BUILDING FUTURES AND **PROTECTING WHAT MATTERS**

SUNCORP

Building a more resilient Australia starts at home

Suncorp has long advocated for greater investment in measures that help make Australian households and communities more resilient to natural hazards such as cyclones, floods and bushfires. In 2021, Suncorp partnered with experts from James Cook University's Cyclone Testing Station, CSIRO, and Room11 Architects to design and test one of Australia's most natural disaster-resilient homes - we call it *One House*.

Learn more[1]

1 suncorpgroup.com.au/news/features/suncorp-disaster-resilient-home-one-house

In this report

About this report

Our FY21 Annual Report brings together key information on our financial, non-financial and sustainability performance, providing readers with a holistic view of Suncorp's performance. It covers the reporting period 1 July 2020 to 30 June 2021 and where appropriate, references events that have occurred since the end of this period, but before publication.

Additional information

The reports listed below are available on our website:

- CDP submission
- Investor Pack
- Modern Slavery Statement
- Proxy Voting Report
- Sustainability data pack
- Tax Transparency Report

See more[1]

About Suncorp

Suncorp Group offers insurance and banking products and services through some of Australia's and New Zealand's most recognisable brands. With a heritage dating back to 1902, we have grown to become an ASX-listed company with more than 13,000 people and $97 billion in assets. Suncorp Group comprises three core businesses, each empowered to deliver for their customers:

Insurance (Australia)

Delivers home and contents, motor, caravan, compulsory third party, workers compensation, commercial and health insurance through our suite of leading insurance brands including AAMI, Suncorp Insurance, GIO and Apia. Our insurance products help millions of people to protect what is special to them.

Banking & Wealth

Provides home and business loans, everyday deposit and savings accounts, credit cards and merchant facilities. We support families, individuals, businesses and farmers to plan for their future by providing solutions to help them grow their personal wealth.

Suncorp New Zealand

Delivers consumer, commercial and life insurance products via intermediaries in New Zealand through its general (Vero) and life insurance (Asteron Life) brands and partnerships. In addition, Suncorp New Zealand (SNZ) partners with the New Zealand Automobile Association (AA) to distribute general insurance products direct to consumers via AA Insurance, a joint venture between Vero and the AA. A second joint venture between the two partners (AA Finance) provides secured vehicle financing. Asteron also partners with the AA to distribute simple Life products direct to New Zealand consumers.

Recognitions

Money Magazine's **Bank of the Year and Business Bank of the Year** for the fourth year in a row.

Recognised as an **Employer of Choice for Gender Equality** by the Workplace Gender Equality Agency for the eighth consecutive year.

Member of the **Dow Jones Sustainability Index (Australia)** and awarded Industry Mover status in the S&P Global 2021 Sustainability Yearbook, after recording the strongest year on year performance improvement in the insurance industry globally.

1 suncorpgroup.com.au

Our purpose and culture

Suncorp is a purpose-led organisation. Building futures and protecting what matters sits at the core of everything we do. Our people bring this to life for our customers and the communities we live and work in. This purpose positions Suncorp to be successful over the long term.

Our purpose
Building futures and protecting what matters

+

People
Capable, engaged, diverse, innovative

=

Customers & community
Delivering valued outcomes

=

Financial outcomes
A sustainable business

Our culture

The values, behaviours and beliefs that underpin everything we do

Doing the right thing
We are a high-performing team that prioritises honest and fair conduct. We manage risks while delivering results.

Caring for others
We are collaborative, inclusive and we care about our customers, our people and the communities in which we operate. We are supportive of each other to safely achieve our goals.

Being courageous
We are purpose-led and embrace accountability. We are customer-driven and adapt to evolving stakeholder needs, speaking up when it is needed.

How we contribute to the economy

$13.7 billion[1]
Revenue FY21

$1.8 billion
Employee salaries, superannuation and other benefits

$1.7 billion
Suppliers and other fees paid

$428 million
Dividends paid during FY21

$451 million
Income tax paid

$7.9 billion
Claims paid

1 Net of interest expense

Suncorp employee Jacqui Schloman who volunteers with the Queensland State Emergency Service (SES) of which Suncorp is Principal Community Partner

Performance highlights

Group cash earnings
$1,064 million
↑ 42%

Consumer net promoter score[1]
+10.5

Group net profit after tax
$1,033 million
↑ 13%

Number of digital users[2]
4.04 million

Group excess Common Equity Tier 1 capital (post dividends)
$773 million

Growth in digital insurance sales and service[3]
↑ **13%**

Total ordinary dividend, fully franked
66¢ per share

Employee average engagement score
8 out of 10

Special dividend, fully franked
8¢ per share

Women in leadership[4]
52%

On-market buyback announced
$250 million

Reduction in global greenhouse gas emissions year-on-year[5]
↓ **20.8%**

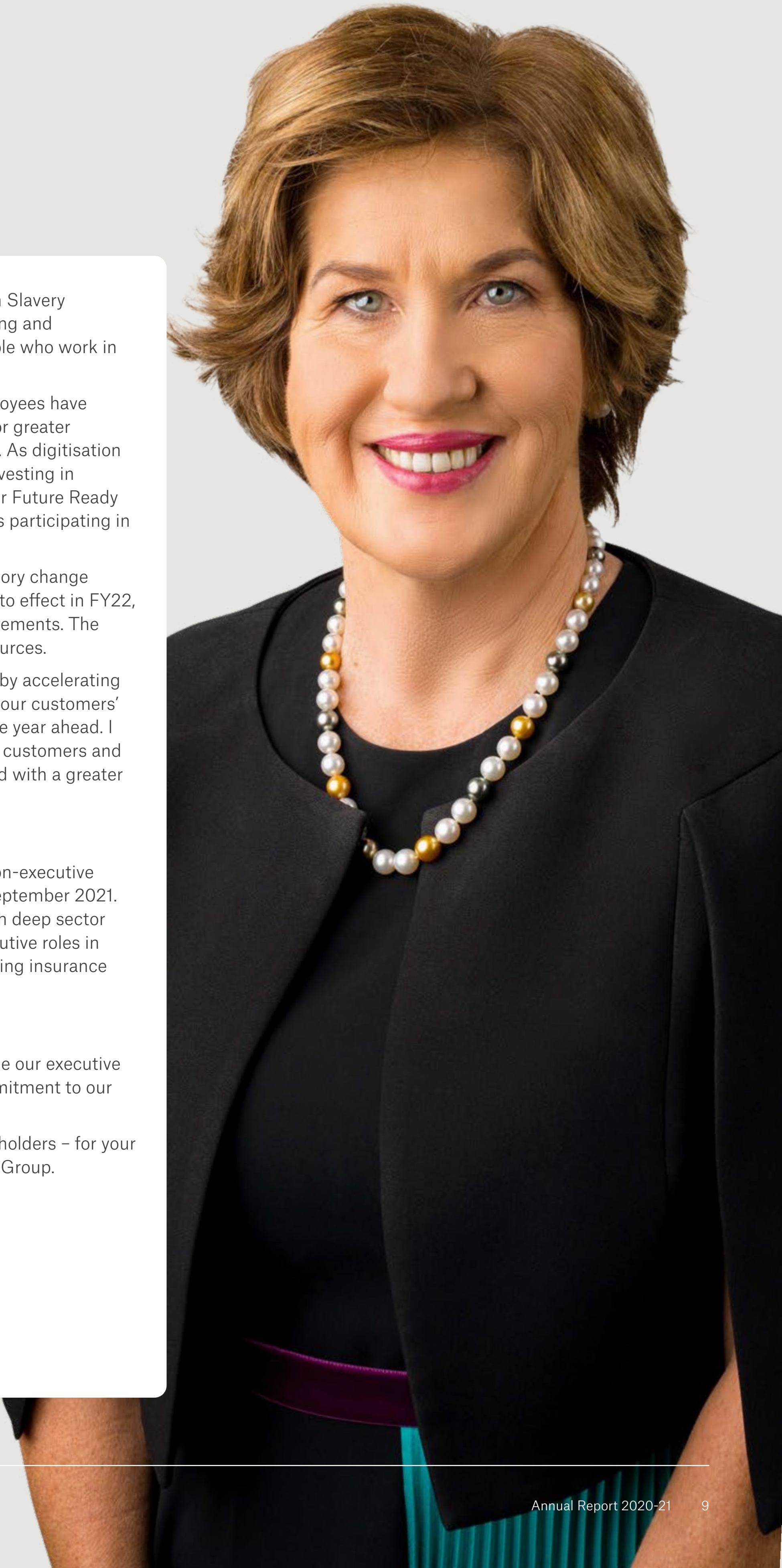
Effective tax rate
30.6%

Contribution to local communities[6]
$9 million

1 Source: DBM Consumer Atlas. Consumer NPS is an aggregate of consumer insurance and retail banking MFI customers. Data as of June 2021 on a six month rolling average.
2 Visitors that have logged into Suncorp's authenticated assets like internet banking, mobile banking App, insurance policy self-service web and mobile applications.
3 Digital sales volumes and digital service transaction volumes for the Group's mass insurance brands, across home, motor and CTP products.
4 The proportion of women in Suncorp's total Leader population, expressed as a percentage (includes firstline, business and strategic leader profiles).
5 Based on Scope 1 and Scope 2 emissions for Suncorp corporate operations in Australia and New Zealand (excluding Suncorp Insurance Ventures), using market-based greenhouse gas emissions account methodology.
6 Includes cash contributions, management costs, volunteering time and in-kind.

Message from our Chairman

I remain confident that Suncorp, its people, and the customers and communities we serve will emerge from this period with a greater sense of the things that matter.



Dear Shareholder

There has never been a time when Suncorp's purpose of *building futures and protecting what matters* has been more relevant. Our purpose has guided the way we have responded to the challenges of the past year, and how we are evolving our organisation to realise the opportunities for our business.

When I wrote to you a year ago, we were in the midst of a health crisis and economic uncertainty due to the COVID-19 pandemic. These impacts have continued, with ongoing lockdowns and border closures, and it is now clear that recovery rests on the successful vaccination of our population. Your Board and leadership team came forward as soon as we were eligible to be vaccinated. We are strongly committed to supporting the rapid, safe and effective delivery of a COVID-19 vaccination program.

Since I was appointed Chairman in September 2018, and Steve Johnston's subsequent appointment as Group CEO in September 2019, Suncorp has advanced to be a more customer-led and sustainable business.

A new streamlined operating model was introduced on 1 July 2020, aligned around three core businesses: Insurance (Australia), Banking & Wealth and Suncorp New Zealand. This model, together with a clear plan, is creating positive momentum. We are revitalising our insurance brands and lending growth has returned to our Bank, while our strong capital position has been maintained despite the challenges of COVID-19.

As part of a more focused strategy, we have continued to unlock value through a range of initiatives including the sale of the life insurance business, the sale of the smash repair business and most recently, the sale of the Wealth business and our share of RACT Insurance.

In May 2020 we announced a pay and leave entitlement review which dated back several years. Remediation payments are underway and are expected to be within the reported provision. I would like to apologise once again for these errors.

Performance and capital management

Net profit after tax for the year to 30 June 2021 increased by 13.1% to $1.03 billion, reflecting growth in the Insurance (Australia) and Banking businesses, as well as strong investment returns.

Your Board is pleased to announce a fully franked final dividend of 40 cents per share. This brings the FY21 total ordinary dividend to 66 cents per share, representing a payout ratio at the top end of the target payout range of 60-80%.

In addition to ordinary dividend payments, Suncorp will pay a fully franked special dividend of 8 cents per share and conduct an on-market share buyback of up to $250 million. This reflects the Group's strong capital position and the Board's confidence in the earnings outlook.

In total, FY21 dividend payments and the share buyback equate to almost $1.2 billion returned to shareholders.

A responsible and adaptive business

We conduct a bi-annual materiality assessment to support our understanding of the most material environmental, social and governance (ESG) issues affecting our business. The assessment is conducted by an independent party.

This year, the assessment has deepened our understanding of the opportunities and consequences of accelerating change. The most material issues that face Suncorp include building our community's resilience to natural hazards; managing the impacts of climate change; building customer centricity; managing data, privacy and security; and supporting an evolving workforce.

Our most material issue – and indeed, an issue for the broader insurance industry and our nation – is the rising incidence of natural disasters. In the past year, we saw floods, hail, cyclones, and bushfires across all corners of Australia and New Zealand.

I had the opportunity to meet with customers in our home state of Queensland, including homeowners in Springfield, which was devastated by severe storms. It is clear that more needs to be done to help these communities withstand natural disasters, and is why Suncorp continues to advocate strongly for greater government investment in disaster mitigation and community resilience measures.

The increasingly digital world we live in and the growing threat of cyber risks is increasing customer and community expectations around how data, security and privacy is managed. Suncorp is investing in advanced data analytics and fraud detection technology, and we continue to run education programs to support customers impacted by financial scams.

Responsible investment also remains a key priority for your Board, and Suncorp has a range of guidelines to ensure consistent decision-making across the Group's investment, banking and insurance portfolios. Suncorp's new Sensitive Sector Standards enable us to appropriately respond to ESG risks and support the implementation of our Responsible Investment and Responsible Banking and Insurance Policies.

This year, the Group released its inaugural Modern Slavery Statement, reflecting our commitment to identifying and addressing the risks of modern slavery to the people who work in and support our business.

In terms of changing workforce patterns, our employees have embraced new hybrid ways of working, allowing for greater flexibility and choice for where and how they work. As digitisation and automation reshapes the workforce, we are investing in reskilling and upskilling our employees through our Future Ready learning initiative, with more than 1,300 employees participating in this program in FY21.

The last year saw a continued focus on the regulatory change agenda. A number of new regulations will come into effect in FY22, and Suncorp is well placed to meet the new requirements. The program will continue to consume significant resources.

Suncorp has responded to the challenges of FY21 by accelerating our change programs and increasing our focus on our customers' experiences. We intend to maintain this pace in the year ahead. I remain confident that Suncorp, its people, and the customers and communities we serve will emerge from this period with a greater sense of the things that matter.

Board renewal

I look forward to welcoming to the Board a new non-executive director in Duncan West, who will join us on 23 September 2021. Duncan is a highly experienced Board director with deep sector insight. He has held director, CEO and senior executive roles in regulated businesses and across a number of leading insurance brands both internationally and in Australia.

In conclusion

On behalf of the Board, I would like to acknowledge our executive team and all employees for their unwavering commitment to our organisation and customers.

Finally, I also want to thank you – our valued shareholders – for your continued confidence and support of the Suncorp Group.

Christine McLoughlin

CHRISTINE McLOUGHLIN, AM

CHAIRMAN
9 AUGUST 2021

Board of Directors

Full biographies are available in the Directors' Report on page 83

CHRISTINE McLOUGHLIN, AM

BA, LLB (Hons), FAICD

Independent non-executive director since February 2015. Chairman since September 2018. Chairman of the Nomination Committee. Ex-officio member of all other Board Committees.

STEVE JOHNSTON

BBus (Management),
BBus (Public Administration)

Group Chief Executive Officer and Managing Director since September 2019.

SYLVIA FALZON

MIR (Hons), BBus, FAICD, SFFin

Independent non-executive director since September 2018. Member of the Customer, People and Remuneration, Risk and Nomination Committees.

ELMER FUNKE KUPPER

BBA, MBA

Independent non-executive director since January 2020. Member of the Audit, Risk and Nomination Committees.

IAN HAMMOND

BA (Hons), FCA, FCPA, FAICD

Independent non-executive director since October 2018. Chairman of the Audit Committee. Member of Risk and Nomination Committees.

SALLY HERMAN

BA, GAICD

Independent non-executive director since October 2015. Chairman of the Risk Committee. Member of Customer and Nomination Committees.

SIMON MACHELL

BA (Hons), FCA

Independent non-executive director since April 2017. Chairman of the People and Remuneration Committee. Member of Audit and Nomination Committees.

DOUGLAS McTAGGART

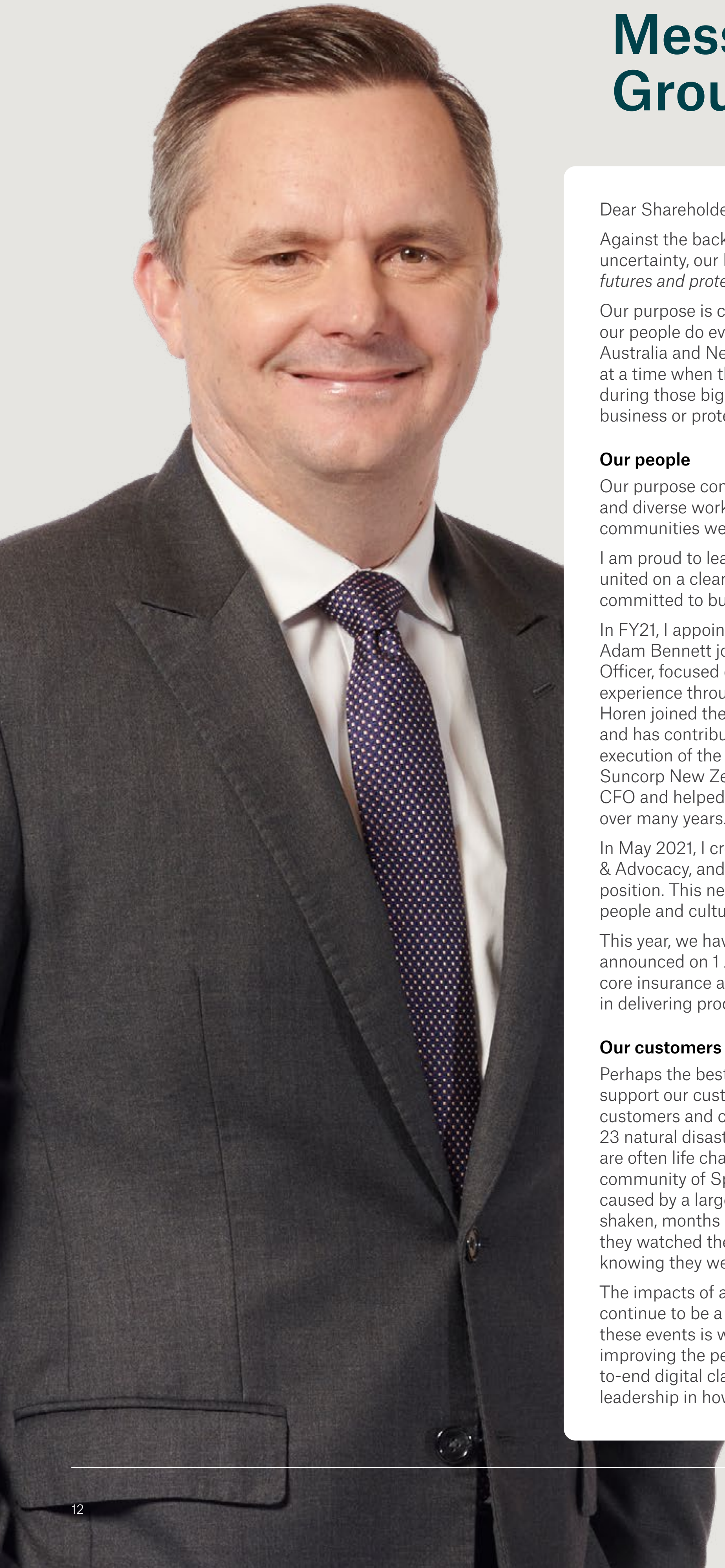
BEcon (Hons), MA, PhD, DUniv, FAICD, SFFin

Independent non-executive director since April 2012. Member of the Audit, People and Remuneration and Nomination Committees. Director on the Boards of Suncorp's New Zealand licensed entities.

LINDSAY TANNER

BA (Hons), LLB (Hons), MA (Melb)

Independent non-executive director since January 2018. Chairman of the Customer Committee. Member of Risk and Nomination Committees.



Message from the Group CEO and MD

Our purpose is core to everything we do. It defines our culture; the work our people do every day and the role we play in communities across Australia and New Zealand.

Dear Shareholder

Against the backdrop of unprecedented disruption, change and uncertainty, our business has remained true to its purpose of *building futures and protecting what matters*.

Our purpose is core to everything we do. It defines our culture; the work our people do every day and the role we play in communities across Australia and New Zealand. It provides stability, strength and comfort at a time when the unexpected occurs and it supports our customers during those big moments in life, such as buying a home, opening a business or protecting what they hold most dear.

Our people

Our purpose comes to life through our people: a capable, engaged and diverse workforce that enables us to deliver for customers and the communities we live and work in.

I am proud to lead a refreshed and experienced executive team. We are united on a clear strategy and plan for success in the near term and committed to building the foundations for our business.

In FY21, I appointed three new executives to the leadership team. Adam Bennett joined Suncorp in July 2020 as the Chief Information Officer, focused on driving transformation of the end-to-end customer experience through digitisation and technology innovation. Clive van Horen joined the Group in August 2020 as CEO Banking & Wealth and has contributed to the improved performance of the Bank and execution of the Wealth sale. Jimmy Higgins was appointed CEO Suncorp New Zealand in October 2020. Prior to this position he was CFO and helped drive Suncorp New Zealand's strong performance over many years.

In May 2021, I created the new role of Group Executive, People, Culture & Advocacy, and appointed existing executive Fiona Thompson to this position. This new function will ensure strong alignment between our people and culture objectives and our advocacy agenda.

This year, we have continued to embed a new operating model announced on 1 July 2020. Our 13,000 people are fully lined up to our core insurance and banking businesses and everyone knows their role in delivering products and services to our customers.

Our customers

Perhaps the best demonstration of this purpose in action is how we support our customers impacted by natural disasters. During FY21, our customers and communities in Australia and New Zealand experienced 23 natural disasters – bushfires, floods, hail and cyclones. These events are often life changing, as I witnessed first-hand when I toured the community of Springfield, west of Brisbane and saw the devastation caused by a large hailstorm. I heard from families who were clearly shaken, months after the event. They spoke of the fear and terror as they watched their homes be destroyed, but then also the relief of knowing they were insured with us.

The impacts of a changing climate mean that wild weather will continue to be a fact of life, and how we manage our business through these events is what sets us apart from our competitors. We are improving the performance of the claims supply chain, building end-to-end digital claims lodgement and tracking, and maintaining market leadership in how we respond to natural disasters.

We also recognise our customers and communities have had to fundamentally change the way they live, work and interact due to COVID-19. That is why we are improving our digital-first customer experiences and have reshaped and simplified our business in FY21, focussing on the portfolios and products that our customers want and need.

Our performance

Everything we do at Suncorp is aligned behind four strategic pillars:

— being *customer led* through digital and personalised experiences,

— *technology enabled* using automation and modern technology platforms,

— having our *workforce reimagined* with exceptional people empowered to make a difference,

— and maintaining our long-held role of *change advocated* that is committed to building a fair and sustainable industry.

Our strategy is starting to see good results. The Group has delivered growth in its core Australian insurance and bank businesses in the year to 30 June 2021, resulting in a 42.1% increase in cash earnings to $1.064 billion and increased returns to shareholders.

As a result of our strong performance, we have returned capital to shareholders this year through a combination of fully franked ordinary dividends, a special dividend as well as an on-market buyback.

In our Australian insurance business, our priorities include revitalising our brands, which has seen AAMI reach new record levels for consideration nationally, extending its number one position. Pricing and risk selection is being improved and the delivery of digital-first customer experiences remains a key aim, with over half of our insurance policies now sold through online channels.

The Group has made a financial provision for potential business interruption claims of $211 million and will continue to monitor legal proceedings and assess all claims in accordance with policy terms and circumstances.

In our Bank, our home lending portfolio returned to growth for the first time in over two years while loan turnaround times improved to fewer than 11 days, down from 21 days pre-COVID-19. While we have more to do, our confidence is growing and our strategy is yielding early results. We have adopted a targeted growth strategy in business banking, accelerated digital adoption in everyday banking and structured our distribution channels to ensure customers are served in the way that best suits their needs.

Suncorp New Zealand has continued to perform well. We are driving growth by strengthening our brands and partnerships, looking to deliver best-in-class claims and creating a significant uplift in digital-first customer experiences.

Our business was further simplified during the past year. We announced the sale of our Wealth business to LGIAsuper and exited several portfolios and products including personal loans in our Bank; travel insurance; and Vero-branded consumer and construction insurance sold through brokers in Australia.

Our strong financial performance and solid momentum is only possible due to the hard work and dedication of our people. From branches, contact centres, corporate offices and home offices, we have adapted to keep our customers, people and communities safe. Teams accelerated solutions for our customers when they needed us most and our people have embraced a new hybrid model of working.

Suncorp in the community

Within this report, you will find examples of the work Suncorp does to support the communities we live and work in. In FY21, our investment of 0.6% of pre-tax profit supported a range of important community causes. I'm particularly proud of our new community partnership with the Queensland State Emergency Service (SES), which complements our existing long-standing partnership with the Victorian SES. In times of natural disaster, the selfless volunteers of the SES are often the first responders to our customers and communities.

Innovate Reconciliation Action Plan

It was with great pride that Suncorp launched our second Reconciliation Action Plan (RAP) in November 2020. Our new Innovate RAP further strengthens our commitment to building an inclusive, prosperous and resilient society for all Australians, and I would like to thank the individuals and organisations who have helped shape our commitments to First Nations communities.

Looking to the future

The next 12 months will be critical for Australia and New Zealand. A vaccinated population is key to building confidence and restoring movement between the two countries and the world. We are strongly advocating for all Suncorp people to become vaccinated as soon as they can. As an organisation, we will maintain focus on living our purpose, relentless execution of our strategy and delivering our key performance targets.

Despite a year of challenges, we have delivered on our plan through FY21. I am confident we can continue to evolve to meet our customers' needs and demonstrate value to our shareholders. I thank all our shareholders for the confidence and trust you have in our company.

STEVE JOHNSTON

GROUP CEO AND MD
9 AUGUST 2021

Executive Leadership Team

Full biographies are available on our website[1]

STUART CAMERON
LLB, BBus, M AppFin
Acting Chief Risk Officer

LISA HARRISON
BCom, MBA, GAICD
CEO Insurance Product & Portfolio

JEREMY ROBSON
BCom, FCA
Group Chief Financial Officer

STEVE JOHNSTON
BBus (Management), BBus (Public Administration)
Group CEO and MD

PAUL SMEATON
BBus (Management)
Chief Operating Officer Insurance

CLIVE VAN HOREN
PhD (Economics), BCom, CA
CEO Banking & Wealth

FIONA THOMPSON
BEc, LLB
Group Executive People, Culture and Advocacy

ADAM BENNETT
BTech (Information & Communications Systems)
Chief Information Officer

BELINDA SPEIRS
BSocScI, BProc, MAICD
Group General Counsel

JIMMY HIGGINS
BBus, BA
CEO Suncorp New Zealand

1 suncorpgroup.com.au/about/leadership

Operating and financial review

Suncorp Lending Team, Central & North Queensland

Our operating environment

Suncorp considers key trends, issues and risks in the external operating environment when formulating our strategy and plans.

We complete regular materiality assessments to identify and prioritise the economic, environmental, social and governance topics of most significance for our business – see the sustainable business section on page 40. The key considerations and our responses are outlined below.

	Consideration	Our response
Environment	Climate change presents a growing risk to the natural environment as is its impact on communities and economies. Suncorp considers the impact of climate change as both a strategic and financial risk given the impact on our business and communities as a whole.	We undertake climate scenario analysis to understand the potential impacts of climate change and manage the associated risks and opportunities. To better manage physical risks associated with climate change, Suncorp advocates for cross-sector collaboration and greater investment in building household and community resilience against natural hazards. Suncorp is committed to reducing our own emissions and supporting an orderly transition to a low-carbon future.
Economic	The Australian and New Zealand economies recovered from the initial COVID-19-impacts, through a rebound in consumer spending, lower unemployment and record high share and house prices. But closed international borders, continuing virus outbreaks and lockdowns have disrupted supply chains, causing rising costs and labour shortages. The RBA and RBNZ have both signalled they will look past short-term inflation, with monetary policy remaining accommodative.	Suncorp continues to manage its businesses responsibly, protecting the Group's strong balance sheet and maintaining conservative buffers. We closely monitor the changing economic landscape and support our customers through high-value products and services.
Regulatory	The financial services industry continues to face a heightened period of regulatory change. Reforms addressing the 2019 Royal Commission into Financial Services recommendations have been implemented. Separately, the Federal Government has proposed a Northern Australia Reinsurance Pool, aimed at addressing affordability pressures.	Suncorp operates in a responsible and transparent way. We embrace regulatory reform and advocate for improved customer outcomes. Suncorp prioritises appropriate investment to address regulatory requirements in order to deliver optimal outcomes for customers. Suncorp is actively engaging with the Federal Government on the design of the Northern Australia reinsurance pool.
Customer and digital	Customers switching to digital channels has continued to accelerate. This creates opportunities for greater efficiency and cost-savings for our business. It also poses increased cyber security risks for businesses, consumers and the economy. In FY21, customers also faced COVID-19 economic pressures, and others endured natural disasters.	Suncorp has accelerated plans to digitise and automate to deliver improved experiences for our customers, and simpler and more efficient processes for our businesses. We are investing in data analytics and technology to help protect our business and customers from the growing threat of cyber risks and financial crime. Suncorp provided ongoing hardship relief measures and a market-leading response to natural disasters across the bank and insurance in FY21.
Workforce change	COVID-19 has fundamentally changed the workforce and ways of working. Employees are increasingly seeking workplaces that reflect their values and provide flexibility. Digitisation and new technology are reshaping the workforce and industries, with reskilling and upskilling becoming critical.	Suncorp aligns its people strategy, processes and frameworks to support our purpose and to attract and retain talent. Lessons from COVID-19 have led to a transition to a hybrid model of working, maximising productivity while enabling flexibility in the way we work. We are also enhancing our workforce planning to enable our part-time workforce to scale up during peak periods or in response to weather events. Our focus remains on building a workforce of the future.
Competitive landscape	The financial services industry's competitive landscape experienced increasing industry consolidation and disruption.	Suncorp remains focused on enhancing our product and service offerings while remaining connected and accessible to customers in the way that they need to ensure we are competitive and market leading.

Our financial performance[1]

Suncorp Group

Suncorp Group comprises three core businesses – Insurance (Australia), Banking & Wealth, and Suncorp New Zealand.

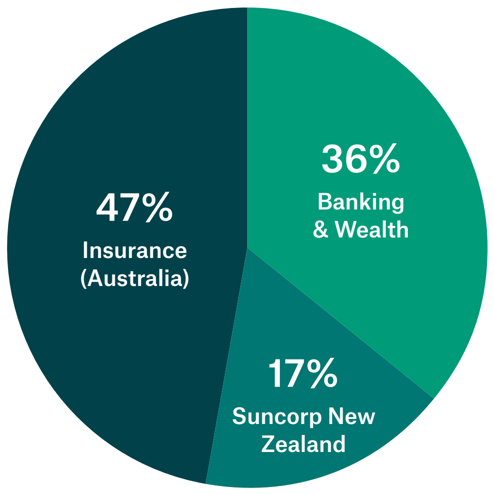
The FY21 result demonstrates strong progress on the key strategic priorities and shows the Group is on track to achieve its aspiration to deliver sustainable returns above the cost of equity by FY23.

Top-line growth was strong across all three businesses as a result of the Group's clear set of initiatives to improve performance.

Suncorp continued to drive simplification in FY21 including the announcement of the sale of the Australian Wealth business to LGIAsuper for $45 million. Insurance (Australia) and the Bank also exited from several underperforming portfolios. Divesting these businesses has enabled a sharper focus on delivering stronger returns in the core insurance and banking businesses. The sale of the Group's 50% joint venture interest in RACT Insurance was also announced on 2 July.

The Group is returning excess capital to shareholders through a fully franked final ordinary dividend of 40 cents per share, together with a fully franked special dividend of 8 cents per share and an on-market buyback of up to $250 million. The Group will maintain a strong balance sheet with $637 million of Common Equity Tier 1 (CET1) capital held at Group after the payment of dividends. Despite the challenges of COVID-19, the Group is in a strong position to continue to support its customers, people and shareholders.

