all of its stakeholders.

GOVERNANCE AND RISK MANAGEMENT APPROACH

Suncorp Group complies with the *Corporations Act 2001*, the Australian Securities Exchange Listing Rules, and the governance requirements prescribed by the Australian Prudential Regulation Authority under Prudential Standard CPS 510 *Governance*. Throughout the reporting period, the governance arrangements were consistent with the third edition of the ASX Corporate Governance Council's (ASXCGC) *Corporate Governance Principles and Recommendations*.

The Board Charter stipulates a majority of the Board must be independent, non-executive directors.

The Board regularly reviews the independence of each non-executive director and, in June 2016, completed an independence assessment in accordance with the ASXCGC Principles and Recommendations. The Board considers all its current directors to be independent, with the exception of Michael Cameron who is the CEO & Managing Director.

The Board held 11 meetings in 2015/16 and two strategic planning sessions. Details of directors' attendance at those meetings are disclosed in the 2015/16 Directors' Report and Financial Statements, available at suncorpgroup.com.au/investors/reports.

MICHAEL CAMERON
CEO & Managing Director

MARK REINKE

Chief Customer Experience Officer

STEVE JOHNSTON

Chief Financial Officer

CLAYTON HERBERT

Chief Transformation Officer

GARY DRANSFIELD

Chief Executive Officer Customer Platforms

AMANDA REVIS

Chief People Experience Officer

ANNA LENAHAN**

Chief Risk and Legal Officer

SARAH HARLAND*

Chief Information Officer

ANTHONY DAY

Chief Executive Officer Insurance

PAUL SMEATON

Chief Executive Officer Suncorp New Zealand

JOHN NESBITT**

Chief Executive Officer Banking & Wealth

* effective 1 September 2016

** will depart Suncorp in the latter half of 2016

The Board and the CEO & Managing Director are supported by the Senior Executives (who report to the CEO & Managing Director). The Senior Executives are listed on the facing page. The biographies of the CEO & Managing Director and the Senior Executives are available on the Suncorp Group website suncorpgroup.com.au/about-us.

Managing risk is a key contributor to Suncorp's success. The Board and management recognise that an effective system of risk management plays a critical role in the setting and achievement of Group objectives. Suncorp has systems, structures, policies, processes and people in place to identify, measure, evaluate, monitor, report and control, or mitigate all internal and external sources of material risk. The Risk function plays an important role in challenging and overseeing the risks taken across Suncorp.

The Code of Conduct outlines the desired culture and standards of

behaviour expected of the Board, executives, leaders and employees.

Building and maintaining a customer-centric workforce is essential to the successful implementation of Suncorp's new customer-aligned operating model and delivery of the refreshed strategy – a workforce that aspires to deliver excellent customer and business value through innovation. In addition, infrastructure, policies and procedures must continue to promote an environment which delivers outcomes and creates sustainable value for customers and shareholders.

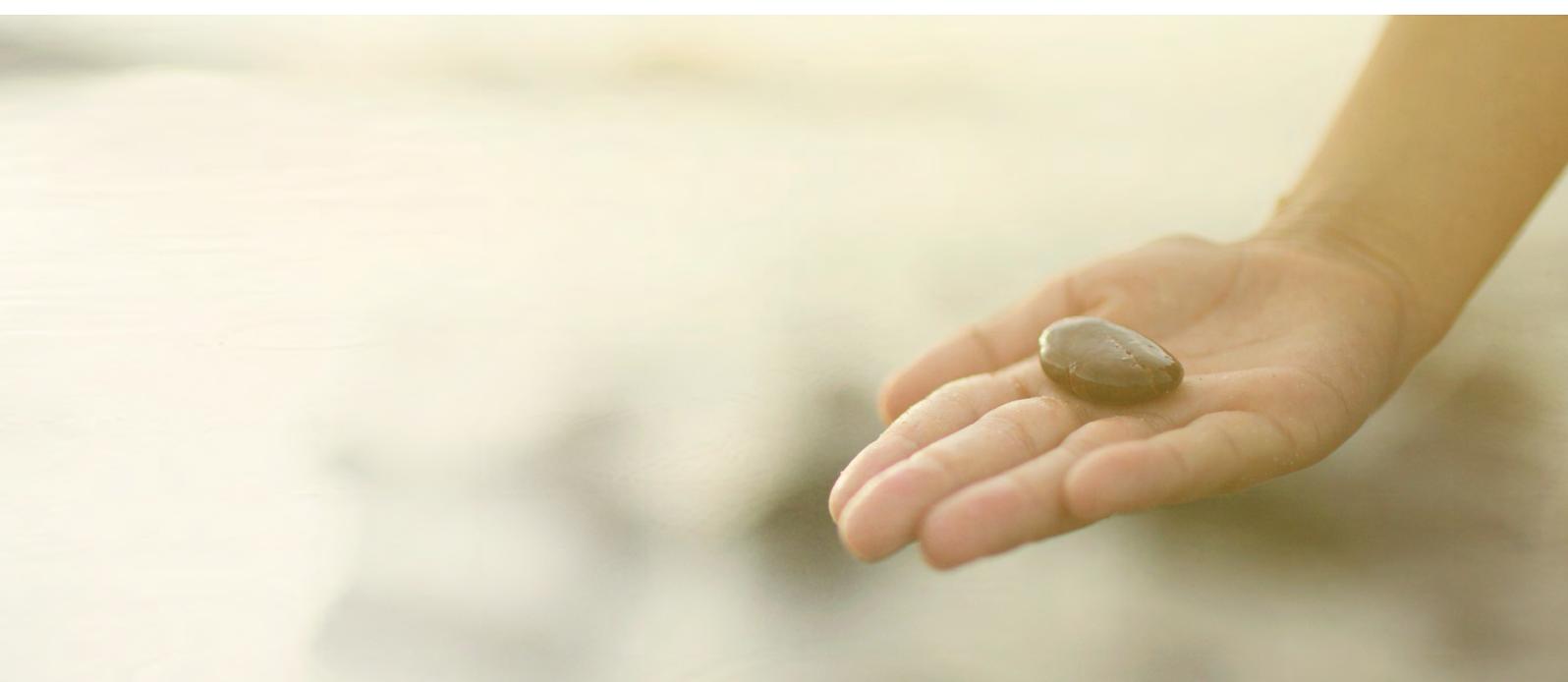
Engagement with customers extends to joint venture partners and other industry groups that represent Suncorp customers and have an interest in the quality and development of Suncorp products and services. Suncorp's strategy of elevating the customer requires alignment across the total workforce, including our strategic partners. As the elevation of the customer