Profit after tax from functions[2]



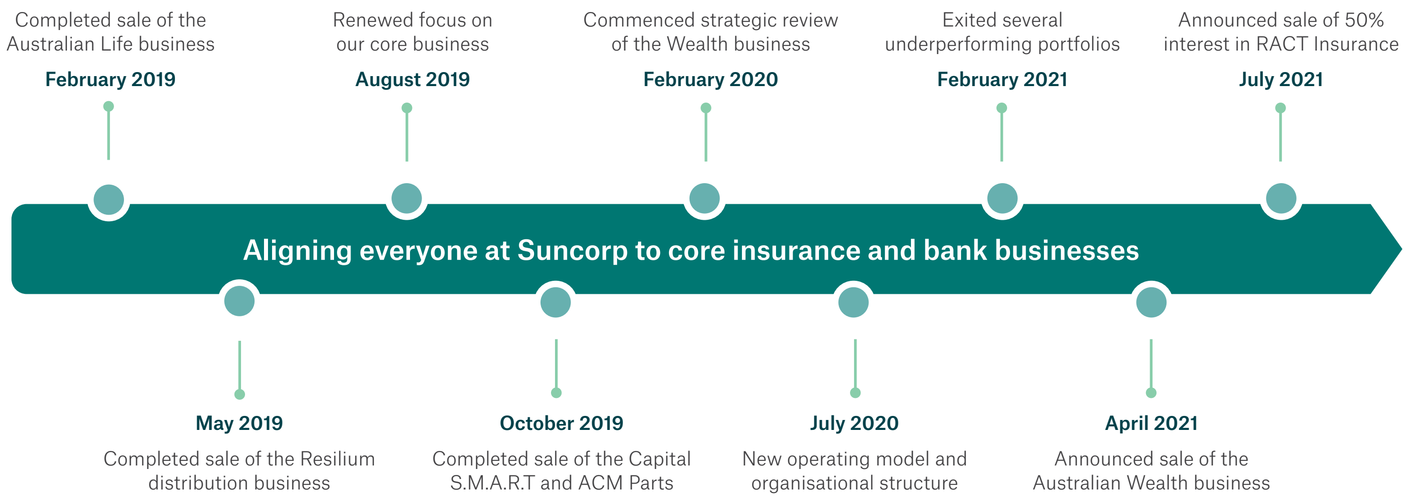
↑42%
Group cash earnings
$1,064 million

↑13%
Group net profit after tax
$1,033 million

Group result overview

- Suncorp Group delivered a FY21 net profit after tax (NPAT) of $1,033 million, an increase of 13.1% and cash earnings of $1,064 million, up 42.1%. This reflects strong increases in profit after tax (PAT) from Insurance (Australia) and Bank, partly offset by modestly lower profit from Suncorp New Zealand.
- Insurance (Australia) PAT increased by 42.4%, reflecting strong growth and investment market returns, partly offset by higher natural hazards costs and a temporary increase in spending on strategic initiatives.
- Suncorp New Zealand PAT was down 18.4% (in AUD terms) as strong growth was more than offset by higher natural hazard costs and lower investment income as well as some normalisation of working claims frequency.
- In both the Australian and New Zealand General Insurance businesses, consumer insurance Gross Written Premium (GWP) growth reflected strong rate and unit performance. This result demonstrates the benefits that are flowing from the Group's focus on strengthening its brand propositions, as well as favourable retention and operating conditions.
- In the General Insurance businesses, the underlying insurance trading ratio (UITR) – the insurance trading result expressed as a percentage of net earned premium and adjusting for certain volatile items – was 7.9% in FY21, down from 11.1% in FY20. This was largely due to a higher natural hazard allowance and increased reinsurance costs, the impacts of the low yield environment and a temporary increase in spending on strategic initiatives.
- Banking PAT increased by 69.0%, driven by improvement in the net interest margin (NIM) and a net impairment release, partly offset by reduced average loan balances and increased operating expenses. The Bank reported solid home lending growth in the second half of FY21, while maintaining consistent and competitive turnaround times following investment in core lending processes.
- The Group's operating expenses were $2.80 billion, up from $2.75 billion reflecting a temporary increase in spend on strategic initiatives, higher technology and marketing costs.
- The P&L impact of COVID-19 was broadly neutral with fewer motor claims offset by increased provisions for potential business interruption claims.

Reshaping and simplifying



Capital management strategy

The Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. The Group is committed to returning capital to shareholders which is surplus to the needs of the business.

The Group's robust balance sheet and capital strength has allowed the Board to declare a fully franked final FY21 ordinary dividend of 40 cents per share. This equates to a payout ratio of 79% of full year cash earnings, at the top of the target payout range.

The Board has also declared a fully franked special dividend of 8 cents per share, which reflects the Group's strong capital position and the Board's confidence in the earnings outlook. In addition to strong dividends, up to $250 million of excess capital will be returned to shareholders in the form of an on-market buyback.

The Group will continue to take a conservative approach to capital management throughout FY22 as the economy navigates through the COVID-19 pandemic. In optimising shareholder value and managing the level and mix of capital, the timing of issuance of hybrid capital instruments is driven by a number of factors and in particular, expected market conditions.

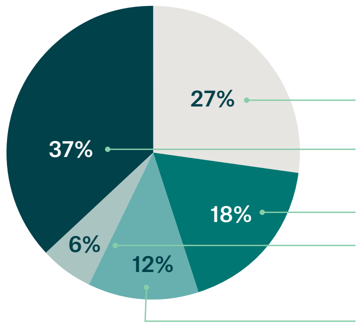
Suncorp has maintained a strong capital position with $637 million of CET1 capital held at Group (post dividends) and each of the regulated entities holding CET1 in the top half of their respective target operating ranges.

1 All changes refer to the prior corresponding period, unless otherwise noted.
2 Based on profit after tax from functions of $1,166 million

Insurance (Australia)

Suncorp's Insurance (Australia) business provides consumer, commercial and personal injury products to the Australian market. Suncorp Group is one of Australia's largest general insurers by GWP and Australia's largest compulsory third party insurer. The ambition is to be Australia's most trusted and innovative insurer, with a globally best-in-class claims capability.

Gross Written Premium by product[1]



1 Excluding fire service levies

Delivering on the FY23 Plan

Insurance (Australia) has demonstrated strong progress executing against its key priorities to revitalise growth, optimise pricing and risk selection, invest in digital-first customer experiences and drive best-in-class claims.

Consistent with the Group's focus on simplification and driving the performance of the core businesses, Insurance (Australia) has also exited several underperforming portfolios, including Vero construction and consumer lines, and travel.

As a result of the business's focus on revitalising growth, Consumer GWP growth improved during FY21 reflecting strengthened brand propositions and increased marketing. Growth in the home insurance portfolio owed to ongoing re-pricing following significant increases in natural hazard and reinsurance costs. Growth in the motor insurance portfolio was due to premium increases and unit growth.

The AAMI brand reached new record levels for consideration nationally in FY21, extending its number one position. The brand has also added a range of new home product features, such as Emergency Home Assist and excess-free glass cover.

Suncorp continues to be the Group's Queensland champion brand and this year introduced an industry-first Build it Back Better home insurance feature that offers additional recommended resilience options to help protect against severe weather. The Group's niche brands, Shannons, Apia, Terri Scheer, Bingle and CIL remain well positioned for growth in defined target markets.

In commercial insurance, Vero remains a strong brand with intermediary partners. The Group is investing in improved connectivity with broker platforms and will continue to refine the direct SME proposition with a focus on a new digital experience and product offering.

Result overview

- Insurance (Australia) PAT was $547 million, up 42.4% driven by new business growth and strong investment performance. The result was partly offset by the temporary increase in spending on strategic initiatives and higher natural hazard costs.
- GWP increased by 5.5% to $8,790 million, with growth across most portfolios, reflecting the benefits of the Group's strengthened brand propositions and increased marketing investment.
- Consumer GWP increased by 5.6%, owing to strong average written premium increases of 5.2% combined with unit growth of 0.4%. Home GWP growth was 7.0% taking into account portfolio exits, with premium rate growth of 7.8% offset by a minor loss of units, while Motor delivered GWP growth of 6.9%, driven by premium rate and unit growth.
- Commercial GWP increased by 4.9%, reflecting strong retention and ongoing premium rate momentum in the short tail book, partially offset by lower retention in SME packages.
- Workers compensation GWP increased by 27.6% reflecting strong retention, higher wage growth and increased SME new business volumes.
- CTP GWP decreased 2.8% to $1,012 million due to a one-off adjustment in the prior period, which was recognised at the half year results. CTP delivered positive unit growth in the Queensland, NSW and ACT schemes as a result of increased sales through motor dealers and improved digital experiences.
- Net incurred claims increased 1.0% primarily reflecting higher natural hazard costs, additional provisioning for business interruption claims, and the impact of changes due to discount rates, partly offset by higher prior year reserve releases.
- Operating expenses (excluding FSL) rose 3.7% driven by the temporary increase associated with the Group strategy, as well as higher technology and marketing expenses.
- Investment income was up by 25.8% to $390 million, reflecting favourable movements in breakeven inflation and equities.

The Group continues to be Australia's largest personal injury insurer. In CTP, Suncorp has maintained its leading national market share position of 31% and delivered unit growth in the Queensland, NSW and ACT schemes through increased sales in the motor dealer channel, as well as improved digital experiences. The workers compensation portfolio also delivered strong growth due to new business and high retention rates.

Insurance (Australia) also focused on its best-in-class claims program, driving improvements in the performance and costs across the full end-to-end claims journey for home, motor, commercial specialty and personal injury. In FY21, this program invested in improvements to supply chain management, digitising lodgement and tracking of claims using AI and machine learning. The business introduced a flexible workforce to enable a faster and more efficient natural disaster claims response.

COVID-19 and business interruption impacts

The financial impacts of COVID-19 were broadly neutral in FY21, as reduced motor claims frequency and lower home theft claims were offset by additional provisions to cover uncertainty around business interruption claims.

There were several legal developments during the financial year relating to business interruption policies and how they respond to claims. It was determined through a first industry test case that insurers are unable to rely on exclusion clauses that reference '*Quarantine Act* and subsequent amendments'. However this does not mean that policies referencing the *Quarantine Act* will automatically respond to COVID-19-related claims. Other legal proceedings remain on foot including a second industry test case which will be heard from August 2021 examining insuring clauses relating to Infectious Disease and Prevention of Access clauses. Adjustment clauses including those relating to the application of government subsidies and trends will be considered as well as specific aspects of *Biosecurity Act* exclusions. Suncorp is confident of the soundness of its *Biosecurity Act* wordings following the ruling by the Federal Court of Australia in the matter of Rockment Pty Ltd T/A Vanilla Lounge v AAI Limited T/A Vero which confirmed a broad interpretation of the exclusion clause for losses connected with COVID-19.

The Group has made a financial provision for potential claims of $211 million and will continue to monitor legal proceedings and assess all claims in accordance with policy terms and circumstances.

Pam Murphy, Suncorp customer and Graeme Adin, Suncorp Assessor

Natural hazards and reinsurance

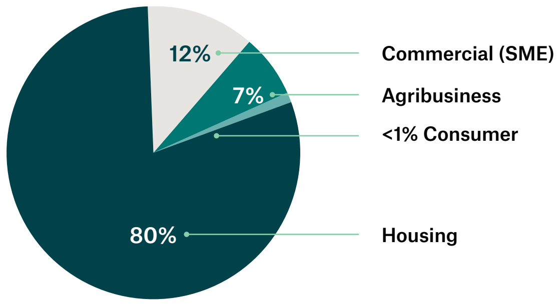
- Group natural hazard costs in FY21 were $1,010 million, $60 million over the FY21 natural hazard allowance of $950 million, and an increase of $190 million compared to the prior period. La Niña, which was confirmed in October 2020, resulted in a higher number of smaller natural hazard events during FY21. Large natural hazard events in Australia included the Springfield (Queensland) hailstorm in October 2020 and rain and floods in New South Wales and South-East Queensland in March 2021.
- In New Zealand, natural hazard claims were $84 million, which was $27 million above allowance and $45 million above the prior year. Large events included the Napier floods in November 2020 and the South Island storm in May 2021.
- The FY22 natural hazard allowance will be increased by $30 million to $980 million, and the FY22 reinsurance program structure remains unchanged.
- The Australian Federal Government announced its intention to establish a reinsurance pool for cyclones and related flood damage in the May 2021 Budget. It is proposed that the pool will commence from July 2022 and will be backed by a $10 billion Government guarantee, covering residential, strata and small business property insurance policies in Northern Australia. As the region's leading insurer, Suncorp will continue to provide valuable insights to assist the Government to deliver the best scheme possible.

Suncorp Banking Team, George Street Store, Brisbane

Banking & Wealth

Suncorp's banking business is focused on lending, deposit gathering and transaction account services to personal, small and medium enterprise (SME), commercial and agribusiness customers. In FY21, Suncorp announced the sale of its Wealth business to LGIAsuper.

Lending assets by product



Delivering on the FY23 Plan

Banking & Wealth is successfully executing against its key priorities to win in home lending, accelerate digital & everyday banking, delivering targeted growth in business banking and simplifying the business.

Momentum in home lending resulted in five consecutive months of solid growth to close out FY21, with new home lending lodgements up 51% on the previous year, while mortgage processing turnaround times have improved.

The Bank continues to respond to customer feedback and a growing preference for digital interactions. Branch transactions fell by 20% during FY21, leading to a consolidation in the branch footprint, while customers continued to migrate to the Suncorp App, which has increased functionality. Contact Centre resourcing was brought back onshore and branch staff were equipped to support home lending needs and serve customers via telephone, resulting in a significant improvement in customer service levels compared to the previous year.

The Bank's Net Promoter Score (NPS) of +15 is the highest level achieved over the past two years, indicating that more customers are advocates of Suncorp. In July 2021, Suncorp was awarded Bank of the Year and Business Bank of the Year by Money Magazine for the fourth consecutive year.

The Bank continued to simplify its business and enable stronger management focus on the core portfolios, with the sale of the Wealth business to LGIAsuper and by exiting personal lending.

In FY21, Suncorp supported 14,000 bank customers impacted by COVID-19 through loan repayment deferrals. This represented 10% of the Bank's overall customer base and at the close of the financial year, almost all of these customers no longer required extra COVID-19 related support. The Bank continues to work with mortgage and business customers affected by the ongoing lockdowns in Australia through flexible payment options, including deferred repayments and repayment modification, as well as cashback on mortgage prepayments.

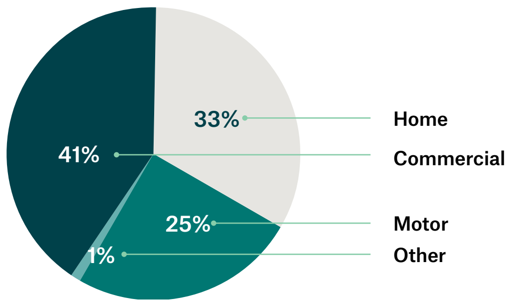
Result overview

- Banking PAT was $419 million, up 69.0% on the previous year, due to a strong improvement in NIM and a net impairment release.
- NIM growth of 13 basis points to 2.07% was driven by strong growth in retail deposits and lower benchmark rates in the market.
- Total lending increased by 0.4% over the second half of the year, reflecting positive momentum in housing loans offsetting a decline in business lending. Over the year, total lending declined by 0.8%.
- Momentum is improving in home loans, up 0.8% in the second half of the year due to higher mortgage settlements and improved turnaround times for loan processing.
- Business lending declined 0.1% over the year, following a decline in the commercial lending portfolio. Targeted growth in agribusiness lending partly offset the contraction by growing 3.6% over the year.
- The Everyday banking business – responsible for customers' day-to-day deposit and transaction needs – reported strong growth in at-call deposits over the full year, with a 16.7% increase in at-call transaction accounts, and at-call savings deposits growing 16.4%. Growth in transaction and savings accounts enabled further optimisation of the Bank's funding mix, including managed reductions of $3.2 billion, or 28.2%, of term deposits.
- The Bank reported a net impairment release of $49 million, reflecting a $60 million release in collective provision due to the improvement in economic conditions since the outbreak of COVID-19.
- The cost-to-income ratio fell by 20 basis points to 57.1%, as higher revenue offset an increase in operating expenses.
- Operating expenses of $731 million increased 3.7%, due to the temporary increase in spending on strategic initiatives including digitisation and automation. This was partially offset by branch closure savings, with 29 fewer branches at the end of FY21.
- The sale of Suncorp's Wealth business to LGIAsuper was announced in April 2021 for total consideration of $45 million, including a fixed amount of $26.6 million plus regulatory capital. The transaction is expected to be completed in FY22, subject to regulatory approvals.

Suncorp New Zealand

Suncorp New Zealand delivers financial services to New Zealanders through Suncorp's go-to-market general and life insurance brands. Made up of three distinct businesses: Vero Insurance, Asteron Life and AA Insurance, a majority-owned joint venture with the New Zealand Automobile Association. They are all well-recognised and trusted brands across the general and life insurance markets. Suncorp New Zealand's ambition is to be the number one choice for New Zealanders, driven by digital capability and a seamless partnership model.

General Insurance Gross Written Premium by product



Delivering on the FY23 Plan

The New Zealand business focused on its key strategic initiatives including strengthening brands and partnerships, building better digital and data capabilities and best-in-class claims.

The Vero business is targeting GWP and customer growth across the broker and corporate partner channels. In the broker channel, the business has been investing in improved digital capability for connecting to broker platforms, enabling brokers to place business directly into policy systems, which leads to a better customer experience and improved efficiency for Suncorp.

In the corporate partner channel, Vero is focused on its partnership with ANZ, which has a relationship with nearly one in every two New Zealanders. Consistent with the ANZ digital strategy, their customers will soon be able to purchase products through ANZ internet banking and its goMoney App.

AA Insurance, a majority-owned joint venture between Vero Insurance and the New Zealand Automobile Association (AA), is Suncorp New Zealand's fastest growing business offering customers direct general insurance.

Suncorp New Zealand is delivering its best-in-class claims ambition through the development of a modern, digital claims management capability and a single claims platform. This program will deliver seamless connectivity with suppliers and partners, enabling more efficient processing of claims, which will deliver faster and more consistent outcomes for customers. The updated claims platform will also enable further improvements to claims management and assessment processes, as well as adding webchat and self-service capability to improve the customer experience.

In Asteron Life, new business growth is an outcome of specifically targeting advisors with a compelling market proposition.

Result overview

Suncorp New Zealand

- New Zealand PAT was NZ$215 million, down 17% with General Insurance PAT down 19.2% and Life insurance PAT down 5%.

General Insurance

- General Insurance PAT was NZ$177 million, down 19.2% with higher natural hazard costs, lower investment returns and a normalisation of working claims following a period of reduced claims frequency due to COVID-19. GWP increased 9.2%, driven by strong performance in the direct AA Insurance channel together with growth in the intermediated commercial portfolios.
- Net incurred claims grew 17.7%. Natural hazard claims were $84 million, $45 million above the prior period. Working claims costs increased, driven by unit growth, as well as motor claims normalising following COVID-19 mobility restrictions in FY20.
- Operating expenses were NZ$470 million, up 0.6% for the year, the temporary increase in investment on strategic initiatives and growth.
- Suncorp New Zealand strengthened its customer remediation provisions by NZ$15 million in the second half of the year, relating to incorrect customer discounts in prior periods. The remediation of affected customers is ongoing.

Life Insurance

- Life insurance PAT of NZ$38 million, down 5% as unfavourable investment market adjustments offset improved underlying claims experience.
- In-force life premiums were NZ$288 million, rising 4.0% with growth driven by strong retention rates and premium growth.

Property Claims Team, Vero New Zealand

Our strategy

Delivering on our strategic plan

In FY21, Suncorp delivered a range of initiatives in support of our plan. These initiatives have driven solid momentum in performance across our organisation helping to provide value for our customers, people, communities and shareholders.

Successful execution of 12 business initiatives across Insurance (Australia), Suncorp New Zealand and Banking & Wealth is a key priority for the Group. Each initiative is well underway with clear ownership, full accountability, a strong business case and success metrics. The initiatives ensure we are focused on investing our financial and people resources in the most effective manner and are aligned with our core insurance and banking businesses. The initiatives reflect customer needs and are underpinned by digital and data.

Purpose: Building futures and protecting what matters

Strategic pillars

Customer led	Technology enabled	Workforce reimagined	Change advocated
Digital first and personalised customer experiences	Automated processes and modernised technology platforms	Exceptional people empowered to make a difference every day	Building towards a fair and sustainable industry for our stakeholders

	Insurance (Australia)	Suncorp New Zealand	Banking & Wealth
Business initiatives	— Revitalise growth — Optimise pricing and risk selection — Digital first customer experiences — Best-in-class claims	— Grow brands and strategic partnerships — Best-in-class claims — Increasing digital and data capability of core systems	— Win in home lending — Accelerate digital and everyday banking — Targeted growth in business banking — Optimise blended distribution — Simplify products and processes
Key metrics	— Market share v. system — Expense ratio — Loss ratio — Market-leading NPS	— Market share v. system — Expense ratio — Loss ratio — Market-leading NPS	— Market share v. system — Expense ratio — Market-leading NPS
Outcome	Underlying ITR		Cost-to-income ratio

Suncorp Banking Team with customers, Mt Ommaney Branch, Brisbane

Customer led

Digital first and personalised customer experiences

Suncorp's strategy to simplify our business is allowing teams to focus on the areas that make our customers' lives easier and enhance their experience with our people and products.

Supporting our customers through COVID-19

Throughout FY21, we have been flexible and responsible in supporting our customers affected by COVID-19. We understand both the financial and emotional strain the situation is having on our communities. We provided a range of relief and support options in more than 37,000 instances to home and motor insurance customers, and loan repayment deferrals to 14,000 bank customers.

AAMI also provided free roadside assist until 31 December 2020, for more than 28,000 nurses, doctors, hospital staff, paramedics, police, firefighters and SES workers Australia-wide, for both AAMI and non-AAMI customers.

Best-in-class insurance claims response

Throughout the year, Australia and New Zealand again faced extreme weather and several natural disasters, displacing homeowners, impacting livelihoods and devastating communities.

New technology enabled a faster and more efficient claims process and an improved customer experience during these disasters, for example:

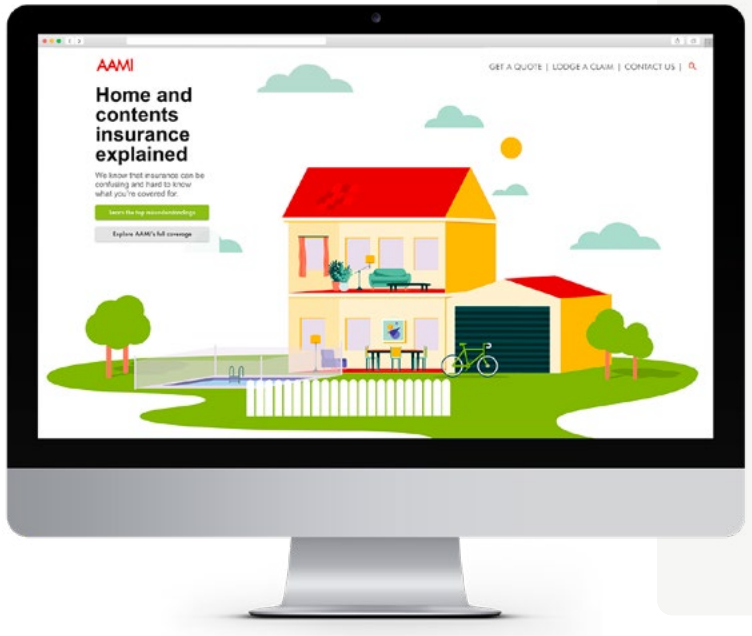
Enhanced webchat capabilities: to support online claims lodgement and process with recent improvements including product dedicated webchats.

New self-service options: allowing us to keep customers informed throughout the claims process.

Proactive messaging: providing alerts to customers living in regions in the path of bad weather and calls or SMSs to customers residing in evacuation zones to check on their safety and let them know the best way to lodge their claim.

Geospatial imagery and AI: to detect damage such as roof damage and allow us to conduct virtual assessments and quickly gain insights on community impacts.

Flooding in Port Macquarie, NSW, March 2021



A simpler way to understand insurance cover

AAMI launched an industry-leading tool to help customers better understand their insurance products and coverage. Designed to complement our Product Disclosure Statement (PDS), the digital tool summarises the top misunderstandings around home and contents insurance and ensures our customers can access clear and transparent information in an engaging and interactive way. The tool utilises everyday language, animations and illustrations to help customers build their understanding and confidence in their insurance products.

Explore the AAMI House[1]

A digital approach changes a cotton farmer's fortunes

When COVID-19 hit, lockdowns stopped many Australian businesses in their tracks. The owners of Goondiwindi Cotton, a clothing business on the Queensland/New South Wales border, watched on as their stock sat idle, with demand for cotton garments essentially wiped overnight.

With the help of his Suncorp Bank Business Relationship Manager, business owner Sam Coulton decided to invest in digital technology that allowed him to sell to customers directly.

Since changes were implemented last year, Goondiwindi Cotton's online sales have grown from 2,000 garments per year to around the same amount per month.

> *"Whether it's helping our business customers challenge the status quo or pivot their business in times of adversity or providing them with additional capital to support investment purchases, we are flexible to the needs of our customers."*
>
> Suncorp Executive General Manager Business Banking, Glenn Haslam

Learn more[2]

Customer Sam Coulton with Henry Holcombe, Suncorp Bank Relationship Manager, Goondiwindi (left to right)

1 homecontentsexplained.aami.com.au
2 suncorpgroup.com.au/news/features/digital-investment-goondiwindi-cotton

Technology enabled

Automated processes and modernised technology platforms

Suncorp's strategy is underpinned by technology and is focused on improving the customer and broker experience. In FY21, we have invested in existing technology assets while also modernising the core banking and insurance technology platforms.

By investing in automation and digitisation there is a significant opportunity to substantially shift the number of simple insurance and banking transactions done manually, enabling more of our people to focus on high-value customer support.

Digital first experiences

In response to growing customer demand, Suncorp is using digital tools and channels to improve the sales and service experience in insurance and banking, provide a best-in-class claims process in Australia and New Zealand, and meet customers where and when they want.

In FY21, Insurance (Australia) had 21% of consumer motor and home claims lodged via online channels. Following strong growth in the previous year, there was a 13.7% increase in digital sales volumes and 13% increase in digital service transaction volumes for the Group's mass brands, across home, motor and CTP products. This year, the Suncorp App reached more than one million downloads since launching, and in FY21 had more than 49 million logins. The AAMI App, which launched in May 2020, has expanded to include weather alerts, real-time motor claims updates via the AAMI Virtual Assistant, and the integration of AAMI Lucky Club and Everyday Savings Rewards.

Suncorp Bank continues to meet the accelerated demand for digital banking services. In FY21, 65% of deposit accounts were opened online and the number of customers beginning their home loans digitally rose 72%, compared to FY20.

Modernising our platforms

Suncorp continues to invest in a new insurance pricing engine to provide a full view of our customers, real-time data and increased personalisation. This is a key technology investment that will improve our pricing and underwriting.

In FY21, we have successfully upgraded and replaced our contact centre technology with a new state-of-the-art telephony platform, allowing us to direct callers to the most qualified team member for their needs.

We have also rolled out a modern desktop and collaboration platform for all our people and continued to migrate technology services to the cloud, with more than 60% of our systems now hosted externally by market-leading cloud providers. Work is also progressing well on modernising our core customer, analytics, AI and data platforms.

The delivery of Open Banking remains a key pillar in the Bank's strategy. On 30 June 2021, Suncorp was one of only a handful of non-major banks to deliver Consumer Data Sharing to meet the regulatory milestone of 1 July 2021. This lays the foundation for both Suncorp's compliance and consumption capability. Additionally, in FY21 we completed the Product Data Sharing compliance obligations with personal lending and business lending products now shared through our public product APIs.

Consumer Sales & Service Team, Vero New Zealand

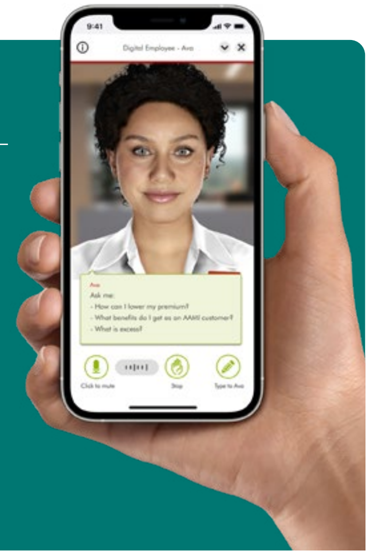
AAMI launches industry first AI enabled employee - Ava

AAMI is trialling a 'virtual human' employee who can help customers with their insurance needs.

Customers can interact with 'Ava' by turning on their microphone and camera and asking her questions. Not only does she have a wealth of insurance knowledge, Ava has a personality and is charged with emotional intelligence, meaning she will learn to read the face and tone of customers, and adjust hers to suit.

She is currently in a full-scale production test to humanise the digital experience, and is trained to answer questions about policy coverage, price, discounts, excess, optional extras and payments options from our Motor customers seeking quotes.

Learn more[1]



New technology using national support for local recovery

Following damaging hailstorms in South East Queensland in October 2020, 20% of home assessments were completed virtually. Read more about the COVID-19 inspired virtual assessment technology.

Learn more[2]

The virtual assessment process

Claim lodged → Virtual Assessment (VA) identified as suitable - VA booked in with customer → VA completed with assessor, using a customer's phone → Report automatically migrates to Suncorp ClaimCenter and suppliers → Proceed to repair process

1 suncorpgroup.com.au/news/news/aami-launches-industry-first-virtual-employee
2 suncorpgroup.com.au/news/news/virtual-claims-assessment-supporting-customers

Workforce reimagined

Exceptional people empowered to make a difference every day

The impacts of the COVID-19 pandemic have resulted in lasting changes to Suncorp's workforce.

As many faced ongoing disruption throughout the year, our people embraced innovative and more agile ways of working.

Suncorp's transition to a hybrid model of working maximises productivity and enables continued flexibility through a combination of remote and office-based work.

Suncorp offices remain a critical hub of connectivity for our people and are fully equipped with health and safety measures. More than 93% of the workforce returned to the office during the year and our focus is on ensuring our people feel connected and productive both in-office and remotely. We have implemented a survey tool that regularly tracks employee sentiment and highlights any challenges our people are facing as we continue to adapt.

Tania Goodwin, Client Manager, Suncorp Disaster Response & Event Claims. Tania is one of Suncorp's flexible workforce, ready to support customers affected by severe weather events

Flexible workforce boosts disaster response

This year, Suncorp extended its flexible working model to benefit customers needing assistance following extreme weather and natural disasters. More than 300 claims managers and 100 customer engagement specialists, who normally work two days a week, were able to scale up to five days when a natural disaster occurs. The benefit of this model was clear during the rain and floods in New South Wales during March 2021, where we scaled up our support overnight and saw call centre wait times drop from over seven minutes on day one, down to seven seconds on day two. Our teams tell us these roles provide them with flexible employment that can fit into their lifestyles and provide meaningful work opportunities.

Find out more[1]

1 suncorpgroup.com.au/news/news/Suncorp-flexible-working-disaster-response

Greater support for our working parents

This year, Suncorp announced the first phase of enhancements to its parental leave policy to strengthen the support and flexibility available to working and prospective parents.

These changes are a key element of the Group's diversity and inclusion strategy and focus on improving gender equality. As a larger employer, we need to support parents to transition back to work when they're ready. This not only helps our people to enjoy each stage of their life, but will also build a more diverse and inclusive culture for our business. Further enhancements to the policy are planned for next year.

"Our people, regardless of how long they have worked for us, won't have to choose between their career or family, and have the support to prioritise both."

Suncorp Group Executive, People, Culture and Advocacy, Fiona Thompson

Find out more[1]

Kate Johns, Suncorp Advisor, Contact Centre, with daughter, Tarlow, and wife, Keita Johns, Suncorp Associate, Consumer Lending

Heritage Lanes, Suncorp corporate headquarters, 80 Ann Street, Brisbane (Artist's impression)

1 suncorpgroup.com.au/news/news/greater-support-for-working-parents-at-suncorp
2 suncorpgroup.com.au/news/news/suncorp-names-new-brisbane-hq-heritage-lanes

Brisbane welcomes Heritage Lanes

With construction on track to complete in early 2022, Suncorp's new corporate headquarters, Heritage Lanes, will set a new standard for post-pandemic workplaces. As a six-star green star building, it will be a significant step in reducing our environmental footprint and energy consumption. It also reduces Brisbane CBD physical footprint by consolidating three offices into one.

"Heritage Lanes is truly a workplace of the future and it will revolutionise the way we work at Suncorp. It will be a different workplace, with more collaboration spaces allowing teams to choose a work setting best suited to the task at hand. Our Brisbane-based employees are excited to move into the building, spend more time in an office environment, and in the CBD."

Suncorp Group CEO, Steve Johnston

Find out more[2]

Change advocated

Building towards a fair and sustainable industry for our stakeholders

Suncorp is committed to building a sustainable organisation that values fair outcomes for all stakeholders including our customers, people, shareholders and the community.

Suncorp advocates for a fair and sustainable industry including:

- Financial, social and natural hazard resilience, particularly improved awareness, protection and preparation for natural disasters
- Accessible, affordable and inclusive banking and insurance
- A level playing field among financial services providers

A safer and stronger Australia

In FY21, Suncorp has focused on advocating for a four-point action plan to make Australia safer while easing affordability pressures in high-risk regions.

1. **Investment in mitigation infrastructure that protects communities:**
   In FY21, there has been an increase in resilience investment with key announcements in the Federal Budget and establishment of a new National Recovery and Resilience Agency.
2. **Grants for property owners to make their dwellings more resilient:**
   Suncorp continues to advocate for further government funding for households to encourage resilience upgrades and retrofits.
3. **Enhancing building codes and better planning to ensure new communities aren't placed at risk:**
   In FY21, Suncorp participated in several roundtables with the Insurance Council of Australia and Master Builders Association on the policy changes needed to make Australian homes more resilient.
4. **Removal of unfair and inefficient taxes and charges from insurance policies:**
   Suncorp will continue to advocate for the abolishment of the Emergency Services Levy in NSW and the removal of stamp duty on insurance policies nationally (excluding ACT) to help with insurance affordability, particularly in high-risk communities.

One House undergoes CSIRO resilience testing, Mogo, NSW, February 2021

Why we must Build it Back Better

This year, Suncorp insurance added an innovative new feature called Build it Back Better. It gives eligible customers lodging a claim the ability to also choose from a range of options designed to improve their home's resilience to natural hazards, as well as water damage, fire and theft.

Suncorp has long argued for resilience to be included as an objective of the National Construction Code and Build it Back Better demonstrates Suncorp's commitment to playing our part to improve Australia's built environment.

Find out more[1]

1 suncorp.com.au/insurance/home/build-it-back-better.html

Suncorp New Zealand Brand & Marketing Team

Advocating to improve the customer experience in a natural disaster

Suncorp New Zealand led the way on the new Natural Disaster Response agreement between private insurers and the New Zealand Earthquake Commission (EQC). The agreement is the result of many years of work that the team has done with EQC to trial new approaches to natural disaster claims, following learnings from the Canterbury and Kaikoura earthquakes.

The Canterbury earthquakes demonstrated that New Zealand's dual insurance model resulted in double-handling of claims for customers.

"We have continued to advocate for a new approach, and we are proud of the role that our business has played in this new model, which will significantly improve the claim experience for New Zealanders who are affected by a disaster."

Suncorp New Zealand Executive General Manager Claims, Campbell Mitchell

Find out more[1]

Leading the way to stop scammers

Scams cost Australians, businesses and the economy hundreds of millions of dollars every year and cause emotional harm to victims and their families. Many cyber criminals and scammers have seen COVID-19 as an opportunity, with people socially isolated in lockdowns and spending more time online.

In FY21, Suncorp Bank and the Office of the Customer Advocate launched the 'See Something, Say Something' employee awareness campaign to give our customer-facing teams the tools to help potential victims of financial abuse, such as scams. Additionally, a new scams awareness learning module was developed, including identifying and responding to scams. Suncorp has shared its resources with other Australian banks to help them implement their own learning curriculum.

"Scams and scammers are evolving as quickly as technology is. It's really important that our people have the right tools and information to be able to identify the signs of vulnerabilities, such as scams, and help get our customers back on their feet."

Suncorp Group Customer Advocate, Michelle Bain.

Public submissions

During the year, Suncorp made 11 public submissions to government inquiries, consultation processes and draft legislation in Australia and New Zealand. Suncorp's publicly available government submissions can be found on our website.

See more[2]

1 suncorp.co.nz/news-and-media/eqc-and-suncorp-settle-claims-costs-from-canterbury.html
2 suncorpgroup.com.au/news/public-submissions

Sustainable business

Suncorp is committed to building a resilient and sustainable organisation that values customer, shareholder and other stakeholder outcomes.

This section outlines our approach to stakeholder engagement, the most material environmental, social and governance (ESG) topics for our business, and our response through the lens of our Corporate Sustainability Principles. More information on our performance is provided in the Sustainability Data Pack (the Data Pack), which can be found on our website.

Our approach to sustainability reporting has been developed in accordance with the Global Reporting Initiative (GRI) Standards: Core option. For a full list of disclosures referenced in this report, on our website and in the Data Pack, please refer to the GRI Content Index on our website.

See more[1]

Corporate Sustainability Principles

Our Board-approved Principles guide our approach to governance and risk management, strategy and policy development, business decision making, and disclosure of non-financial performance.

The Principles we aspire to are:

Sustainable growth

We seek to innovate and optimise economic, social and environmental outcomes throughout our business and value chain. Refer to page 42 for more information.

Responsible financial services

We put our customers at the heart of everything we do and help them make good choices. We provide customers with access to affordable financial services that meet their needs. Refer to page 46 for more information.

Resilient people and communities

We respect human rights and invest in the wellbeing and resilience of our people and communities. We are there for our people and our communities in times of need. Refer to page 50 for more information.

Trust and transparency

We are committed to building trust and doing the right thing. We are open and transparent in our dealings with our stakeholders. Refer to page 52 for more information.

Sustainable Development Goals

Suncorp is committed to driving awareness and action in support of the United Nation's Sustainable Development Goals (SDGs), a set of 17 goals that define global sustainable development priorities and aspirations for 2030. The SDGs call for action to address significant economic, social and environmental challenges such as poverty, inequality, improving health and education and climate action.

The eight goals with the most relevance to Suncorp's business activity are below. Read more about our contribution to the SDGs on our website.

See more[2]

1 suncorpgroup.com.au/corporate-responsibility/reports
2 suncorpgroup.com.au/corporate-responsibility/our-approach/sustainable-development-goals

Performance against targets

A selection of broader non-financial metrics can be found on page 207, while the full list of metrics we track is available in the Data Pack on our website.

Suncorp is undertaking a significant review of our non-financial metrics and targets for FY22 in response to the growing importance of this information to our stakeholders. We expect to publish an enhanced set of targets in the first quarter of the 2022 calendar year. In the interim, we will continue to track our performance to existing non-financial metrics.

See more[1]

	Metric	FY21 target[2]	FY21 performance	Progress to target	Future activity
Sustainable growth	Scope 1 and Scope 2 greenhouse gas (GHG) emissions	51% absolute reduction by 2030[3]	18.4% ahead of target	●	Update Climate Change Action Plan (CCAP) Continue to implement Renewable Energy Strategy Publish FY21 Modern Slavery Statement
		Net-zero emissions by 2050		●	
	Invoices paid within 30 days[4]	95%	98%	●	
	Funds invested in social and low-carbon impact investments[5]	5% of total shareholders' funds	6.6%	●	
Responsible financial services	Level 2 complaints resolved in 30 days[6]	Maintain proportion year-on-year	79%	●	Develop an Accessibility Roadmap Complete second diagnostic review of support mechanisms for customers experiencing vulnerability Develop next Financial Inclusion Action Plan (FIAP)
Resilient people and communities	Women in leadership	50%	52%	●	Continue to build internal talent succession for senior leadership roles, as well as dedicated recruitment and retention strategies Continue to implement Reconciliation Action Plan (RAP) Continue to prioritise safety and wellbeing with a focus on mental health and responding to the evolving COVID-19 impacts.
	Women in senior leadership	48% by FY23	43%	○	
	Women on the Board	40%	33%	○	
	Community investment	0.7% pre-tax profit by 2022	0.6%	●	
	Lost-time injury frequency rate	At or below Finance Industry Group Average[7]	1.0	○	
Trust and transparency	Code of Conduct training completion rate	98% annually	99%	●	Review approach to sustainability governance and implement outcomes in FY22 Review, enhance and disclose non-financial targets for FY22 and FY23 Further explore options for external assurance of non-financial data

● Performance to target on track, met or exceeded ○ Performance below target

1 suncorpgroup.com.au/corporate-responsibility/reports
2 As per targets published in FY20 Responsible Business Report
3 From FY18 baseline for Suncorp corporate operations in Australia and New Zealand
4 From receipt of a valid invoice. Excludes New Zealand, suppliers with terms beyond 30 days and Suncorp Insurance Ventures
5 Based on Global Investor Coalition definition
6 Metric updated in 2020 from 21 days from receipt by Internal Customer Relations (ICR) team, to 30 days from first date received. Exceeds 45-day ASIC requirement. Managed by ICR team. Excludes New Zealand
7 Based on a combined average of industry peers using latest available published data

Stakeholder engagement

Stakeholder engagement is highly valued by Suncorp as an important means of building trust and confidence.

Regular proactive engagement with a range of stakeholders helps us make considered and balanced decisions. We identify key stakeholders based on the level of interest and impact they have on our business, and the opportunity to collaborate for more positive outcomes. We use a process of ongoing formal and informal engagement, ensuring we are proactive, respectful, transparent and uphold the highest ethical standards.

This year, Suncorp engaged with the following stakeholder groups on a range of topics.

	Customers	Community	Our people	Investors, shareholders and analysts	Government, industry and regulators	Suppliers and business partners
How we engaged	Daily interactions via contact centres, intermediaries, branches and digital platforms, customer surveys, dispute resolution processes and dealings with the Suncorp Group Customer Advocate.	Community events, industry collaborations, employee volunteering and giving, community partnerships, meetings and conferences.	Internal communication channels (intranet, all-company emails, Yammer, LinkedIn), virtual town halls, new employee feedback survey, business leader presentations and webcasts.	Management and director meetings, full and half year results presentations (including webcasts), strategy updates, analyst briefings and conferences, annual credit rating reviews and the Annual General Meeting.	Meetings and committee appearances, submissions and responses to consultations and inquiries, government advisory panel membership, background briefings, correspondence, annual prudential consultations, ongoing site visits, industry reviews and information requests. Insurance Council of Australia, Australian Banking Association, Insurance Council of New Zealand and Financial Services Council Board memberships.	Formal and informal meetings, contract renewals and risk assessments.
Key topics we heard	Support for customers impacted by natural disasters and customers experiencing vulnerability, financial resilience, customer experience, cyber and data security, scam and fraud awareness and support, digital capability and innovation.	Financial resilience, natural hazard resilience, digital inclusion, support for people experiencing vulnerability, talent attraction, diversity and inclusion, reconciliation, cultural heritage and environmental preservation, social inclusion and community investment.	Employee health, safety and wellbeing, business continuity, workforce planning, engagement and employee experience, remuneration practices, conduct and ethics, digital capability, resource use and efficiency, diversity and inclusion, reconciliation and cultural learning and cyber security.	Financial issues including capital management, growth, margins, provisioning, natural hazards and reinsurance and the impacts of COVID-19. ESG issues including remuneration, climate change, modern slavery, responsible investment, responsible underwriting and lending, conduct and culture.	Natural disaster claims response, insurance affordability and accessibility, Northern Australia reinsurance pool, impact of COVID-19, regulatory reforms, revisions to the capital framework for Authorised Deposit-taking Institutions, climate-related financial risk, transparency and disclosure, conduct and culture, fairness and value, governance and accountability, responsible lending and underwriting, capital management, remuneration, compliance requirements and technology risk.	Impacts of COVID-19 and business continuity, digital capability, responsible supply chain, modern slavery, cyber and data security.
How we responded	— extended our partnership with not-for-profit organisation Uniting and expanded CareRing referral service — launched new enterprise complaints program — invested in digital customer channels and upgraded our contact centre systems	— launched 'Innovate' RAP and established community partnerships with First Nations Foundation and First Hand Solutions — partnered with Queensland State Emergency Service (SES) and other community groups who directly support natural hazard resilience and financial resilience — enabled employee giving and remote volunteering and matched our people's efforts.	— introduced a new approach to employee feedback called The Loop, allowing leaders to track engagement — improved measurement analytics of internal communication channels — held a mix of in-person and virtual events — updated parental leave policy and extended primary and secondary level entitlements — introduced a new employee recognition program, to reward a greater number of employees with points redeemable at a Rewards Store.	— expanded proactive engagement and communication including virtual strategy updates, additional 1:1 investor meetings, group meetings with management, retail shareholder communications and ESG roadshow.	— expanded proactive disaster response briefings and advocated for greater investment in disaster mitigation — actively engaged with the Federal Government on the Northern Australia pool through submissions, membership of an expert advisory panel and through industry groups — maintained ongoing dialogue on the impacts of COVID-19 — held briefing sessions with policymakers regarding Suncorp's business practices and operations and advocated for fairer access to capital — action plans were put in place to respond to feedback from regulators.	— proactively communicated with suppliers and maintained regular performance discussions — maintained open dialogue about the impacts of COVID-19 to understand and plan for potential supply chain impacts — worked with suppliers and partners on potential contingency plans — proactively worked with strategic partners to understand and assess their response to managing modern slavery risk within their supply chain.

ESG materiality assessment

Suncorp undertakes regular ESG materiality assessments so we can proactively manage the risks and opportunities identified by our key stakeholders and our business.

Identifying what's important

In FY21, a comprehensive and independent ESG materiality assessment was conducted that reflects our changing operating environment, the evolving priorities of stakeholders and issues important to our business.

Our assessment followed a process of:

Identification

— A review of global megatrends, media and peer activities across Australia and New Zealand, including industry trends

— A review of internal and external Group policies, strategies, plans and frameworks

— A review of Suncorp customer insights and responses from a reputational research survey of members of the public

— Consideration of high-level themes from employee engagement responses

Prioritisation

— around 50 in depth interviews with external stakeholders including investors, academics, government and community representatives, consumer advocates, partners and suppliers, as well as internal stakeholders including members of the Suncorp Board, executives and senior leaders

— analysis of survey responses from more than 300 employees, investors, analysts, NGOs, brokers, suppliers and other stakeholders across a range of ESG topics

Validation

— Validation of the most significant topics via an internal management group and input from senior leaders

The topics identified cover areas such as our role in building more resilient communities, customer focus, social and environmental impact, governance and reputation, and our workforce. Changes compared to the FY20 assessment include:

— **natural hazard resilience** is now rated most important to Suncorp and our stakeholders, with the potential to create impact through community advocacy and investment

— **climate change response** continues to increase in importance, underpinned by good environmental stewardship and a sustainable supply chain

— **accessibility and affordability** of financial services has emerged as a key topic, with opportunities for improvement through advocacy, innovation and community impact

— **customer experience** is a key focus area for Suncorp with links to loyalty, advocacy and growth

— the ability to mitigate **data privacy and security** threats has increased in significance and is essential to maintaining customer trust

— maintaining **trust and transparency** remains highly important to stakeholders and our people

— having a **diverse and empowered workforce** was highlighted as a key enabler to progressing action and achieving our business strategy

— **vulnerable customer support** remains important, reinforced by the impacts of COVID-19.

The topics found to be most material based on their importance to stakeholders and our business are outlined in the table opposite. These topics are closely aligned to the pillars of Suncorp's strategy and have been grouped considering our Corporate Sustainability Principles outlined on page 36.

Our top 10 ESG material topics

1	Natural hazard resilience	Helping customers and communities build resilience to natural hazards including floods, cyclones, storms, earthquakes and bushfires.
2	Climate change response	Proactively adapting to and managing the physical and transitional risks and opportunities of climate change for Suncorp's business.
3	Accessibility and affordability	Ensuring all customers can access affordable financial services that meet their needs.
4	Customer experience	Developing agile, innovative and accessible solutions and products for customers. Enabling a personalised and seamless end-to-end user experience supported by customer engagement.
5	Data privacy and security	Rapidly adapting to and mitigating evolving data privacy and security threats to protect Suncorp and its customers.
6	Trust and transparency	Promoting a culture of trust and integrity through robust and transparent governance and disclosure processes.
7	Leading technological advancement	Embracing innovative technologies and digital solutions to enhance efficiency and amplify customer experience.
8	Purposeful and responsible business	Promoting and integrating our purpose into the way we do business. Embedding environmental, social and governance considerations into decision making including investment, underwriting and lending practices.
9	Diverse and empowered workforce	Building high-performing teams through a diverse, skilled and flexible workforce. Empowering employees through training and development opportunities for long-term growth and adaptability.
10	Vulnerable customer support	Assisting customers in times of vulnerability and promoting informed decision making.

Assessing potential impact

In FY21, we also considered the impact of Suncorp's business activity through a risk and opportunity framework. For each material topic, we considered the potential for Suncorp to have a positive or negative impact on value creation and sustainable development.

Suncorp has the greatest potential for positive impact in the areas of:

— **accessibility and affordability** – by focusing on improvements in areas such as financial inclusion.

— **purposeful and responsible business** – through underwriting, lending and investment practices

— **vulnerable customer support** – by providing measures to help customers recover after difficult times

The outcomes of this materiality assessment will inform Suncorp's advocacy strategy and corporate sustainability program of work, our business planning process and risk management practices, as well as our reporting, disclosures and engagement with stakeholders.

Further information about our response to these material topics and where the impact occurs in our value chain is available on our website.

See more[1]

The following pages detail Suncorp's response to the top ten material topics, through the lens of our Principles.

1 suncorpgroup.com.au/corporate-responsibility/our-approach

Sustainable growth

We seek to innovate and optimise economic, social and environmental outcomes throughout our business and value chain.

Our approach

Suncorp takes a long-term view and actively responds to changes in the economy, social and the environment. We proactively address climate-related risks and opportunities and embed ESG considerations across our value chain. We continue to advocate for natural hazard resilience to help our customers and communities be aware, protected, and prepared for natural disasters.

Responding to climate change

Suncorp continues to integrate climate change considerations into governance, risk management and strategy processes in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) framework (refer to page 56). We are committed to reducing our GHG emissions, preparing for the physical impacts of climate change and supporting the transition to an economy that achieves net-zero emissions by 2050.

Climate Change Action Plan

In FY21, we continued to deliver against our CCAP through managing climate-related risks and opportunities across the business, while proactively reducing our own environmental footprint. The next phase of development of our CCAP will be released in the first half of FY22. As we move to further embed our response to climate risk and opportunities across our business, the next version of our CCAP will support our people, business and customers to adapt to the latest developments in climate policy and intelligence both globally and domestically.

Environmental impacts

Suncorp conducts business in a way that protects and sustains the environment. We continue to reduce our environmental impact and be transparent about our environmental performance.

Through our Renewable Energy Strategy and RE100 commitment we will source 100% renewable electricity by 2025. Suncorp entered into a four-year renewable energy agreement that commenced on 1 July 2021 for our large sites which will provide over 50% of our total electricity from renewable sources, and we remain focused on the following key priorities:

- installing rooftop solar at viable Suncorp locations
- purchasing renewable energy for Australia and New Zealand
- engaging with our landlords to achieve our RE100 targets.

Implementation of our Renewable Energy Strategy is instrumental to achieving our 2030 Science-Based Target of 51% reduction in Suncorp Australia and New Zealand Scope 1 and Scope 2 emissions.

We continued to implement our Waste Management Strategy which aims to promote a circular economy and increase the proportion of waste diverted from landfill. This year we undertook weighted waste trials and contamination audits to improve our waste management reporting, which will cover 100% of our real estate portfolio from 1 July 2021. Suncorp also implemented organic and coffee cup recycling at key commercial sites and plans to identify additional sites in FY22.

Suncorp's Environmental Performance Plan sets out our priorities for becoming a low-emissions and resource-efficient organisation and is available on our website.

See more[1]

Climate scenario analysis

Suncorp has conducted climate scenario analyses over the past three years, building sophistication in line with industry guidance and developments in scientific research. Suncorp will continue to conduct analyses and these outputs will be integrated into Suncorp's strategy, which focuses on both investing in and advocating for improved resilience and adaptation to climate change.

Further detail on Suncorp's climate-related financial disclosures can be found in the TCFD on page 54.

1 suncorpgroup.com.au/corporate-responsibility/reports

Climate Change Action Plan progress

			FY18	FY19	FY20	FY21
Governance processes	Governance and planning	Implement CCAP with Board oversight and ongoing reporting	✓	✓	✓	✓
	Capability building	Work with scientific experts and external partners to improve Suncorp's ability to assess and manage climate change risks and opportunities	✓	✓	✓	✓
		Build Suncorp's technical capability to model climate change impacts, including financial impacts	→	→	→	→
	Scenario analysis and risk management	Conduct high-level risk and opportunity assessment and identification of priority areas and gaps		✓	N/A	N/A
		Conduct scenario analysis and identify risks and opportunities			✓	✓
Environmental footprint	Environmental performance	Implement Environmental Performance Plan		✓	✓	✓
		Set, publish and meet Scope 1 and Scope 2 GHG emissions targets		✓	✓	✓
		Explore opportunities to reduce Scope 3 emissions			→	→
	Responsible business policies and practices	Build internal awareness, understanding and engagement in Suncorp's response to climate change	✓	✓	✓	✓
		Implement Responsible Investment Policy	✓	✓	✓	✓
		Develop and implement Responsible Banking & Insurance Policy and develop Fossil Fuel Sensitive Sector Guideline		✓	✓	✓
		Integrate environmental considerations into supply chain policies		✓	✓	✓
Increase community resilience	Stakeholder engagement	Collaborate and advocate for climate adaptation, resilience building and risk reduction	✓	✓	✓	✓
	Resilience solutions and further advocacy	Continue to develop Protecting the North program and Cyclone Resilience Benefit	✓	✓	✓	✓
		Develop and implement Natural Hazard Resilience Program			→	→
		Explore additional resilience product solutions			→	→
Accelerate emerging opportunities	Low-carbon growth opportunities and innovation	Explore and develop low-carbon products and services; test and learn			→	→
		Develop partnerships to support low-carbon enterprise and entrepreneurship	✓	✓	✓	✓
		Reduce carbon intensity of Suncorp's investment portfolio including allocation to low-carbon investments		✓	✓	✓
		Participate in the development of environmental impact investing		→	→	→
Performance disclosure	Publish, track and disclose	Track and disclose Scope 1, Scope 2 and Scope 3 GHG emissions	✓	✓	✓	✓
		Disclose other environmental performance	✓	✓	✓	✓
		Report against TCFD framework (increasing disclosure as appropriate)	✓	✓	✓	✓

KEY ✓ Complete → Underway/ongoing

Advocating for natural hazard resilience

Suncorp recognises the need to build more resilient communities in response to climate impacts and a growing population in disaster-exposed regions.

Resilience initiatives

Suncorp's natural hazard resilience efforts combine innovative research and insights with initiatives that raise awareness of disaster preparedness in the broader community, as well as market-leading product solutions to recognise our customers' investment in increasing the resilience of their homes. During the year, Suncorp's key natural hazard resilience activities included the One House initiative to design, prototype and test one of Australia's most resilient homes, and the introduction of the Build it Back Better feature for Suncorp home insurance customers who make a claim.

Long-term recovery and future ready communities

In 2021, Suncorp is launching a dedicated grants program to support Australian communities impacted by significant natural disasters in their long-term recovery and resilience building.

Suncorp has partnered with the Foundation for Rural & Regional Renewal (FRRR) as it has the reach, relationships, networks, and know-how to distribute grants, big and small, to community-led solutions that build resilience and long-term viability of smaller remote, rural, and regional communities across Australia.

These grants will enable communities to repair or replace their infrastructure and equipment in a more resilient way and increase their capability and capacity to respond and recover from future extreme weather events.

Responsible underwriting, lending and investment

Suncorp's Responsible Banking & Insurance Policy outlines how we integrate ESG considerations into the way we do business. This commits us to delivering products and services that are suitable, accessible and affordable, as well as remunerating and incentivising with customers' best interests in mind. Our Responsible Investment Policy describes our approach to the long-term sustainability of investment returns and the management of ESG risks and opportunities in our investment portfolios. Both policies are available on our website.

Suncorp is a signatory to the United Nations Principles for Responsible Investment, Principles for Sustainable Insurance and Principles for Responsible Banking, international frameworks committed to driving collective action and sustainable practices across the finance sector. During the year we completed our first and second self-assessments against the Principles for Responsible Banking.

See more[1]

Portfolio-level assessments

In FY21, Suncorp used guidance from the United Nations Environmental Programme Finance Initiative to assess portfolio-level ESG risks and opportunities in our banking, investment and insurance portfolios. This included an assessment of potential modern slavery risk and our exposure to sensitive sectors. The outcomes of these assessments are being used to inform future policy development.

Sensitive sectors

Suncorp has a range of guidelines to ensure consistent decision making across our investment, banking and insurance portfolios on issues including fossil fuels, tobacco and recreational cannabis, and controversial weapons. This year, these guidelines were formally documented as Sensitive Sector Standards, enabling us to respond to environmental and social risks in our business and support the implementation of our Responsible Investment and Responsible Banking & Insurance policies.

From 1 July 2021, Suncorp expanded the definition of controversial weapons to include white phosphorus and depleted uranium munitions. We also updated our excluded positions list to capture companies involved in the production, sale or distribution of recreational cannabis products. In line with our commitment to uphold the United Nations Universal Declaration of Human Rights, we excluded 20 companies from our investment portfolios following human rights violations.

See more[2]

Modern slavery

Suncorp published its first Modern Slavery Statement in February 2021 for FY20. Our Statement outlines Suncorp's approach to identifying and addressing the risks of modern slavery in our operations and supply chain across Australia and New Zealand. Through the development of our Statement, we amended several policies to address modern slavery risks across our business.

The Suncorp Responsible Banking & Insurance and Responsible Investment policies include commitments to regularly assess portfolio-level ESG risks and opportunities, including modern slavery. Suncorp's Code of Conduct was updated to reference modern slavery and human rights and our procurement and outsourcing policies were also updated to consider modern slavery.

See more[3]

Proxy voting

Suncorp is committed to ensuring all proxies are voted in a manner consistent with Suncorp's Responsible Investment Policy and the Corporate Sustainability Principles. During FY21, Suncorp voted on 99.5% of eligible proxy resolutions, voting at 329 meetings on 2,767 resolutions in 21 countries.

See more[2]

1 suncorpgroup.com.au/corporate-responsibility/reports
2 suncorpgroup.com.au/corporate-responsibility/sustainable-growth/responsible-banking-insurance-investing
3 suncorpgroup.com.au/corporate-responsibility/resilient-people-and-communities/respecting-human-rights-and-protecting-against-modern-slavery

Queensland's Suncorp Stadium hosted the COVID-safe launch of our partnership with the Queensland SES in September 2020

Impact investing

Suncorp proactively engages in social impact investing that meets both our investment and social impact assessment criteria. Our investment in the Youth Connect Social Benefit Bond supports vulnerable young people transitioning from state-based care to independence in the community. The first group of young people completed the program this year, with the percentage of successful graduates exceeding the program's baseline performance benchmark.

In FY20, Suncorp invested in the Synergis Disability Housing Fund, which aims to address the undersupply of housing for people living with a disability in Australia. In FY21, the Fund completed construction and moved tenants into housing in Queensland and New South Wales and began housing construction projects in Victoria.

Suncorp's commitment to the Palisade Renewable Energy Fund became fully drawn down over FY20. In FY21, Palisade completed the Granville Harbour Wind Farm in Tasmania and purchased the Snowtown Wind Farm 2 in South Australia.

More information on Suncorp's approach and activities related to sustainable growth is available on our website.

See more[1]

Protecting Queensland communities

In FY21, Suncorp became the Principal Community Partner of the Queensland SES. The multi-year partnership will see Suncorp and Queensland SES band together to help communities respond and recover from weather events, as well as support the roll-out of community engagement and education campaigns, to increase preparedness, fund vital equipment for SES volunteers and advance volunteerism across the state.

AAMI has been the Principal Community Partner of the Victorian SES since 2002, during which time AAMI has contributed a total of $9 million to equipment to enable volunteers to respond to call outs for assistance and carry out rescue operations.

Read more about Suncorp's partnership with the Queensland SES on our website.

Learn more[2]

1 suncorpgroup.com.au/corporate-responsibility/sustainable-growth
2 suncorpgroup.com.au/news/news/suncorp-partners-with-queensland-state-emergency-service

Responsible financial services

We put our customers at the heart of everything we do and help them make good choices. We provide customers with access to affordable financial services that meet their needs.

Our approach

Suncorp takes its responsibility as an essential services provider seriously. We are committed to being responsive and providing suitable, fair and affordable products and services that meet the needs of our customers and help build their financial resilience.

Delivering value and meeting the needs of our customers through personalised experiences and digital-first solutions is core to Suncorp's strategy. We continue to leverage technology to design simpler, more efficient processes for our business.

Improving accessibility and affordability

Suncorp is committed to growing our business inclusively and serving the whole community. Through the implementation of our FIAP, we continued to provide access to suitable and affordable products and services and build our capability to better support customers experiencing vulnerability.

Suncorp's approach to financial inclusion and our actions to build the financial resilience of our customers and community is outlined on our website.

See more[1]

Accessibility assessment

The Office of the Customer Advocate conducted an Accessibility Maturity Assessment to understand our strengths and opportunities relative to industry and community expectations. Key recommendations have been presented to the Suncorp Board Customer Committee and Executive Leadership Team. Work has commenced on high-priority areas and we are engaging external experts to help build our Accessibility Roadmap.

Affordable product development

In FY21, Suncorp New Zealand partnered with Good Shepherd New Zealand to pilot Drive, a low-cost comprehensive car insurance product for customers on limited incomes. Premiums are fixed at a low amount and customers do not pay an excess on their first claim. The findings from the pilot will inform how easier access to appropriate and affordable insurance contributes to greater financial resilience.

1 suncorpgroup.com.au/corporate-responsibility/responsible-financial-services/financial-resilience

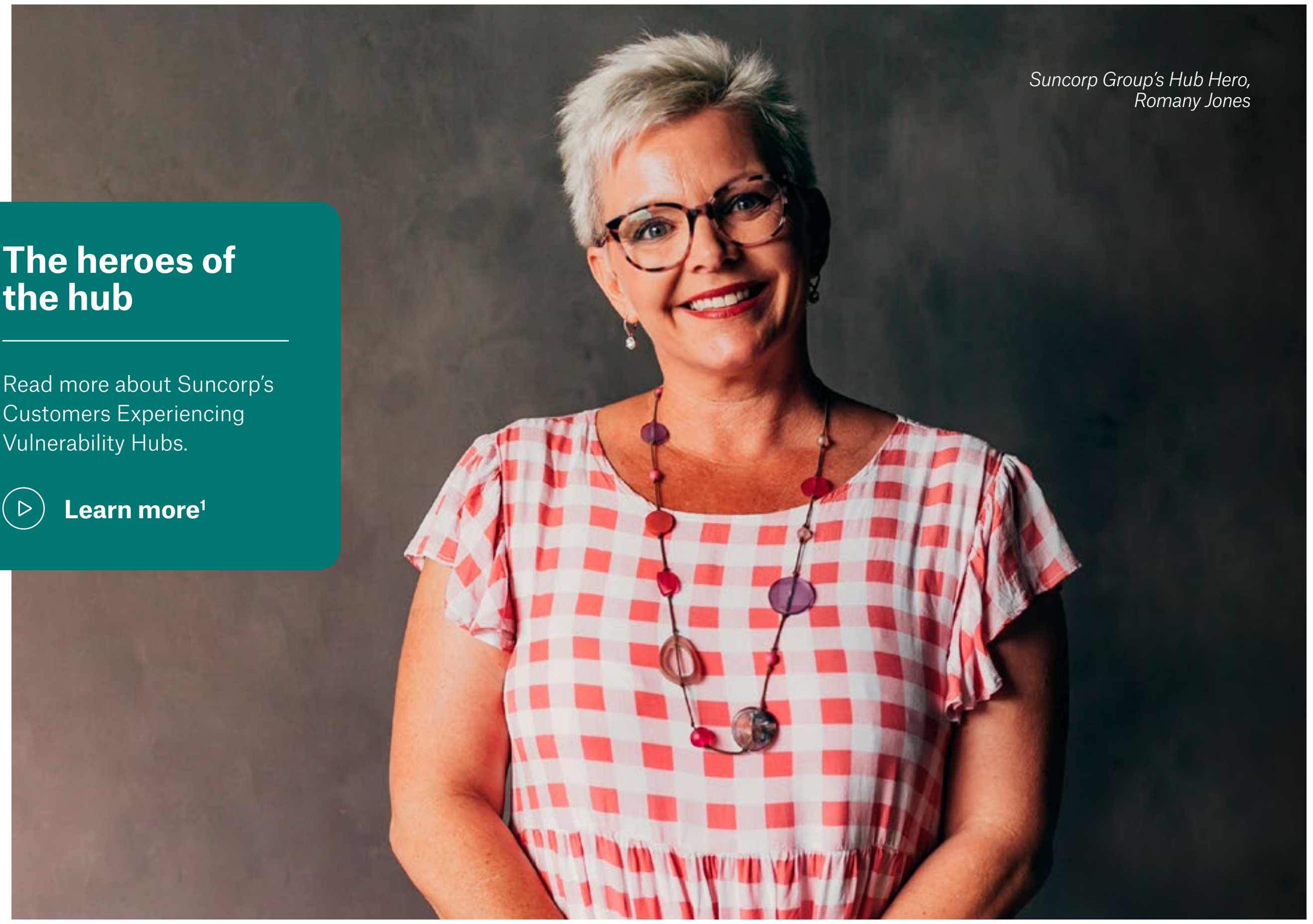
Suncorp also worked in collaboration with community groups and other like-minded corporates to support an innovative initiative to reduce the financial hardship experienced by Aboriginal and Torres Strait Islander peoples when paying for the funerals of loved ones.

In partnership with Social Ventures Australia, Commonwealth Bank, NAB and IAG, a Sorry Business financial hardship solution is being rolled out to communities across Australia in FY22. The solution provides:

- a new way for people to prepare financially with an innovative savings product
- more affordable provision of meaningful, cultural funeral services.

Both aspects are focused on the needs of Aboriginal and Torres Strait Islander communities.

Suncorp Community Café in partnership with Wesley Mission and Darcy Street Project, Pitt Street branch, NSW.



Suncorp Group's Hub Hero, Romany Jones

The heroes of the hub

Read more about Suncorp's Customers Experiencing Vulnerability Hubs.

Learn more[1]

Supporting customers experiencing vulnerability

Suncorp's Customers Experiencing Vulnerability (CEV) strategy and roadmap has evolved and matured, strengthening our understanding of the unique needs of our customers and the capability needs of our people who support them. We continue to respond and take a proactive approach to identifying customers in vulnerable situations, as well as building strategies to tackle the underlying issues that contribute to vulnerability.

Specialist support

Suncorp is focused on empowering our people to appropriately path vulnerable customers to our dedicated hubs for specialised support. Over the past year, we have developed and delivered new tools and training to assist our people with the identification and support of customers experiencing vulnerability, including:

- **'See Something, Say Something' campaign:** a campaign to create broader awareness among our customer-facing teams to recognise and respond to possible triggers of vulnerability such as scams, family and domestic violence, elder abuse, cognitive impairment and modern slavery.
- **Learn and thrive sessions:** monthly sessions designed to enhance the skills and knowledge of our people in the dedicated hubs. These include insights from consumer advocate experts and case study discussions about topics such as family and domestic violence, financial hardship, mental health, disability and homelessness.
- **Resilience strategies:** this includes a partnership with Communicorp, Suncorp's Employee Assistance Program provider, to explore vicarious trauma training options for our people interacting with customers. This training aims to help our people build awareness of the impacts and warning signs of vicarious trauma and develop self-care strategies to build resilience. A pilot group from our Customer Relations and specialised vulnerability teams has completed the training.

During the year, we delivered first-in-New Zealand training in partnership with Shine and Lifeline Aotearoa, to build the capability of customer-facing employees in responding to severe cases of vulnerability, particularly where a customer's safety is threatened. We also added Age Concern as a partner our people can refer New Zealand customers to.

1 suncorpgroup.com.au/news/community/how-we-are-supporting-our-most-vulnerable-customers

Supporting customers experiencing vulnerability (continued)

Data for Good

Suncorp's Data for Good program conducts pilots using customer data to identify behavioural indicators that help us to build insights about customers who may be experiencing vulnerability and explores the most appropriate way to engage them regarding available support options.

Collaborating for better customer outcomes

Each year we bring together our senior leaders and external experts to discuss current and emerging customer and community issues, including support for people experiencing a range of vulnerabilities.

Learn more[1]

Partnership development

In FY21, Suncorp strengthened its support for customers experiencing vulnerability by extending our partnership with community organisation Uniting and expanding its CareRing referral service.

The renewed partnership builds on Suncorp's ongoing commitment to help customers impacted by financial hardship, mental health challenges or domestic and family violence.

The service includes a dedicated case manager for customers needing long-term assistance, referral pathways to community and health services, and financial assistance for specialist requests. Since July 2020, over 440 customers have been referred to CareRing.

Suncorp also partnered with not-for-profit debt solutions provider, Way Forward, to support bank customers who require greater and more holistic support to regain control of their finances and overcome their debts.