evolves, strategic partnering decisions will continue to take into account the impact of the customer experience and the ability to deliver value to the customer.

The Group's 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. A number of additional internal policies are 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 is available at suncorpgroup.com.au/about-us/governance.



INFORMATION TECHNOLOGY

Suncorp relies on its information technology platforms to support business activities and provide reliable, secure and innovative technology solutions that meet regulatory standards, yet are agile enough to adapt to changing business requirements and provide efficient connectivity for customers.

The Group's Technology, Data & Labs function (TDL) leads the business intelligence and technology strategy and includes all data and analytics, digital enablement, cloud and infrastructure and security services. The establishment of the dedicated TDL function recognises that digital, innovation and business agility are central to driving growth and competing in an environment where technology is increasingly being used as a key point of differentiation.

Suncorp seeks to manage its operational risks by putting in place clear procedures and automating activities, and by following its enterprise risk management framework and policies. The Group is subject to operational risks and losses resulting from inadequate or failed internal processes, people and systems, or from external events. The nature of Suncorp's business exposes it to cyber security risks. Suncorp seeks to reduce such risks by investing in its people and underlying infrastructure, maintaining an understanding of trends in technology and cyber security, and entering into strategic relationships with specialist technology providers. The infrastructure and operations are subject to regulatory oversight and reporting, and Suncorp has

backup recovery infrastructure and processes to reduce the impact from disruptions.

GOVERNMENT ENGAGEMENT

As a major employer, economic contributor and leading voice in the financial sector, Suncorp works constructively with a wide range of government stakeholders to help deliver outcomes which are in the best interests of Suncorp's customers, shareholders and the broader community.

Suncorp takes an active role in the democratic process and maintains a productive working relationship with government at all levels. The company supports an evidence-based approach to policy development and works to ensure that policy changes pursued by government have a sound basis. Maintaining open and respectful channels of communication between Suncorp and government decision-makers fosters the development of policies which deliver positive community outcomes.

In recent years, Suncorp has contributed to policy development in a number of important areas, including the promotion of mitigation to strengthen homes in northern Australia to protect families and improve insurance affordability; improving the regulation of the financial sector through the Financial System Inquiry to help deliver a more competitive banking sector; and working to reform statutory insurance schemes to deliver better outcomes for people involved in workplace and motor vehicle accidents.

POLITICAL DONATIONS

Suncorp is not aligned with any political party, and the business is run in a politically neutral manner. Suncorp's five guiding principles with respect to donations and benefits made to political parties are that Suncorp will:

- 1 be transparent and honest
- 2 not make direct cash donations
- 3 strive to deliver shared value for Suncorp's shareholders, customers and communities
- 4 maintain a bipartisan approach
- 5 only attend political events for public policy reasons.

Directors and executives may attend general functions run on behalf of political parties and if Suncorp meets the costs of this attendance, or makes any similar financial contribution, the amounts are recorded and included in publicly available registers of political donations.

In 2015/16 Suncorp's financial contributions to political parties included \$33,930 to the Liberal National Party and \$34,300 to the Labor Party. These amounts are disclosed to and published by the Australian Electoral Commission.

Suncorp's position statement on political donations is available at suncorpgroup.com.au/about-us/governance.

“

Suncorp Bank has a long history of being there for our customers and we intend to continue doing so. We place significant emphasis on our positive risk culture which flows through our practices, processes and training.”