Suncorp Group Customer Advocate, Michelle Bain, hosted the annual Consumer Advocate Day, May 2021

1 suncorpgroup.com.au/news/community/how-we-are-supporting-our-most-vulnerable-customers

Suncorp Group CEO Steve Johnston at James Cook University's Cyclone Testing Station, April 2021

The customer experience

Suncorp is focused on delivering digital-first, personalised experiences that make doing business with us simpler and more rewarding. A range of initiatives have been implemented this year that enhance the sales, service and claims experience for our customers. For examples of these and how we are delivering on our strategy to be customer-led, refer to the operating and financial review on page 28.

Complaints management

Suncorp has an ongoing responsibility to our customers and the community to understand their needs and to be responsive, especially when things go wrong. We are committed to ensuring that our customers' issues are identified and resolved fairly and as quickly as possible. This year, we have invested to improve the way we capture and manage customer complaints.

The Enterprise Complaints Program is focused on streamlining the complaints experience for our customers and people, as well as driving a positive complaint management culture, where we value feedback as a rich source of customer insight. We delivered a new system, accessed by all customer-facing employees, to manage complaints and ensure we are delivering a consistent experience to our customers, which enables us to leverage complaints data to address customer pain points.

Further detail about Suncorp's approach to complaints management is available on our website.

See more[1]

Advancing technology and digital solutions

Technology is a key enabler of the Suncorp strategy. We are leveraging digital, data and automation to improve our products, processes and systems to better meet the needs of our customers. We continue to build on our strong technology foundations and have the following key priorities:

- keep the business safe and running: COVID-19 has highlighted the importance of being a resilient business that can adapt to changes in our operating environment and respond to ever-increasing cybersecurity threats
- architect for the future: simplifying our technology architecture to make it more efficient and our systems more flexible
- unleash data, digital and automation: to create more personalised and seamless customer experiences
- transform our ways of working: building and improving our internal capabilities and better leveraging our technology and business process partners.

In FY21 Suncorp made improvements to the digital customer experience by utilising AI to power Augmented Claims Experience, allowing our customers to receive accurate and comprehensive updates on their motor claim process in real-time via our chatbot. Further progress we have made this year is outlined in the operating and financial review on page 30.

More information on Suncorp's approach and activities related to responsible financial services is available on our website.

See more[2]

1 suncorpgroup.com.au/corporate-responsibility/responsible-financial-services/better-customer-outcomes
2 suncorpgroup.com.au/corporate-responsibility/responsible-financial-services

Resilient people and communities

We respect human rights and invest in the wellbeing and resilience of our people and communities. We are there for our people and our communities in times of need.

Our approach

Suncorp is committed to building the financial, social and natural hazard resilience of our people and communities. We aspire to have an inclusive culture and diverse workforce. We support our people in the causes they care about and actively promote their involvement in the community.

Building a diverse and empowered workforce

Suncorp believes our people will be at their best when our workforce is as diverse, talented and passionate as the communities we serve. That means a workforce that feels included, valued and connected regardless of gender, marital or family status, sexual orientation, gender identity, age, disabilities, ethnicity, religious beliefs, cultural background, socio-economic background, perspective and experience. Read more about how Suncorp fosters an environment of flexibility, inclusion and diversity on our website.

See more[1]

The Suncorp Diversity & Inclusion Plan has five focus areas: Inclusion, Gender Equality, Age Diversity, First Nations Commitment, and Cultural & Linguistic Diversity. In FY21, Suncorp reduced our gender pay gap, responded to the needs of our hybrid workforce by providing learning and support options for carers and their leaders, increased our parental leave offerings, increased our domestic and family violence support, and became the first national organisation in Australia to achieve the 'Carers + Employers' carer friendly workplace accreditation.

We supported our employment commitments under the Suncorp RAP by providing six internships through our partnership with CareerTrackers and recruiting 59 people who identify as First Nations. Due to international border closures, we expanded our refugee employment program to include sponsoring vulnerable refugee small business owners and entrepreneurs.

Suncorp New Zealand provided summer internships to seven Maori and Pasifika students in partnership with TupuToa. In FY22, we have committed to becoming a Principal Partner with TupuToa and increasing the number of internships we offer to 10 per year.

We continue to grow our Employee Resource Groups, which provide the opportunity for employees to come together around a common purpose, interest or background. In FY21, we established a group for carers and emergency services workers.

Workforce flexibility and planning

Lessons from COVID-19 are informing new ways of working at Suncorp. This includes planning for and addressing impacts on our workforce as a result of changed conditions, technology and demographic trends.

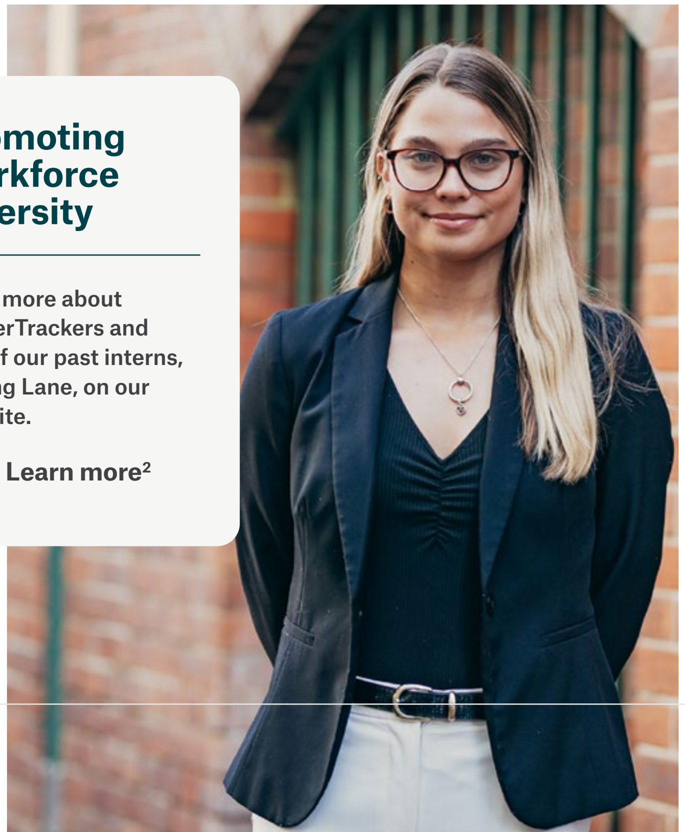
In FY21, Suncorp has improved our technology infrastructure to better support our people in the transition to work-from-home. New work arrangements have also been introduced to improve Suncorp's ability to respond to events and we have improved our capability of leading a distributed workforce.

This year, we introduced a frequent employee feedback platform called The Loop, which allows employees to respond to a wide range of factors impacting their experience and engagement. We have also expanded our Future Ready program by increasing the number of pathways for employees, increasing the number of people working in new fluid and agile teams and refreshing our long-term people and workplace plans to more closely align with our strategy and the new world of work.

Promoting workforce diversity

Read more about CareerTrackers and one of our past interns, Aisling Lane, on our website.

Learn more[2]



1 suncorpgroup.com.au/corporate-responsibility/resilient-people-and-communities/diversity-and-inclusion
2 suncorpgroup.com.au/news/features/national-reconciliation-week-at-suncorp

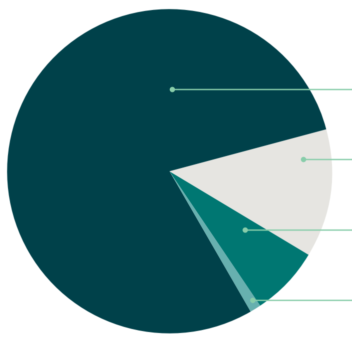
Driving community advocacy and investment

Suncorp's community investment strategy aims to build the financial, social and natural hazard resilience of the communities in which we operate. To support this strategy, in FY21 Suncorp piloted a framework with four of our community partners to understand the social impact of our community investment. In FY22, we will begin to implement our framework for measuring social impact across our strategic community partnerships.

Investing in our communities

In FY21, Suncorp invested $9 million in our communities. This includes $5.1 million in strategic partnerships that centre on increasing financial, natural hazard and social resilience. Suncorp also provided $1.2 million to various charities and community groups through our employee giving program, Brighter Futures.

Total community investment breakdown



Advancing reconciliation

In November 2020, Suncorp was proud to launch our second RAP, which was endorsed by Reconciliation Australia as an 'Innovate' RAP. This recognises our increased level of commitment to support social and economic prosperity for Aboriginal and Torres Strait Islander peoples.

> *"We all have the opportunity to advocate for reconciliation and to take action and create change."*
>
> Suncorp Bank's Executive General Manager Consumer Distribution and Group RAP Champion, Chris Fleming

This RAP sets out Suncorp's vision for reconciliation which is for all Aboriginal and Torres Strait Islander peoples to be empowered to participate in the economy, be included in the financial system and have the means to build financial, social and natural hazard resilience for themselves, their family and their community.

Learn more[1]

New partnerships

Suncorp established a new partnership with Firesticks Alliance Indigenous Corporation to increase economic participation of Aboriginal and Torres Strait Islander peoples and build the natural hazard resilience of communities in bushfire-prone areas. Firesticks aims to empower Aboriginal peoples to reinvigorate cultural burning practices and work collectively with communities to build resilient landscapes and reduce the risk of bushfires.

Through the partnership, Suncorp will support Firesticks to develop and implement a nationally recognised certification which will provide Aboriginal peoples with learning and employment pathways in fire and land management.

Suncorp also announced new partnerships with First Nations Foundation and First Hand Solutions. Through the partnership with First Nations Foundation, we aim to deliver financial capability programs and education resources designed by and for First Nations people, community outreach events, and financial cultural capability training for Suncorp employees.

First Hand Solutions Aboriginal Corporation identify and implement hands-on solutions to issues faced by Aboriginal and Torres Strait Islander peoples and remove barriers to participation. Through the partnership, Suncorp will sponsor the Blak Markets to give First Nations business owners a platform to showcase their products and services. The partnership will also support professional development for business owners and employment pathways for young Aboriginal and Torres Strait Islander peoples.

As part of its ongoing commitment to road safety, this year AAMI became the Major Partner for Driver Reviver across Australia. Operating for more than 30 years, Driver Reviver sites have proven to save lives by encouraging drivers to Stop, Revive and Survive.

More information on Suncorp's approach, activities and partnerships related to resilient people and communities is available on our website.

See more[2]

1 suncorpgroup.com.au/corporate-responsibility/resilient-people-and-communities/reconciliation
2 suncorpgroup.com.au/corporate-responsibility/resilient-people-and-communities

Trust and transparency

We are committed to building trust and doing the right thing. We are open and transparent in our dealings with our stakeholders.

Our approach

We take the trust our stakeholders place in us and our role in society seriously. We proactively engage with our stakeholders to understand the things that matter most, and advocate for change. We are increasing the transparency of our business operations and performance, and the decisions we make.

Being responsive to customer and community expectations is central to earning the trust required to maintain Suncorp's social licence to operate.

Strengthening trust and transparency

In FY21, Suncorp maintained our focus on culture, conduct and business practices to ensure good outcomes for our customers.

Culture roadmap

The Group-wide Culture Study conducted in April 2020 found clear strengths in relation to flexible work arrangements, compliance focus and a genuine care for customer outcomes.

It also identified areas for improvement including greater connection to our strategy, improved role clarity and accountability, and a better understanding of how our risk practices can help us to deliver on our growth aspirations.

In FY21, a Culture Roadmap was developed to address the insights found in the assessment and to support the effective delivery of our strategy. We measure indicators of cultural shifts through a Culture Dashboard, which indicates that Suncorp continues to have a strong and resilient culture. It also highlights the need to balance the 'caring' and 'compliance' elements of our culture with greater focus on the 'performance' aspects, especially though innovation and courage.

Suncorp will use the Culture Dashboard to understand any additional opportunities and actions required to address cultural challenges, ahead of the next culture assessment proposed for 2022.

Code of Conduct

Suncorp's Code of Conduct helps bring our purpose to life and is guided by our cultural principles. It also aligns with both the General Insurance Code of Practice and the Banking Code of Practice. Our Code of Conduct also reflects our Risk Culture Principles and is strengthened by our new Being @ Suncorp behavioural standards. Further information is provided in the Corporate Governance Statement on page 78.

Suncorp recognises that consequence management is critical to drive the best outcome for customers and to ensure the right culture across our organisation. Throughout this year, all executive and non-executive employees continued to have conduct linked with individual performance and reward outcomes. The consequences for misconduct during FY21 are outlined in the Remuneration Report on page 92.

A copy of Suncorp's Code of Conduct is available on our website.

See more[1]

Breaches and remediation

Suncorp is committed to enhancing the experience of our customers. We maintain, monitor and continuously improve our processes and practices to identify, assess and rectify breaches that do occur. We aim to learn from mistakes and remediate impacted customers in a timely manner.

Our product design and distribution strategies have been reviewed to enhance customer value and experience.

In FY21, Suncorp New Zealand continued its customer remediation program and is working with corporate partners and brokers within the industry to assess and remediate a number of situations affecting customers.

In completing due diligence across our former financial planning businesses, Guardian Advice and Suncorp Financial Planning, Suncorp identified and remediated customer fees where no service was provided.

1 suncorpgroup.com.au/about/corporate-governance

In December 2020, Australian Prudential Regulation Authority (APRA) changed the timelines for the Directions imposed on Suncorp Portfolio Services Limited regarding Accrued Default Amount transfers. All active/current member adjustments were completed in accordance with the revised timelines, and a small number of exited member payments that remain outstanding will be finalised in the first half of FY22.

Political donations

Suncorp works proactively and constructively with elected representatives and officials in local, state and federal governments, to ensure reforms deliver better outcomes for our customers, shareholders and the community.

Suncorp's Political Engagement Policy was updated in February 2021 to allow for approved employees to attend political events for public policy reasons. In managing our approach, Suncorp is committed to a high standard of ethics and transparency and complies with all legal obligations. Suncorp's policy continues to prohibit direct cash donations to political parties or candidates.

A copy of our Political Engagement Policy is available on our website.

See more[1]

In Australia, Suncorp's political expenditure for FY21 was $49,000. Suncorp complies with all Federal and State disclosures and our political expenditure reflects a non-partisan approach to political engagement.

Managing data privacy and security

Ensuring personal information is protected and handled fairly and reasonably is fundamental to maintaining the confidence and trust of our stakeholders.

Data privacy

The Suncorp Group Privacy Policy details how we collect, use, disclose, store and secure personal information. We prioritise staff training on secure information handling practices and our people complete mandatory privacy training annually. A copy is available on our website.

Suncorp supports reforms to strengthen online privacy protections by enhancing choice and control for our customers.

In FY21, Suncorp made two reports and Suncorp partners made three reports to the Office of the Australian Information Commission (OAIC) under the Notifiable Data Breaches Scheme. Each data breach is treated seriously, and we continue to invest in training and technology to prevent any future data breaches.

See more[1]

Data governance and ethics

Data is a strategic asset for Suncorp and a critical enabler of our strategy. The Suncorp Data Governance framework defines the key principles, capabilities and processes for governing critical data, including:

— standards and guidelines for data management
— clear organisational accountabilities for ownership of data management practices
— established processes outlining how data is created, modified and maintained
— tools and technology that enable adherence to recommended standards, and
— governance controls that identify priorities, measure progress and determine the effectiveness of governance activity.

The Group Data Council governs data ownership and accountability across Suncorp and acts as an escalation point for data-related decisions.

Suncorp's Data Ethics Principles guide the ethical use of data and automated decisioning by considering human, social and environmental impacts. These Principles are increasingly important as Suncorp's automation capability extends to further use of Artificial Intelligence and Cognitive Solutions in the future. The Principles also support Suncorp's Enterprise Risk Management Framework, Privacy Policy and Code of Conduct to protect the rights of our stakeholders when we collect, use and retain their data.

The Data Ethics Advisory Committee provides advice and recommendations regarding the ethical use of data in our business practices.

Cyber security and financial crime

As the digital environment evolves, Suncorp continues to strengthen its protection capabilities from the threat of cyber and financial crime for our customers. We leverage world-class detection and prevention technologies in our dedicated Financial Crime and Anti-Money Laundering / Counter-Terrorism Financing systems.

Suncorp has invested in advanced data analytics and fraud detection technology to ensure we can intervene early and disrupt criminal activity before it impacts our customers. We also have policies and practices in place such as the Anti-Bribery & Corruption Policy for employees and investigation practices aligned to industry codes of practice.

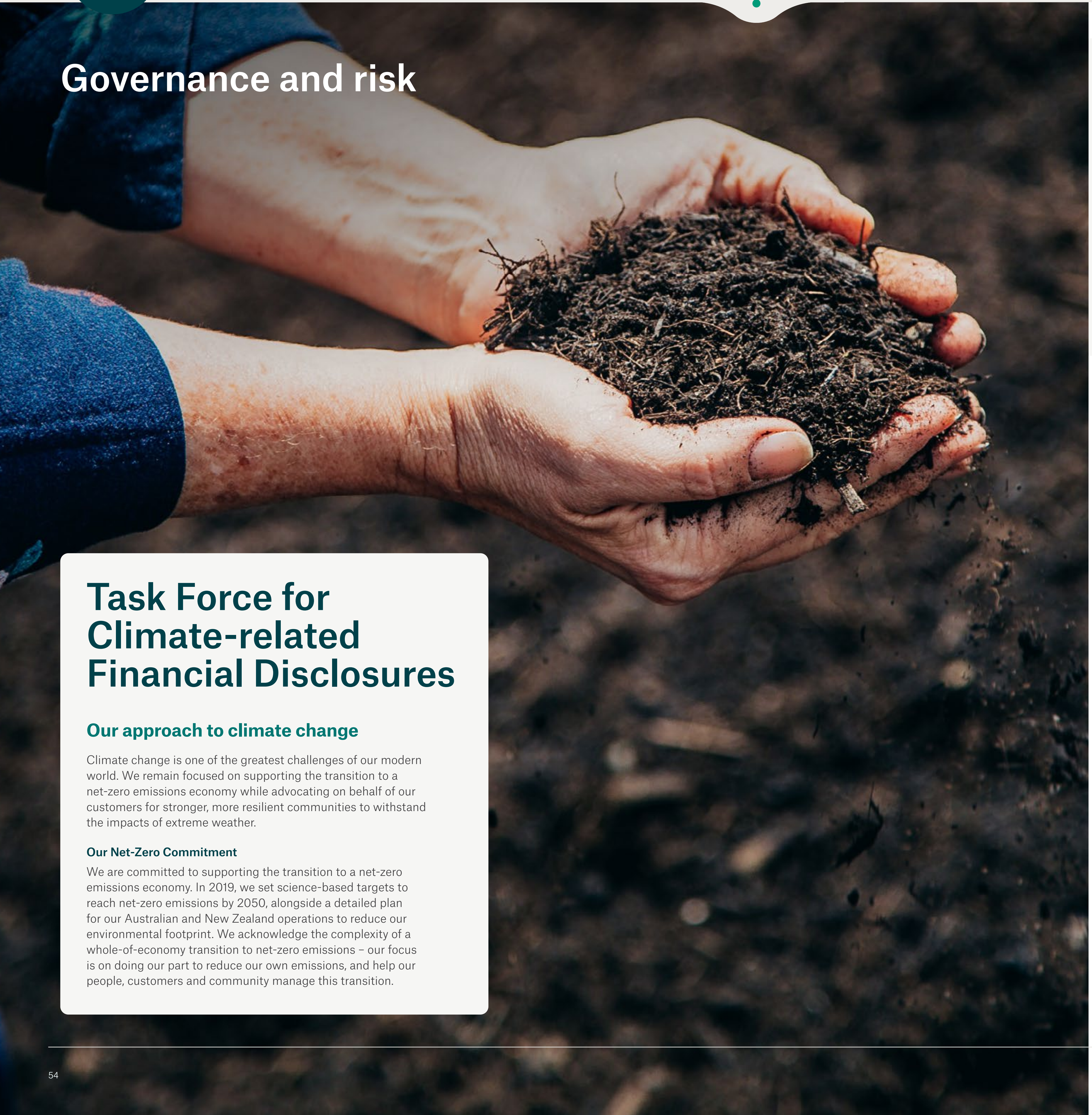
Suncorp continues to support law enforcement and intelligence agencies in order to help address cybercrimes. We run ongoing employee and customer education programs on cyber security risks and work with community groups to support customers impacted by financial crimes and scams. Suncorp has invested in scam-intervention techniques to reduce the impact on our customers, including enhanced support for victims of identity theft.

More information on Suncorp's approach and activities related to trust and transparency is available on our website.

See more[2]

1 suncorpgroup.com.au/about/corporate-governance
2 suncorpgroup.com.au/corporate-responsibility/trust-and-transparency

Governance and risk



Task Force for Climate-related Financial Disclosures

Our approach to climate change

Climate change is one of the greatest challenges of our modern world. We remain focused on supporting the transition to a net-zero emissions economy while advocating on behalf of our customers for stronger, more resilient communities to withstand the impacts of extreme weather.

Our Net-Zero Commitment

We are committed to supporting the transition to a net-zero emissions economy. In 2019, we set science-based targets to reach net-zero emissions by 2050, alongside a detailed plan for our Australian and New Zealand operations to reduce our environmental footprint. We acknowledge the complexity of a whole-of-economy transition to net-zero emissions – our focus is on doing our part to reduce our own emissions, and help our people, customers and community manage this transition.

FY21 highlights

- Reduced global Scope 1 and Scope 2 greenhouse gas (GHG) emissions by 14% and 22% respectively.[1]
- Continued to reduce our insurance exposure to thermal coal and oil & gas, with extraction and electricity generation currently less than 0.1% of General Insurance Gross Written Premium (GWP). We're on track to phase out this exposure by 2025. Suncorp Bank has no exposure to these sectors.
- Expanded physical and transition climate change scenario analysis across business lines.
- Finalised an agreement to source 50% of electricity from Queensland-based renewable energy projects through a renewable energy purchase agreement for our Australia operations starting 1 July 2021.
- Developed our Climate Change Action Plan (CCAP) which will be released in the first half of FY22. The new plan will set out a framework supported by an outlook on actions and response - these actions will support our business, people and customers respond to the latest developments in climate policy and intelligence both globally and domestically.

Governance

Governance of climate change is the responsibility of the Suncorp Group Limited and Suncorp New Zealand Boards, which oversee the response to climate change risks and opportunities through Board Risk Committees. Key strategic and financial risks, including climate change, are identified during the annual business planning process and a response is considered at least on a quarterly basis through reporting to Board Committees. Topics presented to Executive Leadership Team and Board for decision or review in FY21 have included:

- Outcomes of physical risk scenario analyses for Insurance (Australia) (motor & commercial), Suncorp New Zealand (home), and Suncorp Bank (business banking)
- Outcomes of transition risk scenario analyses for our Insurance (Australia) (motor, commercial, statutory), Suncorp New Zealand (investments), Suncorp Bank (business banking), and investments
- Internal climate change-related policies, risk appetite and external targets

We approach the governance of climate-related risk in two ways.

1. Climate change scenario analysis is overseen by Management Committees that deal with management of financial risks and stress testing.
2. Broader programs of work to address climate change-related risk and opportunities at an operational level are managed through non-financial risk committees and within the ordinary course of business.

Over the course of FY21 Suncorp integrated the governance of climate change-related risk into its standard operating rhythm. Project governance related to the implementation of the CCAP has been absorbed into business-as-usual monitoring and oversight.

As we work to embed climate considerations more deeply into the way we do business, climate-related risk and opportunities will form part of the group's business and strategic planning cycles.

This TCFD should be read in conjunction with the sustainable business section on page 36, and disclosures from previous years, which can be found on our website. In conducting climate change scenario analysis, we acknowledge the uncertainty of outcomes and current limitations in understanding the full extent of climate change.

Learn more[2]

1 Based on Scope 1 and Scope 2 emissions for Suncorp corporate operations in Australia and New Zealand (excluding Suncorp Insurance Ventures), using market-based greenhouse gas emissions account methodology
2 suncorpgroup.com.au/corporate-responsibility/reports

Climate Governance Framework

Board

Ultimate accountability of climate-related risk management including approval of the Group's CCAP.
Delegates authority to the Risk and Audit Committees for specified climate-related governance activities, and receives updates and endorsements from these Committees.

Risk Committee
Oversight of Executive Leadership Team's (ELT) management of climate-related risks

Audit Committee
Oversight and review of management's periodic climate-related corporate reporting, specifically TCFD

Executive Leadership Team

Accountable for managing climate-related strategy, business planning, risks & opportunities including implementation and delivery of our CCAP.

Chief Risk Officer
Climate-related risk management

Group Chief Financial Officer
Investments
Reinsurance
Capital

Group Executive People, Culture & Advocacy
Strategic alignment
Group advocacy & people engagement

CEO Insurance Product & Pricing
COO Insurance (Australia)
CEO Suncorp New Zealand
CEO Banking & Wealth
Underwriting & Lending
Product & Portfolio
Procurement & Real Estate

Group committees

Group Asset & Liability Committee (ALCO)
Climate-related financial risk oversight
Climate change scenario analysis oversight

Executive Non-Financial Risk Committee (NFRC)
Corporate Responsibility Council
Climate-related risk management & operational practices oversight (including CCAP)

Management committees and roles

Insurance Risk Committees
New Zealand ALCO
Bank Stress Test Committee
Climate-related financial risk appetite & management
Climate change scenario analysis

Bank NFRC
Insurance NFRC
New Zealand NFRC
Non-financial climate-related risk management

Bank Credit Risk Committee
Climate-related credit risk

CRO Insurance & Financial Risk
Suncorp New Zealand CRO
CRO Banking & Wealth
Risk policies & frameworks

Head of Investment Management
Group investment strategy & execution

Executive General Manager Corporate & Regulatory Affairs
Strategic alignment
Advocacy & stakeholder engagement
ESG reporting & disclosures

Executive General Manager Real Estate, Procurement & Operations
Procurement (supply chain)
Business operations (real estate)
GHG emissions target

Strategy & risk management - Building a resilient and sustainable future

How we identify and assess climate change risk and opportunities

Calculating and managing risk is core business for Suncorp. Each year we augment this core capability by conducting climate change scenario analysis to understand emerging issues and potential strategic impacts on our various portfolios, in addition to hazard and catastrophe risk modelling. We utilise the latest industry guidance and expertise of in-house scientific and actuarial experts, as well as expertise from external partners and scientific organisations such as the CSIRO, Australia's Bureau of Meteorology and New Zealand's National Institute of Water and Atmospheric Research.

The focus of scenario analysis evolves year-on-year to ensure a whole of portfolio view of risks can be established. We also recognise climate change modelling and analysis present high levels of uncertainty and this influences our approach to managing risk and shaping strategy.

Climate change scenarios do not represent a forecast, but rather a variety of potential future pathways. These scenarios are used to inform our potential for future exposure, concentration across industries and geographies, and provide insight into making current operating practices more efficient.

Our view of climate-related risks is shaped by the view of when risks might present. These horizons include:

— Short term (covered in our three-year business plan)

— Medium term (3-10 years)

— Long term (10 years to the middle of the century)

Managing climate-related risks

The management of climate-related risks is embedded in our business through:

— Strategic plans including our Group Strategic and Business Plans, CCAP focusing on climate risk and natural hazard resilience, and our Environmental Performance Plan including our Renewable Energy Strategy.

— Financial planning over the short term horizon integrates the evidence of climate change experienced over the last decade that is implicit in our risk modelling, pricing and reinsurance decision making.

— Policy and Guidelines including our Insurance Risk Standard, Retail and Business Credit Policy and Lending Assessments, Responsible Investment Policy, Responsible Banking & Insurance Policy and Sensitive Sector Guidelines.

— Organisational capability building including through participation in global networks and local industry working groups focused on climate risk research and advocacy.

Annual insurance premiums and reinsurance

The cost and variability of natural hazards is a driver of insurance premiums and a contributor to the affordability of insurance for many. Each year, we review our natural hazards risk and reinsurance considering the natural hazards loss experience, updates in vendor models, reinsurance market conditions and our risk appetite. Customer premiums reflect the natural hazards exposure retained by Suncorp as well as the cost of reinsurance. We strive to keep insurance premiums affordable by leveraging our reinsurance purchasing power and risk diversification across the portfolio.

Elements of the reinsurance program provide protection for natural hazards events that are low in probability but high in severity. Other elements of the reinsurance program reduce the impact of medium-sized events impacting earnings volatility. For the past five years, our earnings volatility protection has provided material protection against the frequency of medium-sized events. The FY21 Suncorp natural hazards allowance of $950 million was exceeded by $60 million due to the natural hazards experience from events related to the La Niña conditions. The FY22 reinsurance program has been renewed and is consistent with the FY21 program. The natural hazard allowance for FY22 has been increased to $980 million.

Scenario analysis and risk

We consider longer-term time horizons in our scenario analysis on the physical risks of climate change. This insight helps inform the extent to which we capture climate risk in our long-term view of natural hazards risk and how the impacts affect regional areas differently. This work highlights the need to advocate for a more resilient built environment across parts of communities we serve where insurance premium affordability is both an immediate and longer-term issue. Through this work we are helping our customers and their communities to be better prepared for the increasing variability in natural hazards as the climate changes.

Climate change is recognised as a strategic risk within our Enterprise Risk Management Framework (ERMF) as it represents a risk to Suncorp's business model and broader operations. Suncorp's definition and consideration of climate-related risks follows guidance from the TCFD, which categorises climate-related risks as being physical risk, transition risk and liability risk (for insurers).

In FY21, the Board updated the Group's Risk Appetite Statement to include climate change risk. The statement requires the business to consider climate change in decisions around direct investments, financing and providing insurance as well as encouraging us to advocate for action on climate change and a net-zero emissions economy. This statement has been cascaded and forms part of risk appetite statements for Banking, Insurance (Australia) and Suncorp New Zealand.


Hughes family on their Dulacca property

Climate adaptation for Australian farmers

Suncorp is working with agribusiness customers to help future proof their business including robotics to reduce chemical use, pasture management, stock practices, fencing, establishing solar farms and carbon sequestration projects.

We're committed to supporting customers like the Hughes family who, as part of the Lachlan Hughes Foundation, are committed to sustainable and resilient farming practices. Based near Miles in Queensland, the Hughes family are leaders in regenerative agriculture to ensure soil and grazing pastures are protected, nurtured and preserved to help withstand the country's extreme climate variability.

We are also proud to contribute to industry initiatives that enhance resilience measures for farmers. In FY21 the Bank commenced a partnership with groups including the Agforce Young Producers Forum, Queensland Farmers Federation and supporting industries including Cotton Australia to enhance best management practice programs across Queensland and the nation.

Expanding our understanding in FY21

In FY21, we expanded our analysis of physical risks for Insurance (Australia) and the Bank beyond residential properties. This analysis included small-to-medium enterprise (SME) & commercial property and motor portfolios for Insurance (Australia), and commercial property collateral for business banking.

We also refreshed our transition risk analysis of commercial insurance, business banking and investment exposures. This analysis focused on changes to different industries and sectors that are anticipated to be impacted by an economy transitioning towards net-zero emissions. The analysis conducted did not include new or updated scenarios from FY20, instead focusing on the year-on-year changes to underwriting, lending and investment portfolio exposures. We also assessed the impact of climate-related transition and technology change on motor insurance portfolios.

Physical risk analysis was also conducted on potential climate change impacts on the New Zealand business's residential property portfolio. This included water-related perils including riverine flood, pluvial flood, storm (low pressure systems), and storm surge.

Overall, we continue to be resilient to climate change physical and transition risks over the short and medium term through existing risk management, including resilience to global warming of 2˚C. Longer term risks present more uncertainty.

For more information on Suncorp's FY20 TCFD disclosures, or to read our CDP disclosures for more technical information, please visit our website.

Learn more[1]

1 suncorpgroup.com.au/corporate-responsibility/reports

Suncorp climate change scenario analyses (FY19-21)

	Physical	Transition	Physical + Transition
Businesses & portfolios	Suncorp Bank (Business lending, Agribusiness) Suncorp New Zealand (Home) Insurance (Australia) (Commercial, Home) Group Investments (Australia)	Suncorp Bank (Business lending, Agribusiness) Insurance (Australia) (Commercial) Group Investments (Australia & NZ)	Insurance (Australia) (Motor)
Scenario	IPCC scenarios - RCP4.5 (~2ºC by 2100) - RCP8.5 (+4ºC by 2100)	Deep Decarbonisation Project[1] - 2˚C and 1.5˚C	IPCC scenario - RCP8.5 (4+ degrees by 2100) Vehicle, policy and market studies, including Australian Dept. Industry (Australia's emissions projections 2020-2030), Austroads (Future Vehicles 2030), and ABS (Motor Vehicle Census 2020).
Timeframe	2030, 2060	2030, 2040	2030
Approach	To assess the physical risks under the RCPs, we have relied on scientific research undertaken by AON during FY20 as well as publicly available modelling by CSIRO and internal expertise in our natural perils pricing and actuarial teams. Further analysis has been undertaken by Suncorp over the course of FY21, using the same fundamental parameters to ensure consistency of application.	Decarbonisation Futures scenario data (provided by ClimateWorks Australia). Home insurance, compulsory third-party insurance and residential lending portfolios were excluded. The timeframe reflects the period in which transition must occur to limit warming to 1.5-2˚C. A full analysis was conducted in FY20, and then repeated a year later to assess year-on-year change conducted in FY21.	We examined the intersection of physical, transition and technology change over the next decade: - Physical: The impact of changes to precipitation rates on collision risk, and the impacts of other natural hazards on non-collision risk. - Transition and technology: Collision risk and claims costs impacts of increased penetration of electric and hybrid vehicles, and accident avoidance technology ('vehicle resilience').
Metric	Assessment of potential changes to Average Annual Loss (AAL) - the expected loss per year, averaged over many years. For the Bank, risk is assessed as the Exposure At Default (EAD) of properties secured by collateral at risk.	Proportion of GWP, Investments and Business lending exposed to industries classified as: Sustainable (>15% increase in business activity) Neutral (-5% to 15% change) Challenged (<-5% decrease)	Assessment of potential changes to Average Annual Loss (AAL) - the expected loss per year, averaged over many years.
Risks Assessed	Cyclone, Riverine Flood, Fluvial Flood, East Coast Low, Storm, Hail, Bushfire (SNZ assessed water related perils only)	Change in business activity due to the transition of energy, technology, customer sentiment and other macroeconomic developments.	Rainfall, Cyclone, Riverine Flood, Fluvial Flood, East Coast Low, Storm, Hail, Bushfire

1 Decarbonisation Futures: Solutions, actions and benchmarks for a net zero emissions Australia - ClimateWorks (climateworksaustralia.org)

Scenario analysis outcomes

Physical risk analysis

Home insurance (FY20) *Insurance (Australia)*	Over the medium term (the next 10 years) the increase in the combined, all-hazards AAL to the existing built environment due to climate change is expected to be less than 10%, which may be within the variability of existing natural hazard assumptions. Overall, climate-related risks continue to be managed by reinsurance and natural hazard pricing. See page 57.
Home insurance (FY20 & FY21) *Suncorp New Zealand*	Suncorp New Zealand's exposure to water-related perils over the medium term is low, though risks are not uniform across geographies and perils. Storm risk is currently the most significant driver of AAL. The analysis projects that under an extreme scenario, riverine flooding becomes a more significant driver of AAL than storm. The initial analysis undertaken for Suncorp New Zealand represents a strong foundation upon which to build. Some limitations exist in the analysis that warrant further investigation, including the influence of local risk mitigation over the medium term.
Investments (FY20) *Group Investments*	The physical risks associated with investments is low based on the asset allocations, e.g. government bonds and corporate credit.
SME & Commercial Insurance (FY21) *Insurance (Australia)*	Suncorp's SME and Commercial Property exposure to changes in climate-related risks is low. Notably, our exposure to flood risk in the SME portfolio is very low. The low exposure results from the significant controls, risk limits and low underwriting appetite for flood risk in this portfolio. Because of this practice, customers and other commercial organisations will be accepting higher levels of flood risk.
Lending (FY20 and FY21) *Suncorp Bank*	Over the short to medium term the Bank's exposure to climate change risk remains low. We have prudent lending practices in place, with appropriate controls designed to ensure the Bank does not assume unintended risks. Further to the Insurance (Australia) analysis, we will investigate the implications of potential flood and other natural hazard risks on our banking portfolio. Insurance cover is a useful risk management tool to ensure the sustainability of Suncorp's banking customers. Ensuring appropriate insurance cover is in place is paramount to the Bank continuing to support its customers.

Transition risk analysis

Bank lending (FY20 & FY21) *Suncorp Bank*	Most of the Bank's commercial lending portfolio is exposed to industries where the impact of transition is neutral under a 1.5˚C scenario at 2030. Approximately 19% of the current commercial lending portfolio would be exposed to a moderate decline in economic activity. A moderate decline is defined as a change in activity relative to a BAU scenario of between 5% and 15%. The Bank's agribusiness lending portfolio has exposure to sheep and cattle businesses which are expected to experience a moderate decline in economic activity in the transition to both 1.5˚C and 2˚C scenario to 2030 and beyond. The resilience of businesses to diversify revenue streams has not been considered as part of the analysis.
Commercial Insurance (FY20 & FY21) *Insurance (Australia)*	Our analysis showed commercial portfolios to have low exposure to industries impacted by a transition towards a net-zero emissions economy. The FY21 analysis showed approximately 7% of commercial insurance portfolios would be exposed to a decline of greater than 5% in economic activity under a 1.5˚C scenario at 2030, which represents no material change from FY20. Underwriting guidelines and risk appetite continue to shape the structure of the portfolios. This is supported by the implementation of our position on fossil fuels. For industries that will benefit from a transition to a net-zero carbon economy (e.g. lithium mining, non-hydro renewable energy, and steel & iron electric arc furnace), there has been no material increase in exposures.
Investments (FY20 & FY21) *Group Investments* *Suncorp New Zealand*	The investment asset portfolios considered as part of the transition risk analysis for FY21 included the General Insurance business, Suncorp Group Limited and Suncorp Portfolio Services Limited (the Superannuation Trustee for Suncorp's Wealth business). Most investment assets are not expected to be impacted by transition risk under a 1.5˚C scenario as at 2030. The exposure to industries that are projected to be challenged under a 1.5˚C scenario as at 2030 is estimated at 3%. An analysis of Suncorp New Zealand's assets was also conducted. The investment exposures of the New Zealand business largely mirror those in Australia. Approximately 5% of the New Zealand investment assets are exposed to industries that are projected to be challenged under a 1.5˚C scenario as at 2030.

Physical & transition risk analysis

Motor insurance (FY21) *Insurance (Australia)*	Analysis showed the combined physical, transition and technology impacts of climate change on the motor portfolio to be immaterial. Under a RCP8.5 emissions scenario, the number of 'wet days' is projected to decrease by 2030 due to climate change – however this is projected to drive only a negligible reduction in collision risk and resulting claims costs. Advances in crash avoidance technology are projected to reduce weather-related and driver-related collision rates beyond 2030, however expanded electrification of the Australian vehicle fleet to support emissions reduction will require a repair industry skills uplift to support hybrid/electric vehicle repair at scale.

Memberships and Signatories

Collaborating with industry

In addition to local scientific agencies, we work with domestic and global communities to understand and respond to climate-related risks.

United Nations Global Compact (UNGC)

We use the UNGC framework to help drive sustainable business practices in the areas of human rights, labour, environment and anticorruption.

United Nations Environmental Programme Finance Initiative (UNEP FI)

UNEP FI is a partnership to mobilise private sector finance for sustainable development. Since 2019, we have been signatories to all three UNEP FI frameworks - the Principles of Responsible Investment, Principles for Sustainable Insurance and Principles for Responsible Banking.

Australian Banking Association

We are a member of the working group on climate, which has been established to strengthen its understanding of climate change and what it means for Banks and their customers.

Climate Measurement Standards Initiative

In FY21, we contributed to the development of voluntary guidelines to provide Australian financial services companies guidance on how to assess the risk of climate-related damage to buildings and critical infrastructure.

RE100

The RE100 initiative brings together hundreds of businesses committed to 100% renewable energy.

Insurance Council of New Zealand (Te Kāhui Inihua o Aotearoa)

Our people play an active role in the governance and advocacy of this organisation, including through the Standing Committee on Climate Change.

Insurance Council of Australia

We are working alongside the Climate Action Committee, the community, governments and other stakeholders to help ensure insurance remains affordable and accessible through physical adaptation measures and increased community resilience.

New Zealand Sustainable Business Council

Suncorp New Zealand is part of the Sustainable Business Council, a partnership of businesses that works together to maximise their positive impacts on communities and the environments.

Actuaries Institute Climate Change Working Group

Several of our people who are members of the Actuaries Institute have worked to evaluate public policy measures that help reduce risk, improve coverage and address insurance affordability & accessibility.

Climate Leaders Coalition (NZ)

In 2021 Suncorp New Zealand signed up to the Coalition's 2019 Statement, an ambitious pledge from Coalition members to reduce emissions and educate employees, suppliers, customers and the public on climate change.

Metrics & Targets

Natural hazard costs

Annual natural hazard claims costs relative to long-run allowances are a key indicator to assess average short-term extreme weather-related risk exposure, noting that the influence and management of climate change risk is implicit in this approach. While changes in natural hazard claims costs offer insight into weather risk exposure, they are also affected by other external variables such as economic, technology, asset value and/or population changes.

Natural hazard claims costs retained by Suncorp for FY21 were $1,010 million, which was $60 million above our natural hazard allowance in a La Niña year where above average rain and flood can arise.

For further details our insurance business performance see the operating and financial review section on page 21.

Carbon intensity of investments

Suncorp measures and monitors its investment in low-carbon solutions. As at 30 June 2021, low-carbon investment totalled $321 million, including:

- Green bonds - $275 million. Green bonds are used to finance environmentally sustainable projects which facilitate the transition to a net-zero emissions economy.
- Other low-carbon assets - $46 million. This includes renewable energy infrastructure, renewable energy credit and equity securities and energy efficient real estate.

We measure and monitor the carbon intensity of individual securities as well as aggregate portfolios based on relative investment share, in association with ESG research firm Sustainalytics. To date the investment performance of our low-carbon financial and real assets has been consistent with our expectations.

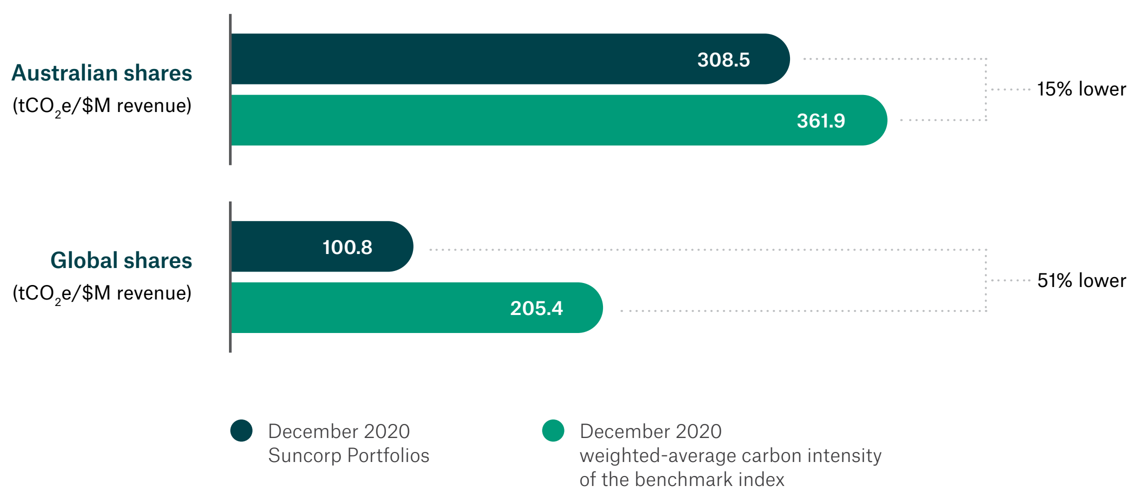
Overall, our Australian shares portfolio is 15% less carbon intensive than the benchmark. For global shares, our portfolio is 51% less carbon intensive than the benchmark.

Reducing fossil fuel exposures

Suncorp applies a shadow carbon price to manage the risk of stranded assets in the transition to a net-zero emissions economy. The shadow carbon price is set according to a path that is consistent with the aim of the Paris Agreement to keep global temperature rise this century well below 2°C. The shadow carbon price is reviewed every year and in FY21 it was increased to US$38 per ton CO_2-e, effective 1 July 2021.

Suncorp's Fossil Fuel Standard sets out our commitment to phase out of our exposures to fossil fuel extraction and thermal electricity generation. In line with global efforts to limit global warming to 2°C, Suncorp will no longer underwrite, lend to or invest in fossil fuels by 2025 (2040 for investment exposures to oil and gas extraction to support an orderly transition).

Suncorp equity portfolios - carbon intensity



Fossil fuel targets

Fossil fuel extraction and electricity generation activities made up less than 0.1% of General Insurance GWP[1]. Fossil fuel exposure is less than 0.3% of insurance and shareholder investment assets[2]. Suncorp Bank has no exposure to fossil fuel extraction or electricity generation.

Target	Insurance (Australia)	Suncorp Bank	Suncorp New Zealand	Investments
Phase out of direct thermal coal exposures by 2025	On track	Met	On track	On track
Phase out of direct oil & gas exposures by 2025 (2040 for investments)	On track	Met	On track	On track

Emissions reduction target

We are committed to reducing the environmental impact of our operations. We are on track to meet our emissions and renewable energy targets and continue to look for ways to improve our operational performance.

Metric	Target	FY21	FY20	Progress	Highlight
Scope 1 and Scope 2 GHG emissions	Science-based targets - 51% reduction from FY18 baseline by 2030 - Net-zero emissions by 2050	32.3%[3]	14.5%[3]	Ahead of schedule	FY21 emissions is 18.4% ahead of target
RE100 - Renewable energy	100% of electricity from renewable sources by 2025	17%[4]	0.4%[4]	On track	99% of Suncorp New Zealand's electricity now purchased from renewable sources

Suncorp's 100% renewable energy commitment

Suncorp is on track to source 100% renewable electricity by 2025 as part of our RE100 commitment.

In FY21, 99% of electricity for our New Zealand operations was purchased from renewable sources while 13% of our electricity in Australia was purchased through GreenPower. We have installed 481 kW of rooftop solar on eight buildings in Australia and plan to install an additional 100 kW next year.

We will meet our RE100 commitment through both self-generation and purchase of renewable energy. Suncorp has entered into an electricity and renewable energy purchasing agreement with Diamond Energy commencing from 1 July 2021. It utilises the Diamond CLEAN® platform to ensure that our renewable energy purchase will also support the Queensland community. The agreement secures 100% renewable energy credits to balance our national consumption for our large sites, from two Queensland-based projects: the Sunshine Coast Solar Farm and the Reedy Creek Renewable Energy Facility in Burleigh Heads.

Valdora Sunshine Coast Solar Farm (15 MW). Image credit: Courtesy of Sunshine Coast Council

1 As at 30 June 2021
2 As at 31 December 2020
3 These percentages reflect the GHG reduction in FY21 and FY20 compared to the FY18 baseline.
4 The percentage of electricity sourced from renewable energy is calculated in accordance with the RE100 guidelines. Currently, these numbers do not include the mandatory renewable energy percentage in the grid.

Greenhouse Gas Emissions

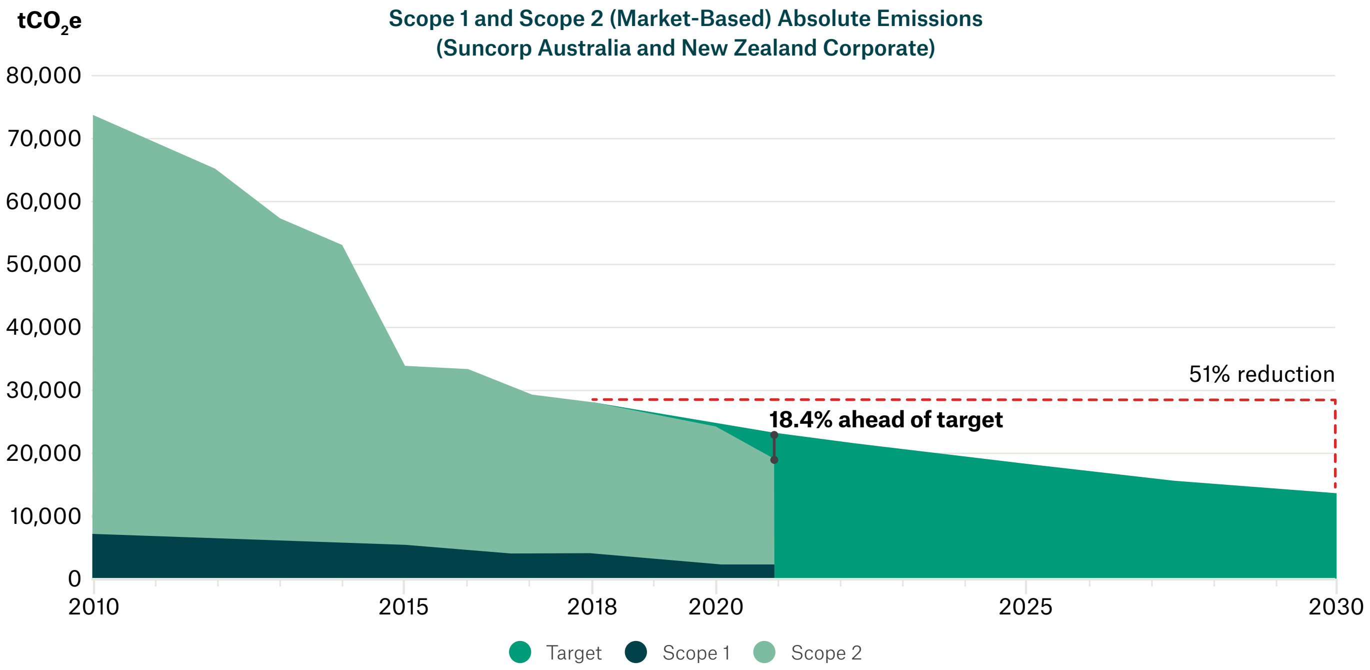
Suncorp continues to identify and drive emissions reduction activities within our operations as part of our Environmental Performance Plan and commitments made in the CCAP. We are on track to meet our science-based Scope 1 and Scope 2 GHG emissions targets of 51% reduction in absolute emissions by 2030 and net-zero emissions by 2050[1].

Reedy Creek Landfill Gas to Energy Facility (0.85 MW)

Greenhouse gas emissions[2]		FY21	FY20[3]	FY19[3]	FY18	FY17
Scope 1 greenhouse gas emissions	(CO_2-e tonnes)					
Australia		2,408	2,796	3,653	4,211	4,519
New Zealand		308	363	467	566	-
Suncorp Insurance Ventures[4]		94	1,305	3,864	3,870	-
Scope 2 greenhouse gas emissions[5]	(CO_2-e tonnes)					
Australia		16,736	21,305	22,205	23,741	25,480
New Zealand		1	105	133	214	-
Suncorp Insurance Ventures[4]		47	3,067	9,006	9,181	-
Scope 3 greenhouse gas emissions	(CO_2-e tonnes)					
Australia		4,791	8,688	11,130	12,358	-
New Zealand		310	337	551	602	-
Total greenhouse gas emissions[5]	(CO_2-e tonnes)					
Australia		23,935	32,790	36,988	40,310	-
New Zealand		619	805	1,151	1,382	-
Suncorp Insurance Ventures[4]		141	4,372	12,869	13,051	-

1 From FY18 baseline for Suncorp corporate operations in Australia and New Zealand.
2 Environmental metrics for FY21 are prepared on a 10+2 basis.
3. FY19 and FY20 performance has been restated to reflect the improved methodology or updated data in the audited FY19 and FY20 data respectively.
4. Reflects the performance of Suncorp Insurance Ventures including Capital S.M.A.R.T., ACM Parts and Home Repairs. Performance of Capital S.M.A.R.T. and ACM parts are reflected up until the date of sale on 31 October 2019.
5. To align with our Science Based Targets and to account for our renewable energy purchases in FY21, we have adopted a market-based greenhouse gas emissions accounting methodology for FY21. Our market-based approach is consistent with the GHG Protocol's Scope 2 guidance.

Suncorp's emissions performance and targeted reduction



In FY21, our Scope 1 and Scope 2 GHG emissions reduced by 14% and 22% respectively.[1] While these reductions are partially attributable to operational changes due to COVID-19, we also implemented new initiatives throughout our operations, including vehicle fleet replacement, LED lighting upgrades and rooftop solar installations. We have also entered into renewable energy purchase agreements as part of our RE100 commitment to source 100% renewable electricity across our operations by 2025.

We are committed to ensuring that our science-based target is in alignment with the latest guidance released by the Science Based Target initiative (SBTi), including the newly released Financial Sector Science Based Target Guidance, and look forward to further engagement with SBTi in the coming years.

KPMG assurance statement

KPMG was engaged by Suncorp Group to undertake limited assurance over selected disclosures in the TCFD section of Suncorp's FY21 annual report. KPMG's independent Limited Assurance Statement to the Board and Management of Suncorp Group is available on the Suncorp website along with the measurement criteria used for our FY21 climate-related disclosures.

Learn more[2]

1 Based on Scope 1 and Scope 2 emissions for Suncorp corporate operations in Australia and New Zealand (excluding Suncorp Insurance Ventures), using market-based greenhouse gas emissions account methodology.
2 suncorpgroup.com.au/corporate-responsibility/reports

Group CEO Steve Johnston presents Suncorp Group's Half Year Results, February 2021

Risk management

Approach to risk management

Suncorp recognises that a strong risk culture, good governance and effective risk and compliance management are essential to achieving Suncorp's purpose and strategy.

Suncorp has policies, systems, processes and people in place to identify, assess, manage and monitor internal and external sources of material risk. Material risks are those that could have a material non-financial or financial impact on Suncorp.

Effective risk and compliance management is supported by:

- an independent risk function (Chief Risk Office) that oversees and challenges the business in its risk taking, as well as driving Suncorp's Risk and Compliance Management Strategy
- a clearly articulated Risk Appetite Statement that is aligned to the Suncorp strategy and sets out the nature and degree of risk the Board is willing to accept in the pursuit of business objectives
- an Enterprise Risk Management Policy and Framework, which sets out the minimum standards to manage risk, including compliance, risk governance structures, policies, processes, practices and key accountabilities
- risk governance processes that ensure all components of risk management at Suncorp are adequate and effective, including monitoring Suncorp's core risk and compliance management practices and risk maturity, which are included in the assessment of performance outcomes.
- an obligations library which aims to supports leaders in managing their business operations in a compliant and informed way.

Enterprise Risk Management Framework

Material risks

Informed by
- Board direction
- Risk appetite
- Strategy and business plan
- Risk and Compliance Management Strategy
- Structure and policies
- Internal and external environment
- Crisis management response planning

Strategic
Financial
Insurance
Operational

Managed and delivered
- Risk and obligation assessment
- Controls and control testing
- Incident and breach management
- Stress testing and scenario analysis
- Capital management
- Key risk indicators
- Monitoring, oversight and reporting

Underpinned by

Governance | **Risk culture** | **Risk maturity** | **Training and education**

Risk and Compliance Management Strategy

Suncorp continues to evolve its approach to risk and compliance management to ensure it meets the changing needs of the Group and our customers. Risk and compliance management supports Suncorp to achieve its purpose of building futures and protecting what matters, through optimised risk taking that enables customer and performance outcomes. Suncorp's Risk and Compliance Management Strategy underpins this ambition with key priorities and principles that characterise risk and compliance management behaviours in alignment with Suncorp's cultural objectives of care, courage and doing the right thing. Key initiatives in the Risk and Compliance Management Strategy include seamless data-driven insights, mature risk capability and risk culture, continuous practice improvement and enhancing the control environment. These initiatives take into consideration business objectives, regulatory requirements, industry events, and emerging risks.

Risk Appetite Statement

Risk appetite is the expression and definition of the risk that Suncorp is willing to accept in the pursuit of strategic objectives. The Board recognises risk appetite as a key component in setting the strategic direction of the company. It is also acknowledged that risk appetite is dynamic, evolving through time and responding to different drivers.

The Suncorp Group Risk Appetite Statement (RAS) has been set in consideration of Suncorp's strategy and reward/risk opportunities that Suncorp wishes to pursue. The RAS is an integral component of the strategic business planning cycle and is defined with consideration of the outcomes of Board and Management's review of Suncorp's internal and external operating environment and strategic objectives.

Enterprise Risk Management Policy and Framework

Suncorp's Enterprise Risk Management Policy applies to Suncorp and all its regulated entities and sets out:

- the minimum standards to manage the risks that Suncorp is exposed to as it implements its strategic and business objectives
- roles and responsibilities including the Three Lines of Defence Model for risk management accountability.

Suncorp's Enterprise Risk Management Framework (ERMF) lays the foundation for the approach to risk management and evolves with the business strategy and operating environment. The ERMF:

- links risk appetite to strategic business and capital plans
- supports a risk-aware culture
- sets out accountabilities and governance arrangements for the management of risk within the Three Lines of Defence Model
- establishes processes to identify and manage risk
- enhances business risk-based decision making.

Risk governance

Accountability for the governance of risk management exists at two levels. Primary accountability rests with the Board, the Board Risk Committee and the Board Audit Committee; the second rests with management, in the execution of the ERMF and application of the Three Lines of Defence model.

A member of the Board Risk Committee is also a member of the People and Remuneration Committee. Suncorp's remuneration framework considers risk management maturity, conformance and behaviours in performance and remuneration outcomes. More information is available in the Remuneration Report on page 92.

The Group CEO and the Executive Leadership Team have authority to establish management committees to ensure the smooth operation of the business and assess day-to-day business performance. These include Non-Financial and Financial Risk Committees, which are established at the Suncorp Group and function levels.

The Chief Risk Officer (CRO) and function CROs' attendance at Board and management committee meetings is required for committees that monitor and oversee material risks. The CRO and function CRO representatives have authority to challenge decisions and may escalate matters through functional reporting lines and to the Board Risk and Audit Committees.

Three Lines of Defence Model

A Three Lines of Defence Model of risk management accountability is in place with the clear expectation that:

- All business areas (the First Line of Defence), are responsible for the management of their risks. This aims to ensure that the right risks are taken, with the right controls, for the right return.
- The Risk Function forms the Second Line of Defence and supports the business in its risk-taking through advice, oversight and effective challenge.
- Internal and External Audit are the independent Third Line of Defence.

Internal Audit

Suncorp's Internal Audit function provides assurance to the Board Audit Committee (and other Board Committees as required) on the quality and effectiveness of Suncorp's risk management framework.

Internal Audit's objectives include:

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

This year, the Internal Audit function was repointed into the Group CEO for operational purposes in line with best practice, while continuing to report directly into the Board Audit Committee Chairman in relation to its audit activity.

Members of the Internal Audit team have unrestricted access to all Suncorp information and employees that may be required in carrying out its work. The Board Audit Committee meets regularly with the Executive General Manager Internal Audit without management being present.

Suncorp's Natural Peril Pricing and Government, Industry & Public Policy teams presented at the Flood Community of Practice 'Deconstructing Flood Insurance' forum, Queensland University of Technology (QUT), September 2020

Key strategic risks

The effective identification and management of strategic risk is integral to Suncorp's strategy and the decision-making process for all business initiatives. Strategic risks threaten the viability of Suncorp's business model as a result of changes in the external business environment, the economy, political landscape, regulation, technology and community expectations.

In addition to monitoring strategic risks, Suncorp continues to monitor emerging risks and their potential to impact the Group.

The following strategic risks have been identified and are being managed through Suncorp's risk management processes:

Impacts of climate change, significant weather events and natural hazards that exceed expectations

Climate change remains a priority for Suncorp. Changing frequency and severity of weather events is identified as a strategic risk over the short, medium and long term. In response, Suncorp is investing in climate change scenario analysis and customer resilience initiatives in line with increasing industry and regulatory guidance. More detail is available in our TCFD section on page 57.

Systemic shifts in the macro-economic environment

Suncorp monitors the risk of systemic shifts in the global environment, such as a prolonged subdued macro-economy or global financial crisis-type event that restricts access to capital and/or reinsurance. Suncorp aims to maintain appropriate balance sheet strength to address uncertainties.

Risks relating to extreme cyber or critical infrastructure events

Increasing online adoption and reliance on digital services is expanding opportunity for more frequent and severe cyber-attacks. Suncorp monitors cyber-security risks that could impact Suncorp directly, customers, partners and the broader industry. Suncorp also actively monitors internal systems and has in place a range of protections and remediation controls to help mitigate cyber risks. Contingency planning and testing are regularly performed in case of disruption to critical systems or infrastructure, as well as preventative measures to guard against threats and maintain a resilient technology environment.

Risks relating to significant shifts in government or regulatory expectations

In order to mitigate this risk, Suncorp prioritises investment and makes the adjustments to our operational processes, products and services to respond to and address regulatory requirements. This enables us to develop a strong business that exists to build futures and protect what matters. Suncorp proactively engages with governments and regulators on significant policy initiatives such as insurance affordability in far north Queensland, to ensure positive and sustainable outcomes for all stakeholders.

Shifts in customer expectations, technology, mobility, data and competitors

Suncorp monitors risks related to customers' changed behaviour and new expectations; competitors introducing new business models and using data more effectively to better meet customer needs; and changes in car ownership and manufacture impacting the insurance market.

COVID-19 has accelerated adoption of digital channels and online experiences, as well as new ways of working that can be used to drive technology transformation. In response, Suncorp has accelerated shifts to simplify, drive productivity and speed up processes to meet current and emerging customer needs and streamline operations. Suncorp's business plan includes investments in data, automation, agile ways of working and digital channels to improve sales, service and claims capability. These programs are designed to digitally transform internal processes and operations, reducing fixed costs, driving uplift in productivity and improvements in customer experience, performance and service delivery.

Risks relating to the engagement of our workforce (including partners) behind our purpose

Suncorp monitors risks related to workforce management, ensuring that Suncorp is able to source and retain the talent required to execute the business strategy.

Suncorp's hybrid ways of working model strikes a balance for our people to work flexibly while encouraging innovation and collaboration. Suncorp plans to introduce new models of work and further leverage automation, data and innovation capabilities to develop our people and transform our culture to help mitigate this risk.

Corporate Governance Statement

Suncorp's Corporate Governance Statement (Statement) outlines our approach to corporate governance and our principal governance practices.

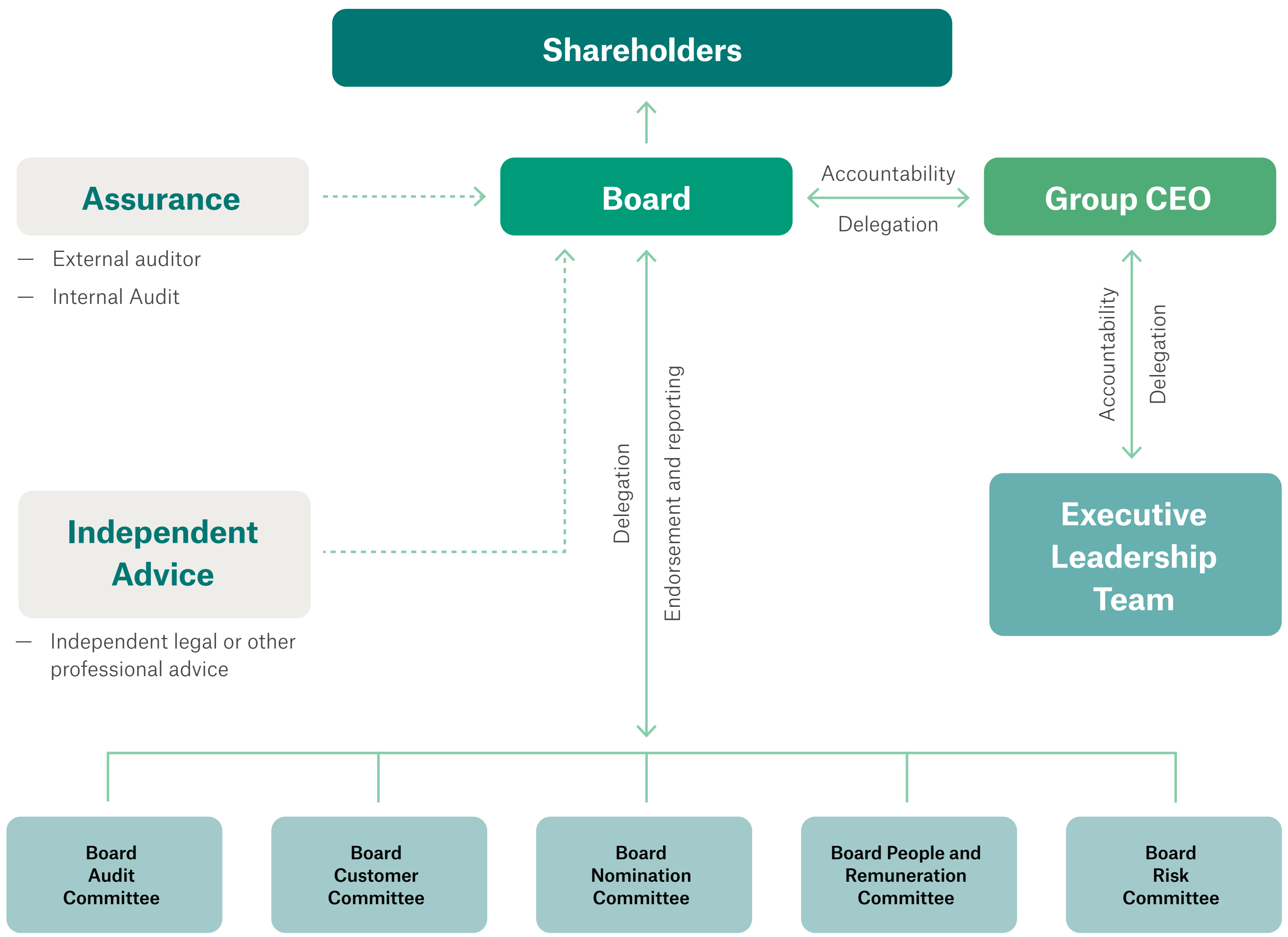
The Board:

- believes high standards of corporate governance are essential to achieving Suncorp's business objectives, which are aimed at creating value and sustainable outcomes for Suncorp shareholders, customers and the communities in which Suncorp operates
- is committed to maintaining a strong governance framework and culture through which the Board and management set the 'tone from the top', and
- adopts a continuous improvement approach to ensure that Suncorp's governance practices continue to reflect changes in law, regulations, corporate governance principles and community expectations.

This Statement:

- has been approved by the Board
- reports Suncorp's compliance with the 4th edition of the ASX Corporate Governance Council's Principles and Recommendations, and
- is current as at 9 August 2021.

Corporate governance framework



The Board's continued response to COVID-19

Over the past year, Suncorp has continually adapted to the health and economic implications of COVID-19. Suncorp's employees and suppliers have been responsive to the impact of border closures and lockdowns, and have changed the way we work to ensure that we have continued to deliver for all of our stakeholders.

During this time, the Board continued to devote considerable time to overseeing Suncorp's response to COVID-19, including:

- detailed discussions with management and external advisers during Board and Committee meetings, to:
  - understand the ongoing impact of COVID-19 on our customers, employees, financial position, risk profile and the economy more broadly
  - monitor, and approve as necessary, management's implementation of suitable responses
- ongoing meetings with the Suncorp Group Customer Advocate and with our customers, to ensure that the Board retained a current view as to the adequacy of our specific customer-focused initiatives, and
- a continued two-way dialogue with our key regulators.

The Board leveraged technology to supplement socially distanced physical meeting attendance, in response to the prevailing COVID-19 environment, to protect the health of all participants.

Suncorp prioritised the health and safety of our shareholders, employees and other interested stakeholders by holding our 2020 Annual General Meeting (AGM) entirely online, ensuring that shareholders had a range of safe means through which to participate.

The Board

Members of the Board

Suncorp's Board currently consists of eight non-executive, independent directors (including Chairman Christine McLoughlin, AM) and one executive managing director (Group CEO Steve Johnston).