CEO BANKING & WEALTH JOHN NESBITT, APRIL 2016



RESPONSIBLE APPROACH TO BANKING

Suncorp Bank is focused on personal, small to medium enterprise and agribusiness customers. Large corporations or commercial projects are not within the Bank’s risk appetite or target markets.

The Bank has clear lending policies and guidelines to limit its reputational risk and exposure to environmentally-sensitive industries or customers.

Personal lending customers are assessed against capacity to repay criteria and Suncorp takes significant care to ensure repayment obligations are within customers’ financial capacity. The Bank also provides support for customers experiencing financial difficulty, including providing information about financial counselling services.

In 2015/16 Suncorp Bank publicly supported the Australian Bankers’ Association’s six point plan for

the banking sector to improve standards and transparency. The comprehensive new measures are designed to protect consumer interests, and include a review of commissions and sales incentives, treatment of customers, protection of industry whistleblowers, handling of customer complaints and dealing with poor conduct.

Customers

Creating value for our customers

Suncorp's new operating model puts our customers at the centre of the business to create greater value for them and build excellence in customer experience, solution design and delivery.

Suncorp partners with industry, community groups and other third parties to improve the affordability and accessibility of financial services to make sure we meet our customers' needs, while being there for them when times get tough.

BEING THERE WHEN IT MATTERS MOST

Helping customers get back on their feet after an accident or weather event is core to our existence.

In 2015/16, Suncorp customers were impacted by a number of small-medium sized weather events including severe storms across the east coast of Australia and bushfires in Victoria and Western Australia. The most significant event during the year was flooding from the East Coast Low in June, which swept through several states including Queensland, New South Wales, Victoria and Tasmania.

For all weather events, supporting customers is our number one priority. We offer emergency funds

and accommodation, perform make-safe repairs and prioritise vulnerable or elderly customers' claims. We support communities affected by large weather events by using local tradespeople and services in the first instance.

Suncorp mobilises resources from across the Group to respond to our customers' needs and meet the demands of increased calls to claims centres. Where necessary, event response teams are deployed to impacted communities to support customers, expedite claims and help the wider community. For example, the Customer Response Team from AAMI established a mobile insurance claims office near the site of the Christmas Day bushfires at Apollo Bay in Victoria, to help affected residents who required face-to-face support.

Suncorp Bank also offers financial relief for customers impacted by severe weather conditions. In the aftermath of the East Coast Low in June, the Bank offered the following relief assistance options to impacted customers:

- » an opportunity to defer loan repayments for a period
- » residential, personal, business and agricultural loan rearranging without the cost of most bank fees

- » waived early withdrawal fees for those clients wishing to withdraw from term deposits
- » refund of merchant rental fees for a period
- » credit card repayment relief where necessary.

Customers are able to receive severe weather and bushfire alert notifications through the AAMI Access mobile app which was released in October 2015. AAMI partnered with the country's leading meteorology specialist, Early Warning Network, to provide the latest weather data. The app uses push notification technology to push alerts to customers' mobile phones, warning them of severe weather or fires.

The Group is also investing in digital technology to allow customers to lodge claims through the channel that suits them best. In 2016, the number of customers lodging claims via a smartphone or online increased by approximately 43%.

DRIVING FINANCIAL INCLUSION

During the year Suncorp was selected as one of 11 'Trailblazing' companies to take part in a national effort to help an estimated three million Australians who are financially excluded and may face significant economic and social hardship.



The Financial Inclusion Action Plan (FIAP) program is led by Good Shepherd Microfinance in partnership with Ernst & Young, the Centre for Social Impact and the Australian Government. As the only insurer in the group, Suncorp is committed to tackling the issue and is ideally placed to participate and drive positive change.

Our teams have been working with customers, government, industry, community groups and not-for-profits to develop innovative and affordable products and support. Suncorp is the only financial services provider in Australia that offers both insurance and banking products designed for disadvantaged and low-income customers.

Our award-winning Essentials by AAI product ensures low income earners have access to affordable insurance. In banking, our Everyday Essentials Account helps those in need by waiving account keeping or overdrawn fees, providing free statements and Suncorp Bank Visa Debit Cards, and removing the minimum deposit amount required to open an account.

Developing a FIAP is an excellent opportunity to further challenge and improve what Suncorp does and the role it plays.

Suncorp has committed to developing and launching its FIAP by December 2016.

PROTECTING THE NORTH

Suncorp recognises that cyclones are a part of life for customers in northern Australia, with damage to buildings and property just the tip of the iceberg. The additional costs to communities through lost work time, clean up, rebuilding and the adverse impacts on mental health are staggering. In order to help reduce risk and, in turn, the cost of insurance premiums in cyclone-prone communities, Suncorp developed its Protecting the North campaign, which includes a number of programs and initiatives to support our northern Australian customers.

Suncorp was recognised at the Australian Banking and Finance Awards for Best Insurance Company in Socially Responsible Performance for its work on Protecting the North. The initiative has also been recognised in the Australian Government's National Climate Resilience and Adaptation Strategy.

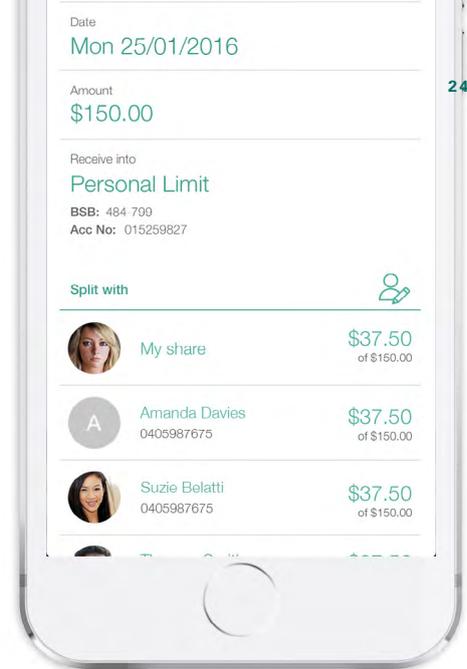
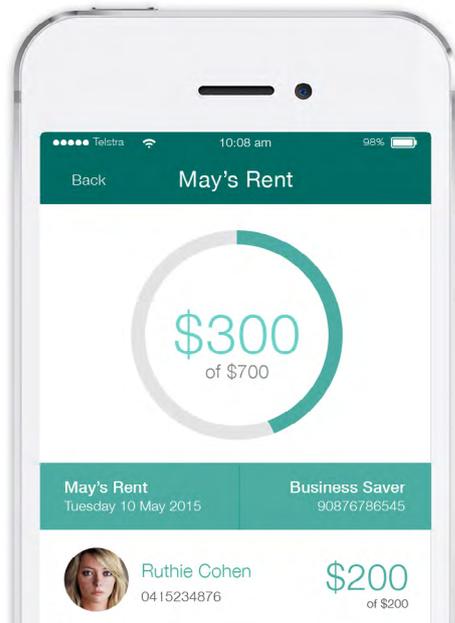
Protecting the North reached a major milestone in 2016 with the launch of the Cyclone Resilience Benefit.

The Benefit rewards Suncorp Insurance customers in northern Australia with premium reductions of up to 20% for strengthening their homes against cyclones. Improvements include fixing old roofs and covering windows. Suncorp Bank is also helping eligible customers, offering them reduced-rate personal loans to carry out the upgrades. Almost 14,500 policies have been evaluated to see if they qualify for a premium reduction under the Cyclone Resilience Benefit, with 81% of these being existing Suncorp customers and 19% new customers.

The Cyclone Resilience Benefit was created based on research by the Cyclone Testing Station at James Cook University, which was funded by Suncorp Insurance. It found that for every dollar spent on low-cost retrofits, the community will save up to \$13. Some low-cost retrofits will even pay for themselves after only one category four cyclone.

BILLSPLITTER

SUNCORP BANK'S BILLSPLITTER HAS GONE FROM AN IT PROTOTYPE TO AN AUSTRALIAN-FIRST FEATURE.



RESEARCHING CYCLONE IMPACTS ON STRATA

Another key element of Protecting the North was the launch of a research partnership with another Australian insurer and the Cyclone Testing Station at James Cook University.

The study is investigating the impact of tropical cyclones on strata properties in North Queensland. The results will provide customers, governments, designers and builders with a better understanding of the impacts of wind-driven rain and water entry, which affects insurance costs and is a major cause of damage to buildings. The study will also provide recommendations to help mitigate against the impacts of cyclones.

INVESTING IN NEW TECHNOLOGY AND INNOVATION

Developed as part of a 24-hour internal innovation challenge, Suncorp Bank's Billsplitter has gone from an IT prototype to an Australian-first feature and is now an integral part of the Suncorp Bank app.

Billsplitter was created entirely in-house and allows customers to send virtual 'IOUs' to contacts in their phone. It automatically records incoming payments, sends reminder text messages to prompt outstanding payees and deposits money directly into the customer's bank account.

The app is providing customers with a simple and convenient way to split bills and payments and is testament to Suncorp's focus on delivering value for its customers.

The new Shannons app is also delivering value for customers by providing the capability to instantly request a quote for an insurance policy, capture incidents and lodge a quote direct from a smartphone. It also provides access to Shannons Club and Shannons Auctions.

STRATEGIC PARTNERSHIPS

A key aspect of the Suncorp marketplace is its ability to deliver value for customers by providing access to innovative products and services from carefully selected strategic partners.

Tröv

In April 2016, Suncorp announced a US\$5 million equity stake in US-based technology developer Tröv, in line with our strategy to create innovative platforms for customers. Suncorp was the first insurer globally to work with Tröv in 2014 and helped establish Australia as a test market for the Tröv app, which enables customers to create a digital inventory of their items on their mobile phones.

Since then Suncorp has been working with Tröv to develop innovative ways for customers to protect their possessions once they have valued them. Together, we identified there was strong demand from customers for a seamless insurance platform built into the existing Tröv app. In May 2016, Tröv Protection was launched, giving customers the ability to cover individual possessions for a duration of time that suits them.