Biographical details for each director, including their tenure, are disclosed in the Directors' Report on page 83 and on our website.

See more[1]

The roles and responsibilities of the Board and management

Suncorp's Constitution states that its business and affairs are to be managed under the Board's direction. The Board Charter:

- states that the Board's role is one of stewardship on behalf of stakeholders, ensuring the Suncorp Group remains sustainable and effective in the present and for the future, and
- clearly sets out the Board's role, responsibilities, powers and duties and describes those matters expressly reserved for the Board's determination and those matters delegated to management.

Other than the responsibilities specifically reserved for the Board and its Committees in their respective Charters, responsibility for management of the day-to-day business activities is delegated to the Group CEO who is accountable to the Board.

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

The Suncorp Constitution, and Board and Committee Charters are available on the governance & policies section of our website.

See more[2]

Director independence

The Board Charter requires that the Chairman, and a majority of directors, are independent, non-executive directors.

However, all Suncorp non-executive directors are expected to bring independent judgement to the Board's deliberations, and to respectively challenge management where required. In addition, the non-executive directors hold regular discussions during scheduled Board and Committee meetings without the Group CEO or other management in attendance.

The Board formally assesses the independence of its directors on appointment, and when reviewing each non-executive director's annual attestation. A register of directors' interests is kept current, to facilitate an ongoing assessment throughout the year.

A director's interests, positions, associations or relationships will be considered relevant when assessing independence if the individual circumstances materially interfere with (or could reasonably be perceived to materially interfere with) the director's ability to exercise independent judgement in relation to any matter before the Board, or to act in the best interests of Suncorp.

The Board also gives consideration to a non-executive director's tenure on the Board in assessing independence, but the mere fact that a director has served on the Board for a substantial period does not mean that the director can no longer be considered independent.

Director independence – FY21 assessment

Based on its latest annual assessment, the Board considers that throughout FY21, the Board Chairman and all Suncorp non-executive directors have remained independent and have satisfied the Board's independence criteria (which align with the guidance provided by the ASX and other regulators). The Board's position on certain specific director interests follows.

Ian Hammond:

- is a non-executive director of Perpetual Limited (Perpetual). As an investment manager, Perpetual group companies may hold Suncorp Group Limited securities from time to time. Perpetual's current shareholding is not considered a substantial shareholding under the *Corporations Act*. Perpetual group companies also provide trustee services to Suncorp, and like Suncorp, Perpetual also operates a wealth management business. Mr Hammond has confirmed that as a director of Perpetual he has no involvement in, or influence over, any decisions made by Perpetual in relation to any of the above activities.
- receives a fixed post-termination benefit from his former partnership, PricewaterhouseCoopers (PwC). From time to time, Suncorp engages PwC to provide consulting services, which are not considered material in nature or quantum. Mr Hammond does not participate in any decision to engage PwC.

Lindsay Tanner:

- is a special advisor to Lazard Australia (Lazard). From time to time, Suncorp engages Lazard to provide consulting services, which are not considered material in nature or quantum. Mr Tanner does not participate in any decision to engage Lazard, nor does he contribute toward the provision of any consulting services by Lazard to Suncorp.
- is chairman of Certane Group Pty Ltd (Certane). A wholly owned subsidiary of Certane provides trustee services to Suncorp. Mr Tanner has confirmed that as chairman of Certane he has no involvement in, or influence over, any decisions made by Certane in relation to these trustee services.

Accordingly, the Board does not believe that the work performed by Perpetual, PwC, Lazard or Certane affects the independence of Mr Hammond or Mr Tanner (as relevant).

1 suncorpgroup.com.au/about/committees
2 suncorpgroup.com.au/about/corporate-governance

Managing director conflicts of interest

The Constitution, Board Charter and Suncorp Code of Conduct provide clear procedures regarding the management of actual, potential or perceived conflicts of interest.

Each director has a continuing obligation to keep the Board advised of any interest that has arisen that could potentially conflict with those of the Suncorp Group. Where a director has an actual, potential or perceived conflict in a matter being considered by the Board, the director will:

- declare that conflict of interest
- not receive the relevant Board papers
- not be present when the matter is considered during a Board or Committee meeting, and
- not participate in any decision on the matter,

unless the Board Chairman (or if the relevant director is the Board Chairman, either of the Board Audit or Risk Committee Chairmen) determines otherwise. However, in the case of a material personal interest, the level of involvement of the relevant director will be determined by the Board (excluding the relevant director).

The Suncorp Code of Conduct is available on the governance & policies section of our website.

See more[1]

Board composition

Suncorp's Constitution and Board Charter require that the Board is comprised of a minimum of five and a maximum of 13 directors.

The composition of the Board at any time will, within the above prescribed range, also reflect the Board's:

- commitment to ensuring its directors collectively have a sufficient mix of skills, expertise and diversity required for the effective governance of Suncorp, and
- objective of maintaining a balance between longer-serving directors with established experience and knowledge of Suncorp's business activities, and new directors who bring fresh perspectives.

Board skills matrix

The Board skills matrix sets out the key skills, expertise and qualities that the Board believes are necessary now and into the future, taking into account the nature of Suncorp's strategic priorities and the environment in which it operates.

The Board Nomination Committee:

- reviews the matrix categories at least annually, to ensure that they remain appropriate
- refers to the matrix when recommending new non-executive directors for appointment to the Board, and
- considers the matrix when identifying opportunities for directors' continuing education.

Each director undertakes an annual self-assessment against the skills matrix categories, which are then aggregated and peer-reviewed by the Board. Where a director has been rated as having a developed level of capability in a given category (being a level that can confidently be drawn upon to add to the Board's deliberations), it is reflected in the Board skills matrix.

Suncorp's 2021 Board skills matrix (as shown on the following page) demonstrates the current alignment between the Board's desired and actual range of skills and expertise.

The Board considers that:

- together, the current directors have an appropriate mix of financial services and significant other relevant experience and expertise, that enables the Board to collectively approve and oversee management's implementation of Suncorp's strategic plan
- each director demonstrates:
  - an understanding of and commitment to the highest standards of corporate governance
  - competence, diligence, integrity and sound judgement, and
  - that they have sufficient time available to undertake their responsibilities to Suncorp.

1 suncorpgroup.com.au/about/corporate-governance

2021 Board skills matrix

Category	Description	No. of Directors
Risk management	Risk management frameworks, setting risk appetite, building and adapting organisational risk culture, regulatory relationships, assessing the effectiveness of senior leadership.	9
Governance and compliance	Implementing organisation-wide governance and compliance systems, processes and frameworks, regulatory compliance, assessing the relevance and accuracy of measurement systems.	9
Corporate strategy	Reviewing and setting organisational strategy and organic and inorganic growth opportunities.	9
Financial acumen	Implementing of financial and capital management strategies, corporate finance restructuring, capital raisings within risk appetite, taxation and actuarial experience.	9
Customer outcomes	Experience in developing and delivering customer strategies, meeting customer expectations and delivering the right customer outcomes.	9
Stakeholder engagement	Managing relationships with key stakeholders, including shareholders, government, regulators and leading industry bodies. Influencing public policy decisions and outcomes.	9
Organisational culture	Developing and sustaining the right corporate culture. Protecting and enhancing our reputation. Building stakeholder trust and confidence in an organisation. Promotion of ethical 'tone from the top'.	9
Banking	Domestic and/or international experience in Banking, including the regulatory landscape for Authorised Deposit-taking Institutions.	9
General insurance	Personal and commercial insurance experience, including the competitive pressures associated with non-traditional market entrants and other sources of disruption.	8
Experience across related industries	Broad experience across industries related to the banking and general insurance sectors, for example insurance more generally, reinsurance, funds management, wealth, health insurance, retail stores, technology and/or industries across Suncorp's supply chain.	9
Technology, data and digital innovation	Experience in leveraging the use of digital channels and technology innovation. Experience in driving strategic insights from the collection and analysis of customer data and industry statistics. Knowledge of data privacy and information security practices.	9
Leadership	Experience gained while performing at a senior executive level. Driving engagement and enablement, evaluating employee and executive performance, strategic workforce planning (including change management), leading organisation change in a multi-channel business. Experience with performance assessment and feedback including driving a culture of accountability.	9
Health and safety	Driving health, safety and well-being strategies, proactive identification and prevention of health and safety risks. Aware of best practice/benchmarks.	8
Remuneration	Detailed executive remuneration matters (including scorecard target setting), remuneration frameworks and incentive arrangements. Understanding of the relevant legislative/contractual framework for remuneration. Experience in disciplined and fair performance assessment and associated awards.	9
Corporate emotional intelligence	Personal attributes relevant to the Board environment including, communication skills, the ability to constructively challenge, championing an environment that effectively deals with complex issues and continually seeking to 'lift the bar'. Respected and liked by Board colleagues and credible with executive management.	9

The Board (continued)

Board renewal

Where the Board has identified the need for a new director, whether as part of its skills matrix review or its ongoing succession planning, the Board Nomination Committee will assist with a candidate search and make a recommendation to the Board. An external consultant may be engaged to support the search process.

A new director is only appointed after the completion of appropriate checks, in accordance with Suncorp's Fit and Proper Policy (which in turn meets the requirements set out in APRA's Prudential Standard CPS 520 Fit and Proper, and also applies to Executive Leadership Team (ELT) appointments). Directors are formally assessed against this policy on appointment, and annually thereafter, to confirm they are of good standing, and that they possess/have maintained the necessary competence, character, diligence, experience and judgement required to fulfil their role.

Suncorp has formal letters of appointment in place with each non-executive director, which set out their appointment terms. The Group CEO has an employment contract.

Any new non-executive director that is appointed by the Board seeks election by shareholders at the AGM following their appointment (consistent with the *Corporations Act* and the ASX Listing Rules). Suncorp discloses all information relevant to the election of a new non-executive director in the AGM Notice of Meeting.

Once elected, each continuing non-executive director seeks re-election by shareholders every three years at an AGM, subject to the recommendation of the Nomination Committee and support of the Board. The Board's recommendation in relation to each director seeking re-election is disclosed in the AGM Notice of Meeting.

The Board Renewal Policy is set out in the Board Charter, which is available on the governance & policies section of our website.

See more[1]

Director induction and education

New non-executive directors meet with the Board Chairman, the Group CEO, members of the ELT, other relevant senior managers (including the Suncorp Group Customer Advocate) and the external auditor, to gain knowledge about Suncorp's structure, business activities, strategic priorities and key risks.

Ongoing director education is provided through regular management presentations on key business activities and issues that are topical for Suncorp, including areas that are subject to regulatory or operational change. Directors also engage with, and receive presentations from:

- employees below ELT level, to deepen their understanding of Suncorp's operations and culture, and
- external experts, where relevant and required.

This engagement forms part of an annual Board meeting plan and takes place during scheduled Board and Committee meetings and workshops, and site visits to Suncorp operations. The meeting plan is revised as required throughout the year, to ensure it remains adequate and relevant.

Directors are also offered access to external education and professional development training at Suncorp's expense, where it is of benefit to Suncorp and the particular director.

Directors are expected to supplement their understanding, beyond that facilitated by Suncorp, on topical issues of broader significance.

Directors' access to information and independent advice

Directors have unrestricted access to Suncorp's internal records, to the ELT and to any other relevant senior management.

The Board collectively and each director individually, are entitled to obtain independent professional advice, if considered necessary to fulfil their duties and responsibilities. Where the advice is sought by an individual director, the Chairman's prior approval is required, and a copy of any professional advice received by the director is made available to all other Board members, except where the circumstances would make that inappropriate.

Board performance evaluation

The Board undertakes an annual evaluation of its performance, as well as the performance of its Committees and each director individually, including the Chairman. The Board and Committee Chairmen facilitate group discussions, which are generally supported by a questionnaire process, and the Chairman meets individually with each director. The Board then discusses and considers the outcomes of the evaluation and agrees any necessary recommendations.

The Board periodically engages the assistance of an external consultant to facilitate the evaluation process. The most recent:

- annual performance evaluation was undertaken in July 2021, and
- externally-facilitated performance evaluation was undertaken in late 2019.

1 suncorpgroup.com.au/about/corporate-governance

Board Committee composition and responsibilities

The Board has established five Board Committees to assist it in discharging its responsibilities:

- Audit Committee
- Customer Committee
- Nomination Committee
- People and Remuneration Committee, and
- Risk Committee.

The Board Committees are comprised of:

- non-executive directors only
- at least three members, a majority of whom must be independent, and
- a chairman, who must be independent. For all standing Committees other than the Nomination Committee, the Board Chairman does not serve as Committee chairman.

The Board, at the Nomination Committee's recommendation, reviews and confirms Board Committee composition annually, to ensure that each Committee has the requisite skills and expertise to remain effective in carrying out its role.

The Board may also establish other ad-hoc Board Committees as required, to deal with specific matters.

To ensure directors remain informed as to all material matters that are discussed at Board Committee meetings:

- copies of Board Committee meeting papers and minutes are provided to all directors, regardless of whether they currently serve as a member of the relevant Committee, and
- a written report from the Chairman of each Board Committee is submitted to the Board following the relevant Committee meeting.

A summary of each Board Committee's role, as set out in the relevant Committee Charter, follows. Each Committee regularly reviews its Charter, and any proposed enhancements are subsequently approved by the Board.

The number of Board and Board Committee meetings held during FY21 (and director attendance at those meetings) is disclosed in the Directors' Report on page 86. Committee membership details for each director are included in their biographies, which are disclosed in the Directors' Report on page 83 and on our website.

See more[1]

The Board Committee Charters are available on the governance & policies section of our website.

See more[2]

Audit Committee

The Audit Committee supports the Board in its oversight of Suncorp's financial and operational control environment. Specific matters addressed through the year, in accordance with its Charter, include:

- overseeing the integrity of the half-year and annual financial statements prior to consideration by the Board
- overseeing compliance with all disclosure requirements associated with Suncorp's statutory and regulatory financial and taxation reporting, including Australian Accounting Standards, and APRA and the Australian Securities and Investments Commission's requirements
- reviewing related reports from management, the Appointed Actuary and the external auditor in relation to matters impacting Suncorp's statutory and regulatory financial reporting
- reviewing the appointment, compensation, performance, effectiveness and independence of the external and internal auditors, including:
  - oversight of annual work plans
  - reviewing the provision of non-audit services by the external auditor to ensure there is no actual or perceived impact on the external auditor' independence
  - discussions with the auditors in the absence of management, and
- assessing the adequacy of any actions taken by management where the internal or external auditors have identified weaknesses in controls or procedures.

Customer Committee

The Customer Committee supports the Board in promoting its collective vision of Suncorp's customer aspirations and culture. Specific matters addressed through the year, in accordance with its Charter, include:

- monitoring Suncorp's approach to its customer aspirations, including oversight of management's customer strategy and outcomes
- monitoring and guiding management's:
  - initiatives and programs to deliver value and good outcomes for customers in the short term, and to fulfil Suncorp's customer aspirations in the longer term
  - efforts to balance the expectations of shareholders, customers, regulators, employees and the community, and
- receiving regular reports from the Suncorp Group Customer Advocate, including in relation to the effectiveness of Suncorp's engagement with customers and their representatives.

1 suncorpgroup.com.au/about/committees
2 suncorpgroup.com.au/about/corporate-governance

Nomination Committee

The Nomination Committee supports the Board in achieving the optimal composition of the Board and Board Committees, by:

- making recommendations to the Board in relation to:
  - succession planning for non-executive directors, including the consideration of potential new candidates and confirming support for the re-election of non-executive directors
  - the composition of Board Committees
- reviewing the Board skills matrix categories at least annually, to ensure that they remain appropriate, and
- ensuring that appropriate processes are in place to support:
  - director induction and continuing education
  - an annual review of the performance and effectiveness of the Board, its Committees and individual directors.

People and Remuneration Committee

The People and Remuneration Committee supports the Board in overseeing that Suncorp's people and remuneration frameworks support the achievement of Suncorp's strategic and cultural objectives and are fair, transparent and responsible. Specific matters addressed through the year, in accordance with its Charter, include:

- reviewing and making recommendations to the Board in relation to:
  - the remuneration arrangements and outcomes for the Group CEO, Group Executives and other Responsible Persons, with reference to their annual performance outcomes
  - the size of the annual short-term incentive and fixed pay increase pools for employees
  - consideration of the applicability of deferral, malus or clawback in relation to variable remuneration for the Group CEO, Group Executives and other Accountable Persons
  - the recruitment, retention and succession planning for senior executives, including the Group CEO and Group Executives
  - the remuneration of non-executive directors
  - measurable objectives for achieving diversity in the composition of the Board, Group Executives and employees generally
- reviewing management's implementation of organisational culture, diversity and inclusion initiatives, and
- reviewing management's employee engagement and talent management strategies.

Risk Committee

The Risk Committee assists the Board with oversight across all categories of risk, including risk culture. Specific matters addressed throughout the year, in accordance with its Charter, include:

- ensuring that Suncorp's risk and compliance frameworks and management policies remain appropriate to the size, business mix and complexity of Suncorp, and are consistent with Suncorp's business plan
- overseeing management's processes for the identification, assessment and management of financial and non-financial risk and compliance, in accordance with Suncorp's related policies and frameworks
- reviewing, approving and making recommendations to the Board (as appropriate) in relation to Suncorp's risk management strategies, Risk Appetite Statements, the Enterprise Risk Management Framework and other policies in relation to specific categories of risk
- overseeing management's implementation of the Enterprise Risk Management Framework and adherence to Risk Appetite Statements and other internal risk and compliance management policies
- reviewing and considering Suncorp's risk profile, including emerging risks, and risk culture, through regular reports from management, and
- undertaking all risk-related activities required by APRA and other regulators, including:
  - reviewing and recommending for approval by the Board the annual Risk Management Declaration
  - reviewing an independent report on the appropriateness, effectiveness and adequacy of Suncorp's Enterprise Risk Management Framework at least every three years.

Subsidiary entity governance

Suncorp is the ultimate holding company of a number of subsidiary entities, many of which hold licences issued by regulatory authorities.

The corporate governance responsibilities at the subsidiary entity level support and complement the Board's governance activities, as set out in this Statement.

The activities of each significant subsidiary company are overseen by that company's own board of directors. Board members and several of Suncorp's senior management are also directors of significant subsidiary companies.

Suncorp Portfolio Services Limited is a superannuation trustee company with an independent board responsible for the oversight of the Suncorp Master Trust and Suncorp Pooled Superannuation Trust. For independence reasons, the Suncorp Board has a monitoring role only in relation to Suncorp Portfolio Services Limited.

Company Secretary

The Company Secretary provides advice and support to, and is directly accountable to, the Board through the Chairman, for all corporate governance matters relating to the Board's efficient functioning. The Company Secretary is appointed and removed by the Board, and each director can communicate directly with the Company Secretary.

Darren Solomon was appointed by the Board as Company Secretary in 2010. Mr Solomon's biographical details are disclosed in the Directors' Report on page 86.

Suncorp's purpose, values and culture

The Board and management believe that how we achieve our purpose of 'building futures and protecting what matters' is equally as important as the results we deliver.

Suncorp has developed a set of Being @ Suncorp behaviours that provide everyone at Suncorp with clear and consistent behavioural expectations that will support the achievement of our desired culture. The Being @ Suncorp behaviours are set out below.

Code of Conduct

Suncorp's Code of Conduct is available on the governance & policies section of our website.

See more[1]

Further details about:

- Suncorp's purpose and cultural principles, which work together with our Code of Conduct, are disclosed in the introduction and overview section on page 5 and sustainable business section on page 52.
- Suncorp's alignment of remuneration outcomes with consequence management are disclosed in the Remuneration Report on page 101. Material breaches of the Code are also reported to the Board.

1 suncorpgroup.com.au/about/corporate-governance

Whistleblower protection

Suncorp supports and promotes a culture where our people feel able to report instances of wrongdoing. Suncorp's Whistleblower Policy describes additional protections and support that are provided to people in circumstances where the nature of the reportable conduct requires it.

Reportable conduct may be raised, on an anonymous basis if desired, to the:

- Suncorp Whistleblower Service (which is independently managed)
- Whistleblower Protection Officer or another nominated eligible recipient (as set out in the Policy), or
- the regulator, or in the case of reportable conduct in New Zealand, to the appropriate authority (provided specific requirements as outlined in the *Protected Disclosures Act* are met).

Any material incidents that are reported under the Whistleblower Policy are disclosed to the Board.

Anti-bribery and corruption policy

Suncorp has zero tolerance for illegal activity and requires compliance with all anti-bribery and corruption laws in all markets and jurisdictions in which we operate or conduct transactions.

Suncorp's Code of Conduct and Anti-Bribery and Corruption Policy prohibits our people from:

- offering, accepting, soliciting or paying any bribe in any form (including facilitating payments), and
- engaging in any form of corruption, regardless of the intended beneficiary of the activity.

Any material breaches of the Anti-Bribery and Corruption Policy would be reported to the Board. If evidence of illegality were to be identified, the matter would also be referred to the relevant law enforcement agency.

Details of Suncorp's approach to political donations is disclosed in the sustainable business section on page 53.

Trading in Suncorp securities

The *Corporations Act* and Suncorp's Securities Trading Policy prohibit directors, executives and all employees from trading in Suncorp securities at any time while in possession of price-sensitive information. In addition:

- directors and prescribed persons are prohibited from trading in Suncorp securities at certain times surrounding the release of Suncorp's half-year and full-year financial results to the ASX, and the date of the AGM, and
- directors and employees must not enter into a hedging transaction that is designed to limit the economic risk of a holding in Suncorp securities.

Continuous disclosure

Suncorp's Disclosure Policy and associated procedures set out Suncorp's approach to ensure awareness and compliance with our legal continuous disclosure obligations. This includes the disclosure of required material information about Suncorp's activities in a timely and balanced manner to all market participants equally, through lodgement with the ASX.

The Group Chief Financial Officer (Group CFO) is Suncorp's Corporate Disclosure Officer. Suncorp's Disclosure Committee assists the Corporate Disclosure Officer with ensuring compliance with Suncorp's continuous disclosure obligations. The Disclosure Committee meets regularly, and is engaged between scheduled meetings as required, to consider matters that may require disclosure, and to review and approve the content of proposed material for lodgement with the ASX.

In the case of significant ASX announcements, Board engagement, or where required Board approval, is facilitated (and the Board receives copies of all such announcements).

ASX announcements that are administrative in nature are authorised for lodgement with the ASX by the Company Secretary.

The Whistleblower, Anti-Bribery and Corruption, Political Engagement, Securities Trading and Disclosure policies are available on the governance & policies section of our website.

See more[1]

Engaging with our shareholders

Shareholder communication

Copies of all Suncorp ASX announcements are available to all shareholders, and other market participants and interested stakeholders, via the ASX and on our website.

In addition to the specific corporate governance-focused materials that are outlined in this Statement, Suncorp also publishes other relevant information about the Suncorp Group on our website.

We encourage Suncorp shareholders to register to receive shareholder communications electronically, by contacting our share registry, Link Market Services (Link). Link is also available to assist with other shareholder-related matters.

Further, shareholders can subscribe to receive email news updates from Suncorp. Suncorp's Investor Relations team also:

- maintains a list of Frequently Asked Questions, and
- provides an email address for the receipt of other questions from shareholders, on our website.

See more[2]

1 suncorpgroup.com.au/about/corporate-governance
2 suncorpgroup.com.au/investors

Engaging with our shareholders (continued)

Investor relations program

Suncorp's investor relations program enables ongoing two-way communication with institutional investors, retail shareholders, market analysts and proxy advisors.

Consistent with Suncorp's broader approach to continuous disclosure, when investor presentations are held (including those that accompany the announcement of our half-year and full-year results) the presentation materials are lodged with the ASX prior. These materials, and access to webcast recordings, are also made available on our website.

See more[1]

Suncorp's practice is to implement blackout periods prior to the announcement of our half-year and full-year results, during which time Suncorp does not discuss any non-public financial performance or forecast information with market participants or other external parties.

Annual General Meeting

The AGM is a key two-way engagement opportunity for the Suncorp Board, ELT and our shareholders, particularly our retail shareholders.

An accompanying Notice of Meeting is made available to shareholders at least 28 days prior to each AGM and clearly sets out:

— the ways in which shareholders can participate in the AGM

— the business to be considered and voted on during the AGM, and

— that voting on each proposed resolution is conducted by poll, rather than by a show of hands.

Suncorp provides a range of means through which shareholders can vote and ask questions, both ahead of and during the AGM, and observe the meeting proceedings. This remained the case during 2020, when our AGM was held entirely online, in light of the prevailing COVID-19 environment. For those shareholders and other interested stakeholders who are unable to participate during the live AGM, a webcast recording is made available on our website.

See more[2]

Integrity of corporate reporting

Board oversight of Suncorp's financial reporting

The Audit Committee's role includes:

— assisting the Board in overseeing the integrity of Suncorp's financial statements and financial reporting, together with the related systems and controls that have been implemented by management, and

— reviewing the appointment, compensation, performance, effectiveness and independence of the external auditor.

The Board has approved an Auditor Independence Policy, which outlines the processes that are in place to ensure that Suncorp's external auditor is independent and is perceived to be independent.

The Auditor Independence Policy is appended to the Audit Committee Charter, which is available on the governance & policies section page of our website.

See more[3]

External audit

KPMG is Suncorp's external auditor and acted in that role throughout FY21.

KPMG's role is to provide an independent opinion that Suncorp's financial reports are true, fair and comply with applicable accounting standards and regulations. KPMG also provides an independent opinion that Suncorp's Remuneration Report complies with the *Corporations Act*.

The Audit Committee meets regularly with KPMG without management being present.

KPMG's lead audit partner attends each AGM to answer questions from shareholders regarding the conduct of its audit, its audit report and independence, and the accounting policies adopted by Suncorp in preparing its financial statements.

In support of KPMG's independence for FY21, its declaration, together with details of non-audit services provided by KPMG during FY21, are included in the Directors' Report on page 91 and page 90 respectively.

Supporting declarations from management

In addition, and before the Board approves Suncorp's half-year or full-year financial statements, it receives a declaration from the Group CEO, Group CFO and the Chief Risk Officer, that states:

— in their opinion:

  — the financial records of Suncorp have been properly maintained in accordance with the *Corporations Act*

  — the financial statements comply with applicable accounting standards and give a true and fair view of the financial position and performance of Suncorp, and

— the above statements are founded on sound systems of risk management and internal control and that the systems are operating effectively in all material respects in relation to financial reporting risks.

The above declaration is supported by a broader management certification process, where other senior executives provide attestations for their respective areas of responsibility.

Other periodic corporate reports

All Suncorp periodic corporate reports that are lodged with the ASX (including those that are not audited or reviewed by KPMG) are subject to a thorough review, verification and approval process by management.

1 suncorpgroup.com.au/investors
2 suncorpgroup.com.au/investors/agm
3 suncorpgroup.com.au/about/corporate-governance

Suncorp's Disclosure Committee reviews the content of all material documents for lodgement with the ASX. The Disclosure Committee in turn relies on a supporting verification process that involves the relevant senior management confirming that the disclosure is accurate, not misleading and is supported by appropriate source documents or personal knowledge and expertise. The verification process for this report (including this Statement) is overseen by a specific management steering committee.

Risk management

Board oversight of Suncorp's risk management framework

The Risk Committee's role includes assisting the Board in approving and overseeing the processes used by management to identify, assess and manage risk throughout Suncorp.

The Risk Committee:

— undertakes a review of Suncorp's Enterprise Risk Management Framework regularly, including updates during FY21, and

— endorses for Board approval an annual declaration to APRA in relation to risk management, as required by APRA's Prudential Standard CPS 220 Risk Management.

Further information about Suncorp's approach to risk management, including the structure and objectives of the Internal Audit function, is provided in the risk management section on page 68.

Management of environmental and social risks

Suncorp:

— is committed to building a resilient and sustainable organisation that values customer, shareholder and stakeholder outcomes.

— proactively manages the material environmental and social risks and opportunities identified by Suncorp in consultation with our key stakeholders.

Further information is provided in the sustainable business section on page 36 and TCFD on page 54.

Remunerating fairly and responsibly

Board oversight of Suncorp's remuneration framework

The People and Remuneration Committee's role includes assisting the Board in ensuring that Suncorp's remuneration framework:

— is fair, transparent and responsible,

— reinforces executive accountability, as expected by our shareholders, customers, employees and the wider community, and

— maintains an ongoing focus on the attraction, motivation and retention of key talent to deliver for our shareholders, customers and our people, taking into account the competition for skills and expertise, and emerging talent shortages, across the financial services industry.

Further information about Suncorp's remuneration framework, including our policies and practices for remunerating directors and senior executives, and evaluating the performance of executives, is provided in the Remuneration Report on page 100.

Fostering diversity and inclusion

Suncorp aspires to be one of the most inclusive places to work in Australia and New Zealand by providing an open, inclusive and accessible work environment for all its people regardless of age, gender, sexuality, ability or cultural background.

The Suncorp Diversity and Inclusion Policy is available on the governance & policies section of our website.

See more[1]

Gender diversity

Suncorp's commitment to gender equality is reflected in Suncorp's progress towards its gender equality goals.

As at 30 June 2021, the percentage of women the Suncorp Group employed across directors, leaders and all roles was:

	Directors	Senior Leaders[2]	All Leaders[3]	Total Workforce
FY21 actual % of Women	33.0%	43.3%	52.1%	60.4%
Target	40%	46%	50%	40%

Suncorp has complied with its 2021 reporting obligations under the *Workplace Gender Equality Act*.

In 2021, Suncorp was recognised as an Employer of Choice for Gender Equality by the Workplace Gender Equality Agency for the eighth consecutive year.

Further information about Suncorp's inclusion and diversity initiatives and performance is provided in the sustainable business section on page 50.

See more[4]

1 suncorpgroup.com.au/about/corporate-governance
2 The Group CEO and employees up to four organisational levels below the Group CEO
3 All employees with people leadership responsibilities as well as senior specialists
4 suncorpgroup.com.au/uploads/2021-SGL-WGEA-Compliance-Report.pdf

Directors' Report

The directors present their report together with the financial report of the Suncorp Group (the Suncorp Group, Suncorp or the Group), being Suncorp Group Limited (SGL, the Company) and its subsidiaries, for the financial year ended 30 June 2021 (FY21) and the auditor's report thereon.

Directors' profiles

The names of the people who served as directors of the Company at any time during or since the end of FY21 are set out below. All non-executive directors are members of the Nomination Committee.

CHRISTINE McLOUGHLIN, AM

BA, LLB (Hons), FAICD

Non-executive Chairman

Christine McLoughlin AM has been a director of the Suncorp Group since February 2015 and Chairman since September 2018. She is Chairman of the Nomination Committee and an ex-officio member of the Audit, Customer, People and Remuneration, and Risk Committees.

For the past 13 years, Ms McLoughlin has served as a director on the boards of ASX Top 50 companies in the financial services, resources, health insurance, and infrastructure sectors. Her executive career was in leadership roles in financial services and telecommunications sectors in ASX Top 20 Companies with businesses in the Australian, UK and South East Asian markets.

Ms McLoughlin is recognised for her achievements in driving continuous improvements in organisational culture and performance, and her focus on creating value for shareholders by delivering for customers.

Her other directorships and commitments include Director of listed company Cochlear Limited (since November 2020), Chancellor of the University of Wollongong and Chairman of Destination NSW. She is the elected Australian private sector representative to the G20 EMPOWER Council, which is focused on women's economic representation across the globe. Ms McLoughlin was previously a member of the Australian Securities & Investments Commission's Non-Executive Director Advisory Panel, and inaugural Chairman of the Australian Payments Council.

Ms McLoughlin is co-founder and Chairman of the Minerva Network, a national not-for-profit organisation focused on supporting the professional careers of elite women athletes and connecting communities through sports participation.

In June 2021, Ms McLoughlin was awarded a Member of the Order of Australia in the Queen's Birthday Honours for her services to business, the not-for-profit sector and women.

STEVE JOHNSTON

BBus (Management), BBus (Public Administration)

Group Chief Executive Officer and Managing Director

Steve Johnston was appointed Group Chief Executive Officer (Group CEO) of Suncorp and a director of the Group in September 2019.

Mr Johnston joined Suncorp in 2006 and has held various executive positions, including Acting Group CEO, and Group Chief Financial Officer (CFO) with responsibility for financial reporting and management, legal and company secretariat, taxation, investor relations, corporate affairs and sustainability.

Mr Johnston's previous roles include Deputy CFO and Executive General Manager Investor Relations and Corporate Affairs, where he played a key role in the strategic and financial management of the Group including Suncorp's response to the global financial crisis. Prior to joining Suncorp, Mr Johnston held senior positions at Telstra and the Queensland Government.

SYLVIA FALZON

MIR (Hons), BBus, FAICD, SFFin

Non-executive director

Sylvia Falzon has been a director of the Group since September 2018 and is a member of the Customer, People and Remuneration and Risk Committees.

Ms Falzon brings to Suncorp valuable experience in the areas of business development, marketing and brand management, customer service, risk and compliance, together with remuneration and people strategies.

Ms Falzon has held senior positions within the financial services sector having worked for major life insurance and asset management organisations over a 30-year career. Through her executive career and now as a non-executive director, she has gained valuable insights working in large consumer-facing and highly regulated businesses within the financial services, healthcare, retail and aged care sectors. Ms Falzon is a non-executive director of listed companies Regis Healthcare (since September 2014), Premier Investments (since March 2018) and Zebit Inc. (since August 2020). Ms Falzon is also Chairman of the Governing Board of Cabrini Health Limited, a diversified not-for-profit, health and technology care provider. She was previously a non-executive director of Perpetual Limited (November 2012 - October 2019). Ms Falzon held senior executive roles with Aviva Investors Australia (a wholly owned subsidiary of global insurer Aviva plc), Alpha Investment Management, and major life insurer National Mutual/AXA.

IAN HAMMOND

BA (Hons), FCA, FCPA, FAICD

Non-executive director

Ian Hammond has been a director of the Group since October 2018. He is Chairman of the Audit Committee, and a member of the Risk Committee.

Mr Hammond brings to Suncorp extensive knowledge of the financial services industry, and expertise in financial reporting and risk management. He has deep experience across the insurance, banking, wealth management and property sectors, and a keen interest in digital and technology trends.

Mr Hammond is a non-executive director of listed company Perpetual Limited (since March 2015) where his board roles include Chairman of the Audit, Risk and Compliance Committee, as well as a director of Venues NSW. He also serves on the boards of several not-for-profits including Mission Australia and Lifehouse.

Previously Mr Hammond was a non-executive director of Citigroup Pty Limited. Mr Hammond spent more than 35 years at PwC, including 26 years as a partner. He was lead partner for several of Australia's major financial institutions and was previously a member of the Australian Accounting Standards Board and the International Accounting Standards Board.

SIMON MACHELL

BA (Hons), FCA

Non-executive director

Simon Machell has been a director of the Group since April 2017. He is Chairman of the People and Remuneration Committee and a member of the Audit Committee.

Mr Machell is a non-executive director of Prudential Assurance Company Singapore, the senior independent director of Pacific Life Re Limited and chairs Pacific Life Re's Australian entity board. As a non-executive director of Tesco Bank and Chairman of Tesco Underwriting in the UK, he has considerable insight into changing customer expectations and engaging customers through digital channels.

Mr Machell brings to Suncorp an international perspective on current industry trends in insurance, and insights into the risks and opportunities associated with emerging technologies and new business models. He has deep operational and strategic knowledge of the insurance industry and has planned and delivered significant change programs. In his executive career, Mr Machell spent over 20 years with Norwich Union/Aviva running the finance, service centre and claims functions before becoming CEO of its UK general insurance business in 2005. Subsequently, he ran its portfolio of international businesses across Asia and Eastern Europe before embarking on a plural career in 2013.

LINDSAY TANNER

BA (Hons), LLB (Hons), MA (Melb)

Non-executive director

Lindsay Tanner has been a director of the Group since January 2018. He is Chairman of the Customer Committee and a member of the Risk Committee.

Mr Tanner is Chairman of Certane Group Pty Ltd. Mr Tanner brings to Suncorp an acute appreciation of the technological, regulatory and political changes shaping the financial services industry. He has worked at the highest levels of government and business for over 35 years, including as Minister for Finance and Deregulation from 2007 to 2010, where he played a significant role in regulatory reform in the financial services sector. He also served as Minister for the Future Fund during the Global Financial Crisis.

Mr Tanner is a recognised authority on corporate governance and has been a Special Adviser for financial advisory firm Lazard Australia for the past 11 years, where he has had extensive involvement in the financial sector and with mergers and acquisitions.

Mr Tanner was also a non-executive director of listed company Covata Limited (January 2017 – January 2019) and Lifebroker, the life insurance broking company. He began his professional career as a lawyer representing consumers in disputed personal injury and motor insurance claims.

ELMER FUNKE KUPPER

BBA, MBA

Non-executive director

Elmer Funke Kupper has been a director of the Group since January 2020. He is a member of the Audit and Risk Committees.

Mr Funke Kupper is a respected business leader and company director. He has significant financial services experience and has served as Chief Executive Officer of two listed companies.

Mr Funke Kupper brings experience in navigating demanding regulatory environments, and in transforming business models through the adoption of technology and digital services. He has worked closely with state and federal governments, regulators, customers and shareholders.

Mr Funke Kupper was previously Managing Director and CEO of the Australian Securities Exchange (ASX Limited), and a director of the Business Council of Australia. Prior to that he was Managing Director and CEO of Tabcorp.

He held senior executive positions at ANZ Bank over more than 10 years, and was a member of its Management Board. He started his career as a management consultant with McKinsey & Company. Mr Funke Kupper is currently a non-executive director of MYOB Group Co Pty Ltd, the Australian holding company of the MYOB Group.

SALLY HERMAN

BA, GAICD

Non-executive director

Sally Herman has been a director of the Group since October 2015. She is Chairman of the Risk Committee, and a member of the Customer Committee.

Ms Herman brings to Suncorp strong expertise in running retail banking and insurance products, setting strategy for financial services businesses, and working with customers, shareholders, regulators and government. She has deep executive experience running customer-facing financial services businesses in Australia and the United States of America. She has held board positions (including on subsidiary boards) of financial services organisations for over 20 years, with a focus on governance, regulation and compliance.

Ms Herman's current listed company directorships include Breville Group Limited (since March 2013), Premier Investments Limited (since December 2011), and E & P Financial Group Limited (since May 2018). She is also a director of Irongate Funds Management Limited, responsible entity of listed trust Investec Australia Property Fund (since July 2013).

During her senior executive career at Westpac, Ms Herman oversaw stakeholder engagement including customers, shareholders, government and regulators. Her Westpac experience also included running the product function of retail and business banking, including general insurance and internet banking.

DOUGLAS McTAGGART

BEcon (Hons), MA, PhD, DUniv, FAICD, SFFin

Non-executive director

Doug McTaggart has been a director of the Group since April 2012. He is a member of the Audit, and People and Remuneration Committees. He also chairs AA Insurance Limited (a Suncorp joint venture with the New Zealand Automobile Association) and is a director of Suncorp's New Zealand licensed entities.

Dr McTaggart brings to Suncorp great insight around regulator and government engagement, the economic landscape, organisational efficiency and financial management.

Dr McTaggart has an extensive background in financial markets and has deep academic and commercial experience. He is well-versed in operating in a rapidly changing regulatory environment and engaging effectively with regulators and government stakeholders.

Dr McTaggart is a former CEO of QIC Ltd, Under Treasurer of the Queensland Department of Treasury, director of UGL Limited and chairman of SunCentral Maroochydore. He is currently Chairman of listed company Spark Infrastructure RE Limited (and a director since December 2015) and Indigenous Business Australia Asset Management Pty Ltd. He also serves on the Australian National University Council.

AUDETTE EXEL, AO

Ms Audette Exel AO, retired from the Board by rotation on 30 September 2020. Ms Exel had been a non-executive director of the Group since June 2012.

Directors' meetings

The table below sets out the number of directors' meetings[1] held during FY21 (including meetings of the five Board Committees) and the number of meetings attended by each director of the Company.

	Suncorp Board of Directors		Audit Committee		Risk Committee		People & Remuneration Committee		Customer Committee		Nomination Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
C McLoughlin (Chairman)	14	14	6	6	6	6	7	7	4	4	3	3
S Johnston[1]	14	14	6	6	6	6	7	7	4	4	3	3
A Exel AO (retired 30 Sept 20)	3	3	-	-	3	3	-	-	1	1	1	1
S Falzon	14	14	-	-	6	6	7	7	3	3	3	3
E Funke Kupper	14	14	6	6	3	3	-	-	-	-	3	3
I Hammond	14	14	6	6	6	6	-	-	-	-	3	3
S Herman	14	14	-	-	6	6	-	-	4	4	3	3
S Machell	14	14	6	6	-	-	7	7	-	-	3	3
D McTaggart	14	14	6	5	-	-	7	7	-	-	3	3
L Tanner	14	14	-	-	6	6	-	-	4	4	3	3

A Number of meetings held during the year while the director was a member of the Board or Committee.
B Number of meetings attended by the director during the year while the director was a member of the Board or Committee.

Directors' interests as at 30 June 2021

The Directors' interests as at 30 June 2021 can be found in the Remuneration Report on page 92.

Performance rights

As at 30 June 2021, there are 1,737,721 performance rights and 1,385,703 share rights outstanding in relation to Suncorp's fully paid ordinary shares. No exercise price is payable for performance rights or share rights. The latest dates for exercise of the performance rights and share rights range between 11 August 2021 and 31 August 2024. Persons holding performance rights and share rights are not entitled to participate in capital actions by Suncorp (such as rights issues or bonus issues).

For the period from 30 June 2021 to 9 August 2021, no fully paid Suncorp ordinary shares were issued as a result of the exercise of a performance right or a share right.

For further details on performance and share rights refer to note 31 Share-based payments of the consolidated financial statements on page 185 and the Remuneration Report on page 92.

Company Secretary

Mr Darren Solomon, LLB was appointed Company Secretary in March 2010, having joined Suncorp in 1989 as a senior lawyer in the legal department before moving to Company Secretariat in 2006.

Remuneration Report

The Remuneration Report can be found on page 92 and forms part of the FY21 Directors' Report.

Principal activities

The principal activities of the Suncorp Group during FY21 were the provision of insurance, banking and wealth products and services to retail, corporate and commercial customers in Australia and New Zealand. There were no significant changes in the nature of the Suncorp Group's activities during FY21, other than as set out in the 'Significant changes in Suncorp Group's state of affairs' section below. More detail on the Group's activities is included in the operating and financial review section on page 16.

Dividends

A fully franked FY20 final ordinary dividend of $128 million (10 cents per share) was paid on 21 October 2020.

A fully franked FY21 interim ordinary dividend of $333 million (26 cents per share) was paid on 1 April 2021.

The Group's robust balance sheet has led to the directors determining a fully franked FY21 final ordinary dividend of $513 million (40 cents per share) and a fully franked special dividend of $103 million (8 cents per share).

Further details of dividends on ordinary shares provided for or paid are set out in note 20 to the consolidated financial statements.

Operating and financial review

The operating and financial review can be found on page 16.

Significant changes in Suncorp Group's state of affairs

In April 2021, Suncorp announced it has entered into an agreement for the sale of its Australian Wealth business, Suncorp Portfolio Services Limited (SPSL), to LGIAsuper. Total consideration is estimated at $45 million. This includes a fixed amount of $26.6 million, plus regulatory capital. Consideration is subject to standard completion adjustments. After allowing for separation and transaction costs, the impact of the transaction on Group profit is expected to be broadly neutral. Following completion of the sale, Suncorp will enter into an agreement with LGIAsuper to distribute Suncorp superannuation products to Suncorp customers for 18 months. The transaction is expected to be completed in FY22, subject to regulatory approvals.

There have been no other significant changes in the state of affairs of the Group during FY21, other than as disclosed in this report.

1 The Group CEO attends Audit Committee, Risk Committee, People Remuneration Committee and Customer Committee meetings at the invitation of those committees. There are no management representatives appointed as members of any Board Committee.

Events subsequent to reporting date

On 2 July 2021, the Group entered into a binding agreement to sell its 50% Joint Venture interest in RACT Insurance Pty Ltd (RACTI) to its Joint Venture partner, the Royal Automobile Club of Tasmania Ltd (RACT) for cash consideration of $83.8 million. Completion of the sale is subject to regulatory approval and expected to occur in FY22. The profit on sale before tax is expected to be in the range of $65 million to $70 million, and be included in the FY22 results.

The strength of the Group's capital position has enabled Suncorp to announce, in conjunction with the final FY21 ordinary dividend, an 8 cents per share fully franked special dividend (refer to note 20 of the consolidated financial statements on page 159), and up to $250 million of excess capital will be returned to shareholders in the form of an on-market buyback, whilst continuing to maintain appropriate capital buffers in the current heightened risk environment.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Company in future financial years.

The Group notes the ongoing COVID-19 lockdowns that have been implemented subsequent to reporting date across a number of states. The impact of these lockdowns has been considered in the consolidated financial statements. The impact of COVID-19 on the Group's estimates and judgments is set out in note 2.3 of the consolidated financial statements on page 127.

Group outlook

Operating environment: While the operating environment has improved since the outbreak of COVID-19, the outlook remains uncertain with lockdowns and restrictions currently in place across a number of states.

FY23 plan: The FY23 plan aims to deliver a growing business with a sustainable return on equity above the through-the-cycle cost of equity. To achieve this the Group is investing in 12 strategic initiatives, with the benefits of this program beginning to be realised in the second half of FY22. Consequently, this implies the General Insurance business delivers an underlying insurance trading ratio (ITR) in FY23 of between 10-12%, and the Bank cost-to-income ratio will fall to around 50%.

Growth: The Group remains focused on driving improved momentum in the core business, in order to deliver on its FY23 aspirations.

In FY21, approximately $115 million in Gross Written Premium (GWP) related to portfolios which have been exited, and this GWP will not repeat in FY22.

Natural hazards and reinsurance: The Group has increased its natural hazard allowance for FY22 to $980 million, reflecting net growth in the underlying portfolio. The Group's reinsurance program for FY22 is unchanged from the FY21 program.

Prior year reserve releases: The Group continues to allow for prior year reserve releases to be at least 1.5% of Group net earned premium (NEP), assuming inflation remains benign.

Operating expenses: Including project spending and restructuring charges, the Group's operating expense base is expected to be ~$2.8 billion in FY22. The FY23 expense base is expected to return to ~$2.7 billion, with a reduction in project spending and efficiency gains effectively offset the costs of investing in growth and the impact of inflation.

Capital: The Group will maintain its prudent capital management strategy, including holding an appropriate Common Equity Tier 1 (CET1) buffer at Group.

Dividend policy: The Group maintains its commitment to a 60-80% dividend payout ratio.

The business remains committed to returning to shareholders any capital that is excess to the needs of the business. Capital requirements will be continually reassessed taking into account the needs of the business, the economic outlook and any regulatory guidance.

Key strategic risks

The effective identification and management of strategic risks is integral to Suncorp's strategy and decision-making progress. An update on the identified strategic risks and their management is outlined in the risk management section on page 69.

Impacts of legislation and other external requirements

Suncorp operates across a number of highly-regulated industry sectors. There have been, and continue to be, significant domestic and global legislative and regulatory reforms and proposals, as well as numerous government and regulator consultations, reviews and inquiries which may result in changes that may impact Suncorp Group and its operations in Australia and New Zealand.

There are also various proposals and changes from global regulatory advisory and standard-setting bodies such as the International Association of Insurance Supervisors, the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions which if adopted, or followed by domestic regulators, may increase operational and capital costs or requirements.

Suncorp is committed to embracing these regulatory changes and is well placed to respond through the additional regulatory investment in FY22 and the continuation of the Regulatory Program. Suncorp is taking active steps to implement the changes with a number of improvements already in place. Suncorp is engaging with regulators, the Government and industry bodies to provide feedback and guide the policy direction. Matters which may impact Suncorp Group, its insurance businesses in Australia and New Zealand and its Banking & Wealth business are set out below.

Matters which may impact

SUNCORP GROUP

- **Passing of the *Financial Sector Reform (Hayne Royal Commission Response) Act 2020***, which includes:
  - prohibiting the hawking of superannuation and insurance products to retail clients, in line with Recommendations 3.4 and 4.1 of the Hayne Royal Commission
  - powers for ASIC to approve industry codes which may contain enforceable provisions, of which a contravention will constitute a breach of the law
  - removal of the exemption for insurance claims handling constituting a financial service
  - new duty for insurers to take reasonable care not to make a misrepresentation
  - more onerous breach reporting obligations for financial service licensees.
- **The Federal Government** consulting on extending the Banking Executive Accountability Regime (BEAR) to all APRA regulated entities and creating the Financial Accountability Regime.
- **ASIC administering its product intervention power.** The product intervention power allows ASIC to temporarily intervene, including to ban financial products when there is a risk of significant consumer detriment.
- **APRA developing a prudential standard on resolution and recovery planning** over the next 12 months, to strengthen crisis preparedness.
- **ASIC finalising guidance on financial product Design and Distribution Obligations** (**DDO**), which require financial product firms to develop products that meet the needs of the consumers in their intended target market. DDO obligations come into effect in October 2021 (deferred due to COVID-19).
- **Passing of the *Treasury Laws Amendment (Consumer Data Right) Act 2019*** which governs the Consumer Data Right (CDR) which will provide individuals and businesses with a right to efficiently and conveniently access specified data in relation to them held by businesses.
- **APRA consultation on and implementation of operational resilience prudential requirements** including for outsourcing, business continuity management, operational risk, and service provision.
- **The commencement of the extension of the unfair contract terms legislation to insurance contracts.**
- **APRA and ASIC oversighting climate-change related disclosure and risks.**
- **APRA consulting on updated and more prescriptive requirements for risk management** across all APRA-regulated industries.
- **APRA consulting on and finalising guidance on stress-testing** covering the majority of APRA-regulated industries.

INSURANCE OPERATIONS

AUSTRALIA

- **Legislation to bring insurance claims under the financial services provisions of the *Corporations Act*** taking effect from 1 January 2022.
- **APRA's focus on the integration of AASB 17 *Insurance Contracts***, into the Life and General Insurance Capital framework and reporting frameworks, aligned with the international approach.
- **The International Association of Insurance Advisors key recommendations for insurance supervisors to strengthen efforts to address climate-related risks** which are likely to be observed and implemented by APRA domestically.
- **The Insurance Council of Australia approving the new 2020 General Insurance Code of Practice.** The Code reiterates core commitments and high standards of conduct on insurers, their employees, distributors and service suppliers. The implementation timing of the new Code has been modified due to COVID-19.
- **The administration by ASIC of the newly commenced unfair contract terms legislation** which extends the application to insurance contracts.
- **Decisions by the Australian government in response to the ACCC Final Report** on its inquiry into the supply of residential building (home), contents and strata insurance in Northern Australia, and recommendations made as a result, including the establishment of a $10 billion reinsurance pool backed by a government guarantee, with scheme design and details to be determined.

NEW ZEALAND

- ***Financial Markets (Conduct of Institutions) Amendment Bill* is progressing through Parliament.** The Bill proposes insurers, banks and non-bank deposit takers be licensed and have a fair conduct program to ensure consumers are treated fairly. If passed, is expected to come into force in 2023.
- **Government is proposing to reform New Zealand's insurance contract law including changes to disclosure requirements and unfair contract terms.** Exposure draft of legislation is expected late 2021.
- **Reserve Bank of New Zealand is reviewing the *Insurance (Prudential Supervision) Act 2010* and Solvency Standards.** Consultations are in progress, and the review will likely to be a three year process.
- ***Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill* is before Parliament.** The Bill proposes mandatory climate-related financial disclosures for certain entities including large insurers. Disclosures are expected to commence from 2023/2024
- **Proposed Earthquake Commission (EQC) changes.** Potential for NZ EQC to lift caps from the current level of $150,000. Proposal is currently under consideration by the NZ Treasury with the timeline remaining unclear.

BANKING & WEALTH OPERATIONS

- **APRA Review of residential mortgage risk appetite limits and lending standards** in April 2021, and following a period of close monitoring of credit risk impacts across the industry by both APRA & ASIC due to COVID-19, APRA wrote to ADIs regarding the current residential mortgage lending environment, and the importance of maintaining prudent risk appetite and lending standards. APRA sought an updated assurance from ADI Boards, further to an earlier commitment provided in 2018, regarding the appropriateness of current risk appetite limits, lending standards and related processes, as well as the adequacy of processes in place to monitor risks in residential mortgage lending, with a focus on the quality of new lending. APRA will continue to monitor trends and market conditions in this space and engage further with ADIs as necessary.
- **APRA guidance on Capital Management and Stress Testing** has continued to outline their expectations of ADIs, including with regard to the cautious moderation of dividend payouts under the current heightened risk environment, the clearer demonstration of the linkages between stress testing and decision making, provisioning levels and enhanced internal stress testing capability.
- **Ongoing updates to the ADI Capital framework** APRA continue to progress and consult with industry on revisions to the ADI capital framework, to ensure ADI capital ratios are 'unquestionably strong' and to improve the overall flexibility and operation of the framework. Draft prudential standards will be finalised by the end of 2021, which will be followed by a 12-month implementation period, prior to the updated requirements taking effect on 1 January 2023.
- **Implementation of the *Consumer Data Right (Authorised Deposit-Taking Institutions) Designation 2019***, which provides individuals and businesses with a right to efficiently and conveniently access specified data that relates to them held by businesses, and to authorise secure access to this data by accredited third parties
- **Enhancement of the Superannuation prudential framework and improving member outcomes** APRA remain focused on the resilience of the superannuation sector as well as the delivery of improved outcomes for members. As part of this, APRA will support the implementation of the Federal Governments *Your Future, Your Super* reforms (including the requirement for APRA to conduct an annual performance test for *MySuper* products to address underperformance, which will later be extended to other superannuation products), oversight of SPS 515 implementation (Strategic Planning and Member Outcomes) as well as progress a range of enhancements recommended by their post-implementation review of the original superannuation prudential framework. APRA also continue to focus on lifting industry practices and enhancing member outcomes by publicly identifying products that are underperforming and areas of improvement via the *MySuper Product Heatmap*, and by enhancing the comparability and consistency of reported data through the *Superannuation Data Transformation Program*.
- **The ABA's triennial independent review of the *Banking Code of Practice* commenced on 1 July 2021.** The objectives are to ensure that the Code continues to respond appropriately to the contemporary environment, and to benefit customers and subscribers, that banks and consumers are clear about their rights and responsibilities and that the Code articulates the standards of behaviour expected of banks, including promotion of the Code.

Environmental and corporate responsibility reporting

Suncorp conducts business in a way which sustains and protects the environment for both current and future generations. Through transparent environmental performance reporting and target setting we have continued to reduce our environmental impact over the past year. For more information please refer to our Sustainable Business section on page 42 and our TCFD on page 54.

Non-audit services

During the year, KPMG, the Company's auditor, performed certain services in addition to the audit and review of the financial statements. The Board has considered the non-audit services provided during the financial year by the auditor and, having received the appropriate confirmations from the Audit Committee, is satisfied the auditor's provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act* for the following reasons:

— All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.

— The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The amounts paid or due and payable to KPMG and its related practices for non-audit services provided during FY21 (and FY20) are set out below.

SERVICES OTHER THAN STATUTORY AUDIT

	FY21 $000	FY20 $000
Audit-related fees (regulatory)		
APRA reporting	**911**	946
Australian financial services licences	**77**	80
Other regulatory compliance services	**668**	618
	1,656	1,644
Audit-related fees (non-regulatory)		
Other assurance services	**798**	1,072
	798	1,072
Other services		
Other non-audit related services	**128**	616
	128	616
	2,582	3,332

Indemnification and insurance of officers and directors

Under rule 39 of the Company's Constitution, the Company indemnifies each person who is or has been a director, secretary or officer of the Company (each an officer for the purposes of this section). The indemnity relates to liabilities to the fullest extent permitted by law to another party (other than the Company or a related body corporate) that may arise in connection with the performance of their duties to the Company and its subsidiaries, except where the liability arises out of conduct involving a lack of good faith.

The Constitution stipulates the Company will meet the full amount of such liabilities, including costs and expenses incurred in defending civil or criminal proceedings or in connection with an application, in relation to such proceedings, in which relief is granted under the *Corporations Act*.

The Company has also executed deeds of access, indemnity and insurance with each officer of the Company's subsidiaries, and deeds of indemnity and insurance with the officers of related bodies corporate and joint venture companies. Those deeds, which are subject to certain conditions and limitations, provide an indemnity to the full extent permitted by law for liabilities incurred by that person as an officer, including reasonable legal costs incurred in respect of certain legal proceedings and an entitlement to directors' and officers' liability insurance. The deeds containing access rights provide access to company records following the cessation of the officer's position with the relevant company.

During FY21 the Company paid insurance premiums in respect of a directors' and officers' liability insurance contract. The contract insures each person who is or has been an officer of the Company against certain liabilities arising in the course of their duties to the Company and its subsidiaries. The directors have not included details of the nature of the liabilities covered by or the amount of the total premium paid in respect of the insurance contract as such disclosure is prohibited under the terms of the contract.

Lead auditor's independence declaration

The lead auditor's independence declaration can be found on page 91.

Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 and, in accordance with that legislative instrument, amounts in the Directors' Report and the consolidated financial statements have been rounded to the nearest one million dollars unless otherwise stated.

Lead auditor's independence declaration

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Suncorp Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Suncorp Group Limited for the financial year ended 30 June 2021 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

David Kells
Partner

Sydney
9 August 2021

Remuneration Report

Contents

Dear Shareholder

On behalf of the Board, I am pleased to present Suncorp Group's FY21 Remuneration Report.

FY21 has been another challenging year due to the ongoing impacts of COVID-19 with our people impacted by border closures and the need to work remotely. Your Board is pleased with how our executives and broader team have navigated these challenges, with the needs of our customers and communities remaining front and centre throughout the management of 23 natural disasters including bushfires, floods, hail and cyclones. At the same time, strong financial results have been delivered while efforts to streamline and simplify our business have accelerated. This has included the introduction of a new operating model and three-year plan to drive returns above the cost of equity.

Performance

Your Board recognises the importance of rewarding both financial and non-financial performance. Consequently, short-term performance measures are weighted 50% towards financial measures and 50% towards non-financial measures.

The Group's FY21 financial performance included an 11% increase in Adjusted Net Profit After Tax (NPAT) of $921 million and Cash Return on Tangible Equity (Cash RoTE) of 13.3%. Performance against both these measures was above the stretch target in the Group Scorecard which is a key contributor to the Group CEO and Senior Executives' short-term incentive (STI) and overall STI pool. Pleasingly, throughout a year impacted heavily by COVID-19, the Group's balance sheet remained strong and there was no dilutive capital raise. This enabled the Group to undertake a number of capital management initiatives, including the declaration of fully franked ordinary dividends of 66 cents per share, at the top end of our payout range, as well as a fully franked special dividend of 8 cents per share and an on-market buyback of up to $250 million.

Suncorp also performed well against the customer, risk, and people and culture goals in the Group Scorecard. Consumer Brand Net Promoter Score (NPS) for AAMI and Consumer (Main Financial Institution) Brand NPS for Suncorp Bank achieved targeted levels of performance reflecting our strong focus on the customer. The Board also recognises how well the Group CEO, Senior Executives and broader leaders supported their people through the uncertainty and change of COVID-19 and introduced a robust and safe return to office plan and new flexible workforce model providing greater flexibility for our people. Employee engagement as measured by Peakon, a Workday company,[1] is strong at 8.0 out of 10.0, which is in the middle range for financial services companies and within 0.3 of global top quartile benchmarks.

Remuneration outcomes

The People and Remuneration Committee assessed Group performance having regard to the measures in the Group Scorecard and other relevant factors, in particular the shareholder experience since before the pandemic commenced and the broader pandemic environment. While the Board determined that the Group Scorecard outcome was in excess of 100% of target, it concluded to award a 100% outcome and subsequently the STI pool was set at the same level.

In recommending the Group CEO and Senior Executive STI outcomes to the Board, the People and Remuneration Committee considered the Group Scorecard outcome, the relevant Function Scorecard outcome as well as a judgement overlay which included consideration of shareholder, customer, and risk outcomes, Code of Conduct compliance, and demonstration of Suncorp's Being @ Suncorp behaviours. Where an executive or employee does not adhere to Suncorp's Code of Conduct, their employment can be terminated or their STI can be reduced (down to nil). See section 5 for further information on consequences for misconduct.

Based on strong performance in FY21, the Group CEO FY21 STI was 100% of target (or 67% of maximum) and the FY21 STI for the Senior Executives ranged between 88-125% of target (or 59-83% of maximum). The Board has demonstrated over recent years awarding fair and reasonable STI outcomes and exercising judgement where required. By way of comparison, the FY20 and FY19 STI outcomes for the Group CEO were 45% and 39% of target respectively. Over the same periods, the Senior Executives' STI outcome ranged between 30-50% and 25-67% of target respectively.

There was no change to Group CEO fixed pay over FY21, however it has increased from $1.8 million to $2 million for FY22 having regard to his experience in the role since becoming Group CEO in 2019 and market relativities. Fixed pay increases occurred for some Senior Executives over FY21 associated with role or remit changes. There was no increase in non-executive director fees, where the base fees excluding superannuation have remained the same since 2016.

Stephen Sedgwick recently completed his final review into retail banking remuneration which spanned remuneration, governance, culture, performance management and third parties. Suncorp's remuneration and performance arrangements are compliant with these recommendations and further detail can be found in section 6 of this report.

Looking ahead

Your Board spends considerable time evaluating the most appropriate remuneration framework to deliver and reward performance. As part of these deliberations, members of the People and Remuneration Committee engage with key stakeholders including major shareholders, regulators and proxy advisors to ensure that we understand any issues with our remuneration framework, and to ensure we remain abreast of market developments.

In considering investor and proxy advisor feedback and in line with our strategy, one key enhancement has been made to the remuneration framework for FY22 in respect of Long-Term Incentive (LTI) awards. There will now be three equally weighted performance measures:

i. Relative Total Shareholder Return (TSR) against a broad-based peer group;

ii. Relative TSR against a customised peer group of 12 ASX 100 financial organisations; and

iii. Cash RoTE.

Further detail on these measures is contained in section 4 of this report.

While the Board is confident that Suncorp's remuneration arrangements are strategically aligned, additional enhancements will be considered over the coming year to ensure that these arrangements are compliant with APRA's incoming Remuneration Prudential Standard (CPS 511) and the Financial Accountability Regime (FAR), when these take effect. Particularly, the Board is mindful of the additional regulatory obligations imposed on executives through these regimes. More broadly, there are talent shortages across financial services given the ongoing impacts of COVID-19 related border closures, high demand for critical capabilities, and talent migration away from regulated financial services entities.

The Board will continue to review the remuneration arrangements in this context to ensure an ongoing focus on the attraction, motivation and retention of key talent to deliver for our shareholders, customers and our people.

We trust that you will find the information provided in this report informative and that it demonstrates the strong alignment that Suncorp's executive remuneration practices have with performance outcomes, shareholder returns, the experience of our employees and customers, and community expectations.

On a personal note, I will step down as the Chairman of the People and Remuneration Committee following this year's Annual General Meeting and hand over the reins to Sylvia Falzon who has considerable knowledge and expertise in this area. It has been a pleasure to chair the Committee over the last three years and I look forward to continuing to be involved as a Board member.

SIMON MACHELL

CHAIRMAN OF THE PEOPLE AND REMUNERATION COMMITTEE

9 AUGUST 2021

1 Peakon, a Workday company, is an independent company and a separate entity to Suncorp.

Remuneration report

1. Key Management Personnel

This report covers the remuneration arrangements of Key Management Personnel (KMP). KMP are the people who have the authority and responsibility for planning, directing and controlling the activities of the Suncorp Group and includes the non-executive directors.

For the purposes of this report, 'executive', refers to the Group Chief Executive Officer and Managing Director (Group CEO) and the Executive Leadership Team (Senior Executives).

Non-executive directors	
Christine McLoughlin, AM	Chairman
Sylvia Falzon	Director
Elmer Funke Kupper	Director
Ian Hammond	Director
Sally Herman	Director
Simon Machell	Director
Douglas McTaggart	Director
Lindsay Tanner	Director
Former Non-executive directors	
Audette Exel, AO	Former Director, retired from the Board on 30 September 2020

Group CEO and Senior Executives[1]	
Steve Johnston	Group CEO
Adam Bennett	Chief Information Officer (CIO) from 20 July 2020
Lisa Harrison	CEO Insurance Product & Portfolio from 20 July 2020 Previously Chief Customer & Digital Officer
Jimmy Higgins	CEO Suncorp New Zealand and became a KMP from 15 October 2020 Previously Chief Financial Officer (CFO) Suncorp New Zealand from 1 – 19 July 2020 and Acting CEO Suncorp New Zealand from 20 July – 14 October 2020
Jeremy Robson	Group CFO
Paul Smeaton	Chief Operating Officer (COO) - Insurance from 20 July 2020 Previously CEO Suncorp New Zealand
Belinda Speirs	Group General Counsel Became a KMP on 1 December 2020
Fiona Thompson	Group Executive People, Culture & Advocacy from 1 June 2021 Previously Chief Risk Officer (CRO) from 1 July 2020 – 31 May 2021 and Acting Group Executive People and Culture from 1 January 2021 – 31 May 2021
Clive van Horen	CEO Banking & Wealth from 4 August 2020
Former Senior Executives	
Gary Dransfield	Former CEO Insurance, ceased employment due to role redundancy on 17 July 2020
Amanda Revis	Former Chief People Experience Officer from 1 July 2020 until this role was made redundant on 19 July 2020. Continued in the revised role of Group Executive People & Culture from 20 July 2020 until cessation of employment on 31 December 2020.

1 Since 1 June 2021, the Chief Risk Officer role has been undertaken by Stuart Cameron on an acting basis. Mr Cameron will act in this role until a permanent incumbent is appointed. He is not classified as a KMP.

2. Executive remuneration overview

This executive remuneration overview relates to FY21. Further detail is provided in section 4.

Remuneration snapshot

Our Purpose

Building futures and protecting what matters

Our Being @ Suncorp behaviours

Doing the right thing | Caring for others | Being courageous

Our reward principles

- Reward simply and fairly
- Align to our strategy
- Encourage our employees to always do the right thing
- Drive ownership and accountability
- Embrace risk management

Our remuneration structure

Fixed pay

- Consists of base salary, superannuation (or KiwiSaver) and any salary sacrificed benefits.
- Reflects the role scope and individual's skills and experiences and is set in the context of market remuneration levels.
- Reviewed annually for internal relativity and appropriate market alignment to a peer group of financial services companies in the S&P / ASX 100 (excluding real estate investment trusts (REITs)).

Short-term incentives (STI)

- Rewards the achievement of Group, function and individual outcomes over a 12-month period.
- Target STI opportunity of 100% of fixed pay for Group CEO and most Senior Executives.
- Delivered as a mix of cash and share rights. Share rights are deferred over a 1-2 year period:
  - **Group CEO:** 50% cash and 50% share rights
  - **Senior Executives:** 65% cash and 35% share rights.
- Outcomes are based on a scorecard of Financial, Customer, Risk, and People and Culture measures.
- Outcomes can be scaled down (to nil) if there is not adherence to the Code of Conduct.
- See below and section 4 for further detail.