The company’s investment and our role as the insurer secures our relationship with Tröv and creates additional financial value through insurance profit in Australia and New Zealand.

9 Spokes

Suncorp partnered with 9 Spokes International to launch and deliver a new online platform specially designed for its small and medium enterprise business customers. The Suncorp business toolkit consolidates a number of small business apps, using metrics and insights to create a live dashboard to give customers a better understanding of their performance.

This partnership will give customers the confidence to run their business through the best available apps aligned to their industry, and a clear view of their performance in real-time to help inform decision making.



NEW TECHNOLOGY

TOP: SHANNONS APP
RIGHT: TRÖV APP

Workplace

Creating an environment where our people are safe, valued and can do their best work

At Suncorp, our people and business partners are passionate about creating value for all of our stakeholders and are inspired to know the work they do and the decisions they make contribute to a higher purpose that makes a difference.

EMPLOYEE ENGAGEMENT

In February 2016, Suncorp announced a new operating model to remove structural constraints and enable our people to deliver on a reinvigorated strategy.

To achieve this, we committed to restructuring the business as quickly as possible, removing duplication and bringing greater alignment with our customer-facing, operations and corporate functions. Significant changes were required, with the creation of a large number of new roles and many others changing.

Maintaining stability and momentum during the transition was a high priority. In response, an ambitious program was set and a dedicated project team established to drive the changes. Transparency, leadership and frequent communication underpinned our approach, as was consulting with our people and giving them the opportunity to provide feedback every step of the way.

Suncorp's annual engagement survey, typically carried out in the fourth quarter of the financial year, was postponed until the first half of FY17 to align the measurement of engagement to our new operating model and reinvigorated strategy.

In the interim, pulse surveys were undertaken to monitor senior leaders' understanding of and engagement with the strategy, direction and leadership of Suncorp.

FLEXIBLE WORKING

Suncorp's workplaces create an environment for our people to thrive. Through the use of technology and workplace design, we make it easy for people to connect. Suncorp encourages informal meetings in café-style areas, has dedicated innovation spaces, and continues to invest in technology including Skype for Business, allowing employees to collaborate freely regardless of their location.

Suncorp recognises that flexible working arrangements play an important role in attracting and retaining a diverse workforce. Allowing people to better manage their lifestyles, options include Suncorp's unique 'work at home' arrangements which have been recognised with the Best Workplace Flexibility Program at the Australian HR Awards in August 2015. More broadly, 79% of Suncorp people say they take the opportunity to work flexibly in their role.

Suncorp's workplaces create an environment for our people to thrive. Through the use of technology and workplace design, we make it easy for people to connect.



SAFETY AND WELLBEING

Suncorp's Safety and Wellbeing Strategic Plan was designed to deliver long-term results through sustainable cultural, behavioural and leadership change. The continual focus on providing a safe and healthy working environment has resulted in:

- » a reduced lost time injury frequency rate (LTIFR) of 1.8 against a target of 2.0
- » lower premiums for work-related claims
- » increased hazard and incident reporting
- » increased utilisation of the Employee Assistance Program
- » increased utilisation of the Brighter Healthier You Portal.

Initiatives undertaken throughout the year include:

- » Investing in a new Safety & Wellbeing technology platform for incident, hazard and risk management. The new system will automate current manual processes, be fully mobile on all Suncorp network devices, and provide real-time data and prevention based insights to leaders.
- » Developing a range of service offerings for on-site wellness and mental health management through partnerships with ReachOut, Assure and Sentis.

- » Completing 3,390 employee wellness assessments with active improvement goals, through health and wellbeing campaigns.
- » Conducting 560 on-site 60 minute health appraisals.

The Employee Assistance Program is a long-running feature of Suncorp's commitment to the wellbeing of its people. Employees and their families can access four free counselling sessions annually. Suncorp has also launched Be My Best – wellness coaching which takes a holistic approach to assisting employees' overall wellbeing, goal-setting and achievement.

DIVERSITY AND INCLUSION

Suncorp understands that to unlock the potential of innovation, collaboration and customer value creation, the organisation must continue its commitment to workforce diversity and inclusion. This will enable everyone to perform at their best and deliver optimum business results.

Suncorp's policy on diversity is contained within its Equal Employment Opportunity and Diversity Policy, a summary of which is available at suncorpgroup.com.au/about-us/governance.

BUSINESS PARTNERS

For Suncorp to be successful and outperform the market, we need to be constantly improving and implementing new strategies to drive efficiencies and ensure our viability and future success.

Our strategic partnerships with technology and business processing providers allow us to free up our people to focus on core value-add and business improvement activities. They help us to achieve greater efficiencies and support service delivery. This allows the business to work more flexibly and be more responsive as demand for services fluctuates.

Flexibility and scale are important levers that enable us to respond swiftly to catastrophe claims events such as storms, bushfires or floods. This is hugely important to our customers as it gives us the capacity to support them when they need us most.

Achievements in 2015/16

38%

female representation in senior leadership roles

Recognised by the Workplace Gender Equality Agency as an Employer of Choice for Gender Equality

130

high potential female leaders attended our unique Women in Leadership program

315

employees attended programs focused on assisting mature-aged employees to manage their career and retirement goals

2,000+ hours

Suncorp leaders were seconded to work on initiatives within Indigenous communities this financial year

79%

of the workforce now working flexibly

Launched a Domestic Violence guideline

to provide information and support to employees who are targets of, or impacted by, domestic violence

Employee Hardship Program

offering one-off individual grants to help support employees who are experiencing difficulties

Introduced a buddy program

to support employees going on, or returning from, parental leave

Community and environment

Supporting, protecting and enhancing our communities and environment

Suncorp is an integral part of the communities in which we live and operate. We develop partnerships to deliver ongoing benefits to causes and organisations that matter most to our people.

This includes our 10-year partnership with Youngcare and five-year partnership with ReachOut. We also provide a number of opportunities for our people to support causes at a grassroots level – whether it be a grant for the purchase of new sporting equipment at a local club, or a grant to help a close friend or family member in need.

Our commitment to communities also extends to minimising our environmental footprint. We continue to invest in new technologies to keep our employees connected, while reducing the need for air and road travel. We also work with all levels of government and key stakeholders to help communities adapt to the impacts of climate change through better planning and increased mitigation.

Our overarching commitment is ensuring that all of our investment, support and engagement activities make a positive difference to our people and communities.

BRIGHTER FUTURES

Since the program's inception in 2011, Suncorp's Brighter Futures Grants have empowered employees to make a difference by providing financial support to those who need it most – charities, community groups and individuals. The program engages and unites employees around their personal challenges, causes they are passionate about and provides support to their local community groups.

Until 2015, the program focused on Community Grants, enabling employees to nominate an individual, charity or community organisation to receive a grant of up to \$10,000.

In 2015/16, Suncorp contributed more than \$8.8 million towards community projects and support.



CHARLES STAFFORD-DUNN

IS A RECIPIENT OF A BRIGHTER FUTURES COMMUNITY GRANT WHICH HAS HELPED HIM START HIS OWN SMALL BUSINESS.

In 2016, a new category was introduced – Local Grants. This was created as a direct result of feedback received from employees who were wanting an option to support grassroots endeavours requiring a lower level of financial support.

In 2015/16 Suncorp awarded almost \$550,000 in grants through the Brighter Futures program. Moving forward, we aim to expand our focus further and engage directly with community groups to make an even greater difference.

MORE INFORMATION

To read more about the Brighter Futures program and grant recipients, visit suncorpgroupbrighterfutures.com.au.

SYNERGY SMASH REPAIRS PROGRAM CHANGING LIVES

Synergy Smash Repairs is a certified non-structural motor repair facility providing training to troubled young people, helping them develop the skills and fundamental qualifications to transition into an apprenticeship or other long-term employment.

The program is a partnership between Suncorp, Mission Australia and the National Motor Vehicle Theft Reduction Council and marked its second anniversary in 2016.

The program's success was highlighted in an independent report which found Synergy is:

- » An innovative, financially sustainable enterprise producing 'transformative' lifelong impacts for youth participants in terms of social participation, wellbeing, mental health, employment and a life away from crime.

- » Reducing the societal burden of juvenile motor vehicle offending with the diversion program offering potential public savings of up to \$440,000 per participant.
- » Addressing skills shortages and helping break the cycle of crime and disadvantage with 65% of participants transitioned into an apprenticeship, or undertaking further education – an excellent result considering most young people came to the program via juvenile detention and/or complicated social backgrounds.

Luke White, 19, is one of the Synergy success stories, now six months into a full time apprenticeship at a commercial workshop.

"A support worker referred me to the program and it literally changed my life. The leaders at Synergy taught me a lot about the job, but I learned a lot about adult life too," Luke said.



10%

**SCOPE 1 GREENHOUSE GAS
EMISSIONS REDUCTION**

64%

INCREASE IN VOLUNTEERING

SUPPORTING SMALL BUSINESS

Small and medium sized businesses are the backbone of our economy and Suncorp is committed to supporting the growth and success of this important sector. In 2015/16, Suncorp Bank became a foundation partner of Collaborate – an industry first for Australia, bringing together innovative business services and thought leaders to explore new ways of solving issues impacting the business community.

A key focus of the Collaborate program was the #smallbusinesschallenge campaign, which encouraged businesses to resolve a series of challenges to foster innovation and growth. The challenge revealed more than 115 potential problem-solving concepts with the winners each receiving \$100,000 to fund the creation of their initiative.

The winners were also given the opportunity to work with start-up support organisation BlueChilli to launch their idea to the market. Suncorp was also a gold sponsor for the 2016 Queensland Small Business Week and was named *Money* magazine's 2016 Business Bank of the Year.

CELEBRATING YOUNGCARE PARTNERSHIP

As a Foundation Partner of Youngcare, in 2015/16 Suncorp helped the charity celebrate its 10-year anniversary. Youngcare's mission is to ensure every young Australian is living their life to the full. A priority is ensuring young people with high care needs have a choice when it comes to housing and care options, and Suncorp wholeheartedly agrees.

As part of many activities to mark this anniversary, Suncorp Insurance joined forces with Brisbane radio station Nova 106.9 and Channel 9 to support a team taking part in the 2015 New York Marathon. In the lead up to the event, Suncorp hosted weekly running clubs for staff and the wider community, as well as providing a support crew on the day of the marathon. The campaign raised awareness and much needed funds for the charity.

REDUCING OUR ENVIRONMENTAL FOOTPRINT

The majority of Suncorp's environmental impact is through its office buildings and customer service network. Scope 1 greenhouse gas emissions have been further reduced in 2015/16 by 10%.

60%

**PROPORTION OF OFFICE WASTE
DIVERTED FROM LANDFILL**

30%

AIR TRAVEL REDUCTION

This is in part due to the Sydney real estate consolidation project, which involved moving more than 2,000 people to consolidate Suncorp's four CBD buildings into three, with teams vacating 321 Kent Street.

The consolidation resulted in storage being reduced by 54%, with 400 desktop computers, 800 monitors, 400 handsets and 41 printers decommissioned as part of the process.

Further environmental benefits will be achieved when all employees in the remaining three Sydney CBD buildings relocate to Suncorp's new premises in Shelley Street in 2017.

Electricity consumption and Scope 2 greenhouse gas emissions have also reduced. However, some of this is attributable to a change in the accounting method used for Suncorp's electricity associated

with after-hours air conditioning (AHAC). AHAC is now reported by building landlords.

Through the increased use of video conferencing, teleconferencing and tools such as Skype for Business, air travel has decreased dramatically during the year by approximately 30%. This has further flow-on benefits for the business and the environment as it has also meant a reduction in road transport costs associated with travel and a reduction in the number of annual hotel stays.

CLIMATE CHANGE

Suncorp works with all levels of government and key stakeholders to help communities adapt to the impacts of climate change through better planning and increased mitigation.

Suncorp recognises that an increase in the frequency and severity of natural hazard events impacts the community and business operations, and provisions are adjusted for such events each year.

In the past 12 months, Suncorp has actively promoted industry change for the benefit of consumers and publicly advocated for greater investment in natural disaster mitigation, particularly through the Protecting the North initiative.

Suncorp recognises that there is still more to be done and will continue to work with governments and local communities to identify ways to address climate change.

Board of Directors



Dr Ziggy Switkowski AO

BSC (HONS), PHD, FAICD, FAA, FTSE

Independent director since September 2005; Board Chairman since October 2011. Chairman Nomination Committee. Ex-officio member of each of the Audit, Risk and Remuneration Committees.



Audette Exel AO

BA, LLB (HONS)

Independent director since June 2012. Member Risk Committee.



Christine McLoughlin

BA, LLB (HONS), FAICD

Independent director since February 2015. Chairman Remuneration Committee, Member Risk Committee.



Michael Cameron

FCPA, FCA, FAICD

CEO & Managing Director since October 2015. Non-executive director from April 2012 until September 2015.



Sally Herman

BA, GAICD

Independent director since October 2015. Member Audit Committee.



Dr Douglas McTaggart

BECON (HONS), MA, PHD, DUNIV, FAICD, SF FIN

Independent director since April 2012. Chairman Audit Committee. Member Remuneration Committee.



William Bartlett

FCA, FCPA, FCMA, CA (SA)

Independent director since July 2003. Member Remuneration, Audit and Risk Committees.



Ewoud Kulk

BECON, FAICD

Independent director since March 2007. Chairman Risk Committee, Member Remuneration Committee. Chairman AA Insurance Limited (NZ).



Geoffrey Ricketts CNZM

LLB (HONS), LLD (HONORIS CAUSA), FINSTD

Independent director since March 2007. Member Audit Committee. Chairman Vero Insurance New Zealand Limited.

Senior Leadership Team



Michael Cameron

FCPA, FCA, FAICD

CEO & Managing Director



Mark Reinke

BBUS

Chief Customer
Experience Officer



Gary Dransfield

MAICD

Chief Executive Officer
Customer Platforms



John Nesbitt*

BFIN, FCA, FCPA

Chief Executive Officer
Banking & Wealth



Anthony Day

BBUS, GAICD, ANZIIF (FELLOW)

Chief Executive Officer
Insurance



Paul Smeaton

BBUS (MGT)

Chief Executive Officer
Suncorp New Zealand



Steve Johnston

BBUS (MGMT), BBUS (PUBLIC ADMIN)

Chief Financial Officer



Amanda Revis

BSC (HONS), GAICD

Chief People
Experience Officer



Anna Lenahan*

BA (HONS), MA (PSYCH) (HONS), LLB (HONS)

Chief Risk and Legal Officer



Clayton Herbert

BBUS, CA

Chief Transformation Officer

DIRECTORS' BIOGRAPHICAL DETAILS, INCLUDING THEIR COMPANY DIRECTORSHIPS AND OTHER APPOINTMENTS, ARE AVAILABLE AT SUNCORPGROUP.COM.AU/ABOUT-US/OUR-LEADERSHIP-TEAM. ALL INDEPENDENT, NON-EXECUTIVE DIRECTORS SERVE ON THE NOMINATION COMMITTEE.

NOTES *WILL DEPART SUNCORP IN THE LATTER HALF OF 2016

Suncorp's brands

AUSTRALIA



A simple, low-risk financial services company, with a range of brands to meet the needs of its customers across Australia and New Zealand.



Offers a comprehensive range of simple solutions for protecting, supporting and growing what matters most to its customers.



Provides great quality service and products at a competitive price so that Australians can feel luckier, every day.



Provides tailored products, services and experiences for the over 50s so they can live life at their best.



Specialises in meeting the insurance needs of motoring enthusiasts and sharing their passion.



Provides better protection against uncertainty to enable its customers to move forward with confidence.



Offers simple, affordable car insurance and easy processes that save people time so they can get on with their lives.



terri scheer

Specialises in market leading insurance solutions for landlords so they can worry less about their property investment.



Specialises in quality, value for money insurance to protect and support the lifestyle of caravan and RV owners, wherever the road takes them.



Provides deep expertise and knowledge to protect and enable successful businesses for its brokers and customers.



Offers local knowledge strengthened by a national network of expert insurance advisers that customers can rely on for the long term.



Offers 'positively different' life insurance solutions, recommended through financial advisers, to help people protect what they love about life.

NEW ZEALAND



Offers award-winning insurance solutions for New Zealanders.



Provides expert insurance advice to brokers.



Provides personalised advice on income protection, TPD and life insurance through financial advisers.

Financial calendar and key dividend dates

12 AUGUST 2016	Ex-dividend date for final ordinary dividend
15 AUGUST 2016	Record date for final ordinary dividend
21 SEPTEMBER 2016	Payment date for final ordinary dividend
22 SEPTEMBER 2016	Annual General Meeting, 2.30pm, Sofitel Brisbane Central, 249 Turbot Street, Brisbane
9 FEBRUARY 2017	Half year results announcement
21 FEBRUARY 2017	Ex-dividend date for interim ordinary dividend
3 APRIL 2017	Payment date for interim ordinary dividend

¹THE FINANCIAL CALENDAR MAY BE UPDATED FROM TIME TO TIME THROUGHOUT THE YEAR. PLEASE REFER TO SUNCORPGROUP.COM.AU FOR UP-TO-DATE DETAILS. DATES FOR DIVIDENDS MAY BE SUBJECT TO CHANGE.

Suncorp Group Limited

ABN 66 145 290 124
Registered office
Level 28, 266 George Street
Brisbane Qld 4000 Australia
07 3362 1222

DISCLAIMER

This report contains general information which is current as at 4 August 2016. It is information given in summary form and does not purport to be complete.

It is not a recommendation or advice in relation to the Group or any product or service offered by Suncorp or any of its subsidiaries. It is not intended to be relied upon as advice to investors or potential investors, and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

To the extent that information in this Review may constitute a forward-looking statement, the information reflects the Group's views at the date of this Review and is subject to known and unknown risks and uncertainties, many of which are beyond the Group's control, which may cause actual results to differ materially from those expressed or implied. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Review.

References, unless otherwise stated:

- » are as at 30 June 2016
- » to changes (including an increase or decrease) relate to the previous year
- » to dollar amounts are in Australian dollars
- » to the 'Company' are to Suncorp Group Limited
- » to 'Suncorp', 'Suncorp Group' or the 'Group' are to Suncorp Group Limited and its controlled entities.

Products and services including banking, superannuation and insurance (including life insurance, home and car insurance) are provided

by separate companies in the Suncorp Group. Suncorp Bank (Suncorp-Metway Limited ABN 66 010 831 722) is only liable for the banking products or services it provides and not the products and services of other companies in the Suncorp Group.

Note: This 2016 Annual Review is not a 'concise report' prepared under section 314(2) of the Corporations Act 2001. Though not specifically audited, it contains figures, financial summaries and information derived from the Company's 2015/16 Directors' Report and Financial Statements and full year results announcement. For a more complete understanding of the financial performance, financial position, and operating and investment activities of Suncorp Group, please refer to the statutory 2015/16 Directors' Report and Financial Statements available from suncorpgroup.com.au/investors/reports.

TO SEE MORE, GO ONLINE

suncorpgroup.com.au

REGISTERED OFFICE

Level 28, 266 George Street
Brisbane, Qld Australia 4000
+61 7 3362 1222

SHAREHOLDER ENQUIRIES

investor.relations@suncorp.com.au
+61 7 3135 3555

CONNECT

 suncorpgroup.com.au
 @SuncorpGroup



INVESTOR RELATIONS TABLET APP

Search 'Suncorp IR' or scan
the code for Suncorp Group
news, updates and share
price movements.