Long-term incentives (LTI)

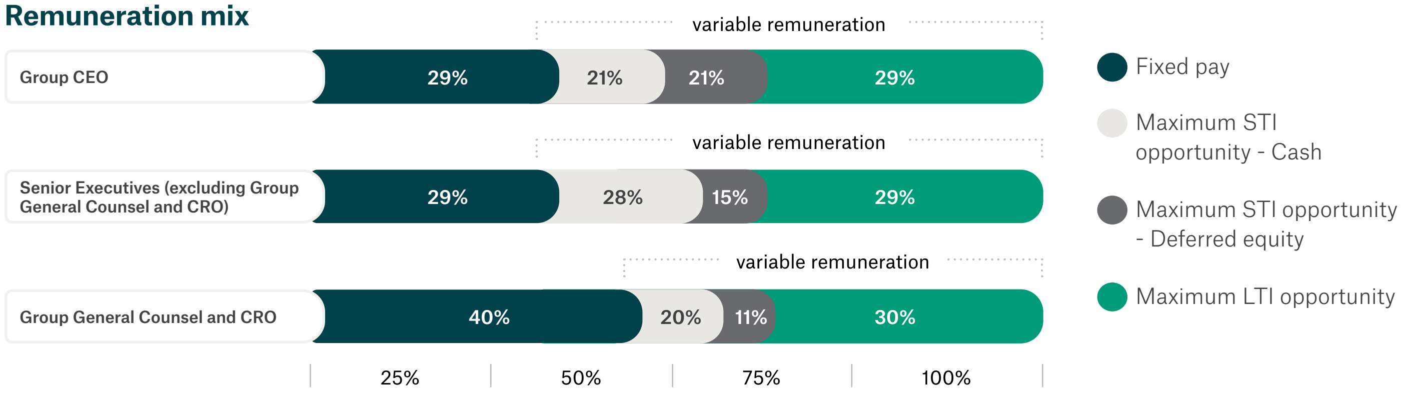
- Rewards the creation of long-term shareholder value.
- Maximum LTI opportunity of 100% of fixed pay for Group CEO and most Senior Executives.
- Delivered as performance rights which vest over a three-year period. The performance measures are:
  - relative total shareholder return (TSR) against S&P / ASX 100 companies excluding REITs and resources companies
  - Cash Return on Equity (RoE).
- A further one-year deferral period applies, taking the total deferral period to four years.
- See below and section 4 for further detail.

All variable pay is subject to malus and clawback criteria

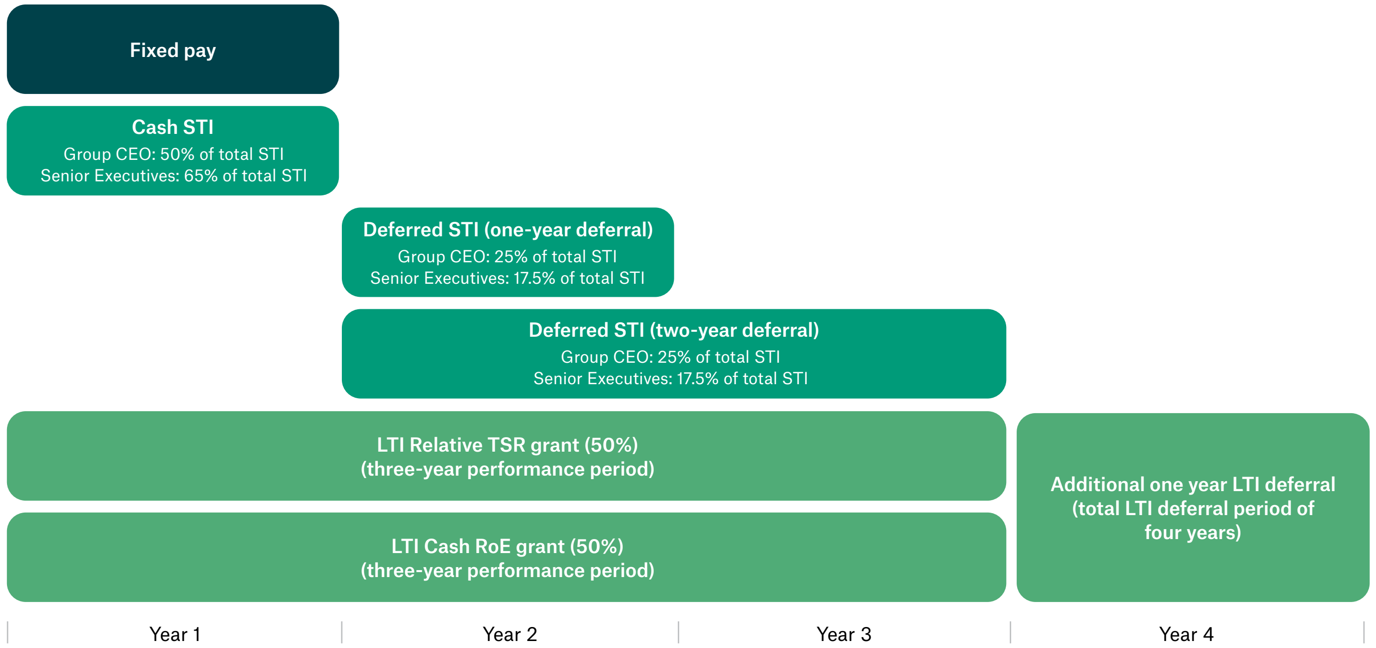
Minimum shareholding requirement

The Group CEO and most Senior Executives are required to hold Suncorp shares equivalent to at least 100% of fixed pay within four years following their appointment. See section 4 for further detail.

Remuneration mix



Remuneration structure and time horizons



Remuneration outcomes

Fixed pay

Group CEO's fixed pay increase

0%

Fixed pay increases were awarded to some Senior Executives associated with changes to role or remit.

STI

STI pool

100% of target **67%** of maximum

Group CEO STI award

100% of target **67%** of maximum

Average Senior Executive STI award

99% of target **66%** of maximum

LTI

LTI awards vesting

0%

Actual remuneration received

	Fixed pay[1]	Payment on cessation of employment[2]	Cash STI[3]	Deferred incentives vested[4]	Actual remuneration received[5]	Deferred incentives lapsed[6]
	$000	$000	$000	$000	$000	$000
Senior Executives						
Steve Johnston *Group CEO*	1,800	-	900	203	**2,903**	718
Adam Bennett[7] *CIO*	914	-	574	-	**1,488**	-
Lisa Harrison *CEO Insurance Product & Portfolio*	791	-	500	171	**1,463**	431
Jimmy Higgins[8] *CEO Suncorp New Zealand*	496	-	296	75	**867**	-
Jeremy Robson *Group CFO*	797	-	493	107	**1,397**	-
Paul Smeaton[9] *COO - Insurance*	865	-	551	183	**1,599**	574
Belinda Speirs[10] *Group General Counsel*	356	-	148	66	**570**	-
Fiona Thompson[11] *Group Executive People, Culture & Advocacy*	917	-	296	142	**1,356**	431
Clive van Horen[12] *CEO Banking & Wealth*	769	-	503	-	**1,272**	-
Former Senior Executives						
Gary Dransfield[13] *CEO Insurance*	117	1,050	-	199	**1,366**	1,599
Amanda Revis[14] *Group Executive People & Culture*	457	838	245	169	**1,709**	1,889

1 This includes base salary, superannuation (or KiwiSaver) and any salary sacrificed benefits.
2 This was paid in accordance with contractual commitments for former Senior Executives.
3 This refers to the cash component of the FY21 STI.
4 This reflects deferred STI awards that vested during FY21. The value is based on the closing price of the Company's shares traded on the ASX on the date of vesting.
5 This refers to the addition of fixed pay, any payment on cessation of employment, the cash component of the FY21 STI, and deferred incentives that vested during FY21.
6 This refers to LTI awards that lapsed during FY21 as the performance condition or service condition was not achieved. For current executives, the lapse is due to the 2017 LTI award's performance condition not being achieved. For former executives, all on-foot LTI awards were pro-rated based on service in the performance period. The value above also includes the portion of rights that lapsed on cessation of employment as the service condition was not achieved. The value lapsed is based on the closing price of the Company's shares traded on the ASX on the date of lapse.
7 Remuneration for Mr Bennett relates to time served as a KMP from 20 July 2020 to 30 June 2021.
8 Remuneration for Mr Higgins relates to time served as a KMP from 15 October 2020 to 30 June 2021. Mr Higgins' remuneration (paid in NZD) has been converted to Australian dollars based on the average FY21 daily exchange rate.
9 A portion of Mr Smeaton's remuneration (where paid in NZD) has been converted to Australian dollars based on the average FY21 daily exchange rate.
10 Remuneration for Ms Speirs relates to time served as a KMP from 1 December 2020 to 30 June 2021.
11 Fixed pay for Ms Thompson includes a $50,000 allowance for when she was Acting Group Executive People & Culture for the period 1 January 2021 to 31 May 2021 alongside her substantive role of CRO.
12 Remuneration for Mr van Horen relates to time served as a KMP from 4 August 2020 to 30 June 2021.
13 Mr Dransfield ceased employment on 17 July 2020 due to his role becoming redundant. Mr Dransfield was not eligible to participate in the FY21 STI Plan.
14 Ms Revis ceased employment on 31 December 2020 due to her previous role of Chief People Experience Officer becoming redundant. Ms Revis was eligible to participate in the FY21 STI Plan on a pro-rata basis, subject to performance.

3. Remuneration governance

Remuneration governance framework

The People and Remuneration Committee endorses the Group's people and remuneration frameworks and practices to the Board for approval. It assists the Board in fulfilling its responsibilities by ensuring that frameworks are in place that enable the Group to attract, motivate and retain talent and support the achievement of Suncorp's strategic objectives and cultural aspirations.

Remuneration outcomes for the Group CEO are recommended by the Chairman of the Board, endorsed by the People and Remuneration Committee, and approved by the Board. For Senior Executives, these are recommended by the Group CEO, endorsed by the People and Remuneration Committee, and approved by the Board.

The People and Remuneration Committee receives input from the Risk Committee, Audit Committee, external advisors and management as illustrated below.

BOARD

PEOPLE AND REMUNERATION COMMITTEE

The People and Remuneration Committee members as at 30 June 2021 are:

Chairman	Simon Machell
Members	Sylvia Falzon (Member of the Risk Committee)
	Douglas McTaggart (Member of the Audit Committee)
Ex-officio member	Christine McLoughlin, AM

The People and Remuneration Committee's responsibilities are outlined in its charter available at **suncorpgroup.com.au/about/corporate-governance**. The People and Remuneration Committee held six meetings and one workshop during FY21. The biographies of the People and Remuneration Committee Chairman and members are outlined in the Directors' Report.

CHAIRMEN OF RISK COMMITTEE, AUDIT COMMITTEE AND PEOPLE AND REMUNERATION COMMITTEE

Recommends release, reduction, lapse or clawback of deferred incentives for the Group CEO and Senior Executives. This recommendation is made having regard to a report that is prepared by the Group Executive People, Culture & Advocacy as Chairman of the Remuneration Oversight Committee.

EXTERNAL ADVISERS

Provide independent advice, as needed, to the People and Remuneration Committee.

No remuneration recommendations were made by a remuneration consultant during FY21.

MANAGEMENT

Advises the People and Remuneration Committee based on specialist expertise and business knowledge.

The Group CEO makes a recommendation to the Chairmen of the Risk, Audit and People and Remuneration Committees on the release, reduction, lapse or clawback of deferred incentives for the Senior Executives.

Remuneration Oversight Committee

The Remuneration Oversight Committee (ROC) is a management committee that is responsible for the identification and review of significant issues that may require the application of malus, clawback or current-year STI reduction for executives and employees.

The Chief Risk Office identifies issues for consideration and discussion by the ROC on a quarterly basis. Material matters including risk incidents, breaches and significant improvement audit outcomes are reported to the Chairmen of the Risk, Audit and People and Remuneration Committee, and subsequently to the People and Remuneration Committee and Board, for consideration of consequences.

Remuneration alignment with risk and conduct management

Suncorp is committed to effective risk management throughout the Group, with risk management considering both financial and non-financial risks.

The Non-Financial Risk Committee, made up of the Group CEO and Senior Executives, supports the identification, assessment, monitoring, and mitigation of non-financial risks. This governance structure ensures that relevant non-financial risks, including conduct risks, are considered.

The Enterprise Risk Management Framework (ERMF) lays the foundation for all Suncorp's risk management processes. The ERMF seeks to ensure the integration of effective risk management across the Group and incorporates Suncorp's policies (which include risk management policies and the Remuneration Policy). Employees are educated on the importance of managing risk and the link between risk management and the outcomes for our shareholders, customers and employees.

The Board sets the risk appetite for the Group and has ultimate responsibility for the effectiveness of the Group's risk management practices. Suncorp develops its strategy and business plan both in consideration of the Group's risk appetite and with regard to the broader external environment.

In addition to ensuring the remuneration framework is aligned to prudent risk management, the Board also places significant importance on ensuring the framework incentivises desired conduct and behaviours.

Risk and conduct are incorporated into the remuneration framework as outlined below:

	Element	Description
For all employees and executives	Meaningful weighting of non-financial measures in the Group Scorecard, including a separately weighted risk measure in the Group Scorecard	The structure of the Group Scorecard consists of a number of measures across the categories of Financial, Customer, Risk, and People and Culture, with financial measures and non-financial measures equally weighted at 50% each. The risk measures in the Group Scorecard are outlined in section 4. The intent of the risk measures is to encourage positive risk behaviours and adherence to the Suncorp Group Risk Appetite Statement.
For all employees and executives	STI outcomes are based on both the "what" and the "how"	For executives, the Board considers behaviours as part of its judgement overlay in determining STI outcomes. For other employees, individual scorecards are weighted 80% towards performance measures and 20% towards desired behaviours, with the intent of ensuring that performance outcomes are achieved in the appropriate way.
For all employees and executives	The behavioural STI gateway and modifier linked to the Code of Conduct	The behavioural STI gateway and modifier is based on an individual's compliance with the Code of Conduct. This can lead to an employee or executive's STI being reduced (down to nil) if they do not adhere to the Code of Conduct.
For all employees and executives	The Board's application of a judgment overlay on the Group Scorecard outcome, with risk management considered as a key component of the overall performance outcome	In determining performance and remuneration outcomes, the People and Remuneration Committee considers adherence to effective risk management practices and all other relevant factors in the context of the Group's risk appetite. This occurs before the Board makes its final determination of the overall STI pool and individual STI awards for the executives.
For all employees and executives	Incorporation of malus and clawback criteria into deferred incentive awards	Deferred incentives (including STI deferred awards and vested and unvested LTI awards) are subject to malus and clawback criteria based on the Board's judgment. Malus and clawback criteria enable the Board, in its absolute discretion and subject to compliance with the law, to determine that a participant's deferred incentives will be fully or partially lapsed (malus) during the deferral period or any shares or cash payment made will be fully or partially forfeited, lapsed and / or repaid (clawback). In exercising its discretion, the Board will consider whether this is desirable to protect the Group's financial soundness or to respond to unforeseen circumstances.
For all employees and executives	The hedging prohibition	Suncorp Group's Securities Trading Policy regulates dealing by directors, employees and contractors in Suncorp securities and prohibits hedging transactions to limit the economic risk of a holding in the Company's securities including unvested rights. All KMP are reminded of this policy at least twice per year, usually in the month prior to the release of Suncorp Group's annual and half-yearly financial results. Any subsequent dealing in those shares is subject to the terms of the Securities Trading Policy. Further detail can be found in the Corporate Governance Statement on page 79.
For executives only	Deferral of a significant portion of STI awards Requiring executives to meet the minimum shareholding requirement	These requirements are in place to encourage executives to adopt a longer-term mindset in making decisions and to align the executive and shareholder experience. See section 4 for information on the STI deferral and LTI deferral arrangements and for information on the MSR.

4. Executive performance and remuneration structure

Fixed pay

Structure	Consists of base salary, superannuation (or KiwiSaver) and any salary sacrificed benefits. Reflects the role scope and individual's skills and experience and is set in the context of internal relativities and external market data. The external peer group used is financial services companies in the S&P / ASX 100 (excluding REITs).

Short-term incentive

The table below outlines the key terms and conditions of the STI plan for FY21.

Plan	Corporate Incentive Plan. For the purposes of this report, this is referred to as the STI plan.
Plan rationale	To incentivise the achievement of key performance measures over a 12-month period that create sustainable value for Suncorp's diverse stakeholders.

STI opportunity

Executives	Target STI	Maximum STI
Group CEO and Senior Executives (excluding Group General Counsel and CRO)	100% of fixed pay	150% of target STI can be achieved in exceptional circumstances where stretch levels of performance are achieved.
Group General Counsel and CRO	50% of fixed pay	

Group Scorecard

Performance category	Weighting
Financial	50%
Customer	20%
Risk	15%
People & Culture	15%

A weighting of 50% on financial measures and 50% on non-financial measures rewards balanced executive performance. It also ensures that the Group Scorecard is materially weighted to non-financial measures in line with APRA's incoming Remuneration Prudential Standard CPS 511.

Performance against the Group Scorecard, as endorsed by the People and Remuneration Committee and approved by the Board, is a key input in determining the size of the STI pool and the Group CEO, Senior Executive and employee STI awards.

Further detail on the Group Scorecard measures is outlined over the page.

Gateway and modifier	A STI gateway and modifier linked to the Code of Conduct applies. Where an employee has not adhered to the Code of Conduct, their STI may be reduced (down to nil).
Performance assessment	The Group CEO and Senior Executives are assessed against the Group Scorecard, Function Scorecard (for Senior Executives) and other relevant factors as considered by the Board, including demonstration of the Being @ Suncorp behaviours.
Performance period	The 12 months ended 30 June 2021.

Delivery mechanism

		Share Rights	
Executive	**Cash**	**Deferred over one year**	**Deferred over two years**
Group CEO	50%	25%	25%
Senior Executives	65%	17.5%	17.5%

To focus executives on total shareholder returns from the start of the performance period, the allocation of these share rights is based on the volume weighted-average price (VWAP) of the trading days during the month prior to the start of the performance period (June 2020). The allocation of share rights also reflects the value of dividends paid over the performance period.

Malus and clawback	All share rights are subject to malus and clawback criteria. See section 3 for further information.
Termination of employment	See section 8 for the treatment of STI on termination.

Group Scorecard measures, weighting and rationale

Scorecard category	Scorecard measure	Weighting	Rationale
Financial	Adjusted NPAT	30%	Adjusted NPAT provides stakeholders with a clear understanding of the Group's results. It excludes the effects of a limited range of actions and special items that do not reflect the ordinary earnings of the business. Over time, Adjusted NPAT allows the evaluation of Suncorp's period-over-period operating performance. It is a useful measure to shareholders in evaluating the underlying operating performance of the business. Key adjusting items have been determined on a consistent basis since FY12.
	Cash RoTE	10%	Cash RoTE is a measure of Suncorp's overall return to shareholders. It illustrates how effective Suncorp is at turning the cash put into the business into greater gains and growth for the organisation and investors.
	Market share growth (Insurance Australia and Home Lending)	10%	Measuring Suncorp's growth versus System for both Insurance Australia and Home Lending in Suncorp Bank provides an outcome relative to the market whilst also separating the impact of changes to market. Bank market share measures Suncorp's home lending book versus total System value, while Insurance market share measures Suncorp's consumer insurance (Home and Motor excluding CTP) annual policy flows versus total market policy flow.
Customer	Consumer Brand NPS – AAMI Consumer (Main Financial Institution (MFI)) Brand NPS – Suncorp Bank	20%	NPS gauges customers' willingness to recommend Suncorp to others. It provides insight into the customer experience and is reliably measured through external surveys. It also allows a comparison of competitor performance.
	Digital users		Measuring the number of digital users tracks progress in expanding the capability and reach of Suncorp's digital channels to provide enhanced customer experiences. The measure represents unique visitors that have logged into authenticated digital assets.
Risk	Risk management and compliance measures	15%	This is an assessment made by the Board, supported by a dashboard of risk measures including measurement of core risk management and compliance practices, material regulatory matters, material breaches of the Suncorp Group Risk Appetite Statement tolerances, and indicators of a risk-aware culture across the Group. The measures provide insights to the Board on the Group's risk culture, compliance practices, incident management and the control environment. The assessment also incorporates Board Risk Committee feedback.
People and Culture	Ways of working	15%	This is focused on ensuring our work flows through Suncorp in the most effective and efficient way, our workforce has the right capabilities and is organised to maximise productivity, and our workspaces are utilised to optimise output while supporting collaboration.
	Future Ready		Suncorp's Future Ready learning program supports our people to manage their career and build skills for the future working environment.
	Employee engagement		Real-time results on employee engagement enable Suncorp to transform data into actionable insights and drive improved levels of engagement.
	Key diversity measures		Improving Suncorp's diversity contributes to diversity of thought, experience and perspectives which contribute to improved business results and customer outcomes. Key diversity measures were: - **Female Senior Leaders:** The female senior leader measure focused on increasing the proportion of women across Suncorp's business leader and strategic leader population. This is an enabler of strategies to reduce the gender pay gap and achieve greater gender balance across the organisation. - **Mature Age:** The FY21 mature age measure focused on increasing the proportion of employees aged 55 years or more. The targets support the goal to be a mature age employer of choice and to diversify Suncorp's talent pipelines. - **First Nation New Hires:** An increased focus on First Nations recruitment contributes to Suncorp's employment commitment as part of its Reconciliation Action Plan.

Long-term incentive

Plan	Suncorp Group Equity Incentive Plan. For the purposes of this report, this is referred to as the LTI plan.	
Plan rationale	The LTI plan focuses executives on creating long-term shareholder value.	
LTI opportunity	**Executives**	**LTI maximum opportunity**
	Group CEO and Senior Executives (excluding the Group General Counsel and CRO)	100% of fixed pay
	Group General Counsel and CRO	75% of fixed pay
LTI instrument	Performance rights	
Performance period	3-years. A performance period of three years is used as this aligns to the business planning process.	
Deferral period	4-years. A four-year deferral period is compliant with the Banking Executive Accountability Regime. For awards made from FY19 onwards, if performance rights vest after three years, subject to performance and service conditions, they will convert into vested rights and these rights are required to be held by the executive for a further one-year period, taking the total deferral period to four years. At the end of year four, the vested rights convert to shares. To more closely align the experience of the executive to shareholders, a dividend equivalent payment is made at the end of the four-year deferral period on any vested rights that convert to shares. Prior to FY19, the deferral period was three years. Dividend equivalent payments are made at the end of the three-year period in relation to LTI awards granted prior to FY19 that are still on-foot based on any performance rights that convert to shares.	
Allocation	The LTI maximum opportunity is divided by the VWAP of the ordinary shares over the five days preceding the date of grant. No discount is applied for the probability of achieving the performance measures.	
Performance measure	**FY21 performance measures** There are two performance measures, each weighted 50% of the total grant: **Relative TSR against a broad-based peer group:** The peer group is the top 50 listed companies by market capitalisation in the S&P/ASX 100 (excluding REITs and resources companies), as determined at the commencement of each grant. This measure was chosen because it offers a relevant indicator of changes in shareholder value by comparing the Company's return to shareholders against the returns of companies of a similar size and investment profile. It also aligns shareholder returns with reward outcomes for executives over the long term and minimises the impact of market cycles. **Cash RoE:** This measure focuses executives on delivering returns and top-line growth by leveraging the Group's strategic assets. Cash ROE considers all controllable and uncontrollable items. For awards made on or prior to FY19 that are still on-foot, performance is assessed against relative TSR only. **FY22 performance measures** There are three performance measures, each weighted one-third of the total grant: **Relative TSR against a broad-based peer group:** The peer group and rationale are described above as part of the FY21 performance measures. **Relative TSR against a customised peer group:** The peer group comprises the following 12 ASX 100 financial organisations with banking and / or insurance operations: AMP Limited, Bendigo & Adelaide Bank Limited, Bank of Queensland Limited, Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, Insurance Australia Group Limited, Macquarie Group Limited, Medibank Private Limited, National Australia Bank Limited, NIB Holdings Limited, QBE Insurance Group Limited and Westpac Banking Corporation. This measure was introduced as it provides a relative measure of changes in shareholder value by comparing the Company's return to shareholders against the returns of larger companies in the same industry that are exposed to similar external factors. **Cash RoTE:** This is defined as cash earnings divided by average equity attributable to owners of the Company, less goodwill and intangibles. Cash RoTE replaced Cash RoE for FY22 as it is more relevant for current shareholders and the management team and is more closely aligned to return on incremental capital. It is also a more comparable measure across peers. Cash RoTE considers all controllable and uncontrollable items.	
Vesting schedule	**Relative TSR vesting schedule**	
	Relative TSR performance outcomes	**Percentage of LTI award subject to the relevant TSR performance measure that may vest**
	Below the 50th percentile	0%
	At the 50th percentile (median)	50%
	Between the 50th and 75th percentiles	50% plus 2% for each percentile above the 50th percentile
	At or above the 75th percentile	100%
	Cash RoE and Cash RoTE vesting schedule Given commercial sensitivities, the Cash ROE and Cash RoTE targets and vesting schedule relating to the FY21 and FY22 LTI offers will be retrospectively disclosed in the FY23 and FY24 remuneration report respectively.	
Malus and clawback	All performance rights are subject to malus and clawback criteria. See section 3 for further information.	
Termination provisions	See section 8 for information on the treatment of LTI awards on termination.	

Minimum shareholding requirement

To further align executive interests with those of shareholders, the Group CEO and most Senior Executives are required to have a shareholding in the Company equivalent to at least 100% of one year's fixed pay. The MSR for the Group General Counsel and CRO is 75% of one year's fixed pay.

Executives are required to meet the MSR four years from the October following their appointment, with 50% to be achieved after two years. The Group General Counsel is required to meet the MSR four years following this role being classified as a KMP. The value of the shares for the purposes of this requirement is the five-day VWAP up to 30 June in the relevant year. The Board has discretion to alter the VWAP in any particular year in light of any business decisions or external factors materially impacting the share price.

Based on their shareholding as at 30 June 2021, all executives have either met their MSR, or are on track to meet this, within the required timeframes.

Detailed share ownership information for executives is outlined in section 8.

5. Executive performance and remuneration outcomes

Group performance

FY21 Group Scorecard outcomes

The Group CEO is assessed primarily against the Group Scorecard outlined below. The Group Scorecard also primarily determines the size of the Group-wide STI pool which impacts the size of the STI for all executives and employees.

Strategic driver	Measures	Weighting	Actual performance outcome: Below threshold	Threshold to target	Target	Target to stretch	Stretch	FY21 achievement
Financial								
Deliver targeted profit and shareholder returns	Adjusted NPAT	30%					✓	The Group delivered an Adjusted NPAT result of $921 million which was above the stretch level of performance. The strong Group result was supported by favourable underlying performance across all businesses and banking bad and doubtful debt favourability. Net adjustments over FY21 were $112 million (post tax). Adjustments were made for general insurance investment income (favourable to target), natural hazard claims costs (unfavourable), prior year reserve releases (favourable, excluding the impact of Business Interruption provision), and Suncorp New Zealand Life market adjustments (unfavourable). Key adjusting items have been determined on a consistent basis since FY12.
	Cash RoTE	10%					✓	Cash RoTE for the year was 13.3% (450bps above Suncorp's cost of equity (COE)). This was above the stretch level of performance. Cash RoTE was impacted by strong underlying performance, along with higher general insurance investment income.
	Market share growth (Insurance Australia)	10%		✓				Market share growth for the Insurance Australia business was between threshold and target with both motor and home contracting. Throughout the year there was some improvement in trajectory with growth in motor customer numbers, however home insurance remained under pressure.
	Market share growth (Home Lending)		✓					Suncorp's home lending book declined and was below threshold.
Customer								
Create value for customers	Consumer Brand NPS – AAMI	20%			✓			Consumer Brand NPS for AAMI was within the target range, having improved through the year due to improved price perception and customer service against a backdrop of NPS improving across the market.
	Consumer (MFI) Brand NPS – Suncorp Bank				✓			Consumer (MFI) Brand NPS for Suncorp Bank was within the target range despite increased pressure throughout the year on Branch and Contact Centre NPS.
	Digital users			✓				Digital users were between the threshold to target range with growth driven in the migration of banking customers from the Mobile Banking App to the Suncorp App.
Risk								
Manage risk and compliance within agreed parameters	Risk management and compliance measures	15%		✓				Performance against risk management and compliance measures is between threshold and target reflecting the ongoing focus applied to Suncorp's risk practices, heightened transparency and monitoring of risks and limited material control failures. There are areas that continue to receive heightened attention to improve the control environment, address the causes of breaches and rectify issues.

Strategic driver	Measures	Weighting	Actual performance outcome: Below threshold	Threshold to target	Target	Target to stretch	Stretch	FY21 achievement
People and culture								
Exceptional people empowered to make a difference every day	Ways of working	15%			✓			Ways of working was assessed at target with positive results across flexible working arrangements, internal hire rates and event response capability.
	Future Ready participation			✓				Participation in Suncorp's Future Ready learning program was between threshold and target. This was due to an increased volume of regulatory related learning requirements and changes to the operating model having impacts to employee's focus on development planning.
	Employee engagement					✓		Employee engagement measured by Peakon is 8.0 out of 10.0, which is in the middle range for financial services companies and within 0.3 of global top quartile benchmarks.
	Key diversity measures			✓				**Female senior leaders**: 43.3% of Suncorp's senior leaders were female in FY21, however this was below the threshold performance level. **Mature age:** 12.5% of Suncorp's workforce was mature age in FY21 which was our highest representation since we began reporting on this measure. Performance was between threshold and target. **First Nations new hires:** In FY21, there were 59 Australian First Nations people hired which represented performance above the stretch level. Overall performance against the key diversity measures was within the threshold to target range.
Overall Group Scorecard outcome and STI pool						✓		The People and Remuneration Committee assessed Group performance having regard to the measures in the Group Scorecard and other relevant factors, in particular the overall shareholder experience since before the pandemic commenced and the broader pandemic environment. While the Board determined that the Group Scorecard outcome was in excess of 100% of target, it concluded to award a 100% outcome and subsequently the STI pool was set at the same level.

Historical Group performance

	FY21	FY20	FY19	FY18	FY17
Group NPAT ($m)	**1,033**	913[1]	175[2]	1,059	1,075
Adjusted NPAT ($m)[3]	**921**	830	297	1,095	1,196
Closing share price ($)[4]	**11.11**	9.23[5]	13.47	14.59	14.82
Total dividends per share (cents)	**74**	36	78	81	73
LTI vesting[6]	**0%**	0%	0%	0%	0%

Suncorp's TSR over the five financial years to 30 June 2021 was 17.6%. This compares to S&P / ASX 200 financial services companies (excluding REITs) of 45.9%.

1 FY20 Group NPAT was impacted by the $285 million profit arising from the sale of Capital S.M.A.R.T and ACM Parts businesses.
2 FY19 Group NPAT was impacted by the $910 million loss arising from the sale of the Australian Life business. Cash earnings were $1,115 million.
3 Adjusted NPAT is the profitability figure used in the STI plan. See section 4 for information on Adjusted NPAT.
4 The closing share price is generally at 30 June. Where 30 June falls on an ASX non-trading day, the closing share price of the preceding trading day is used. The opening share price at 1 July 2016 was $12.51.
5 FY20 closing share price was impacted by the general market downturn as a result of the COVID-19 pandemic.
6 LTI vesting refers to LTI awards that were tested for vesting in the relevant financial year.

Short-term incentive outcomes

	STI award					STI delivery		
	Target STI[1]	Actual STI awarded[2]	% of Target STI	% of Maximum STI[3]	% of maximum STI award forfeited	% of STI delivered as cash	% of STI delivered as deferred equity[4]	Total amount deferred
	$000	$000	%	%	%	%	%	$000
Executive director								
S Johnston	1,800	1,800	100%	67%	33%	50%	50%	900
Senior Executives								
A Bennett[5]	901	883	98%	65%	35%	65%	35%	309
L Harrison	793	770	97%	65%	35%	65%	35%	270
J Higgins[6]	489	455	93%	62%	38%	65%	35%	159
J Robson	798	758	95%	63%	37%	65%	35%	265
P Smeaton[7]	873	848	97%	65%	35%	65%	35%	297
B Speirs[8]	182	227	125%	83%	17%	65%	35%	80
F Thompson	465	456	98%	65%	35%	65%	35%	160
C van Horen[9]	789	774	98%	65%	35%	65%	35%	271
Former Senior Executives								
G Dransfield[10]	-	-	-	-	-	-	-	-
A Revis[11]	428	377	88%	59%	41%	65%	35%	132

1 Target STI is 100% of fixed pay for the Group CEO and Senior Executives, excluding the Group General Counsel and CRO. The target STI for the Group General Counsel and the CRO is 50% of fixed pay. Where applicable, the target STI has been pro-rated to reflect the time served as a KMP and remuneration arrangements over FY21 where these have changed over the year.
2 This is the total actual STI awarded, including the deferred component.
3 Maximum STI is 150% of the target STI opportunity.
4 Deferred equity for the Group CEO and Senior Executives vests in two equal portions over 1-2 years, subject to service, malus and clawback criteria.
5 STI for Mr Bennett relates to time served as a KMP from 20 July 2020 to 30 June 2021.
6 STI for Mr Higgins relates to time served as a KMP from 15 October 2020 to 30 June 2021. Target and actual STI awards have been converted from New Zealand dollars to Australian dollars based on the average FY21 daily exchange rate.
7. Target and actual STI awards for Mr Smeaton (where applicable) have been converted from New Zealand dollars to Australian dollars based on the average FY21 daily exchange rate.
8. STI for Ms Speirs relates to time served as a KMP from 1 December 2020 to 30 June 2021.
9. STI for Mr van Horen relates to time served as a KMP from 4 August 2020 to 30 June 2021.
10. Mr Dransfield was not eligible to participate in the FY21 STI Plan. He ceased employment on 17 July 2020.
11. Ms Revis ceased employment on 31 December 2020. She was eligible for a pro-rata FY21 STI based on performance for the period 1 July 2020 – 31 December 2020.

Long-term incentive outcomes

The FY18 LTI grant was tested against the relative TSR performance measure on 31 August 2020.

Suncorp's TSR was at the 41st percentile of the peer group of companies. As Suncorp's TSR was below the median (50th percentile) of the peer group, the FY18 LTI awards lapsed and the executives received no value from this award.

Consequences for misconduct

In FY21, 216 Code of Conduct breaches were identified that resulted in formal consequences. This included:

— 64 employees leaving Suncorp;
— 56 employees[1] receiving nil variable rewards; and
— the remaining 96 employees[1] receiving a minimum 20% reduction in variable rewards.

1 Pending the finalisation of the 2021 Annual Review.

6. Performance and remuneration arrangements for customer-facing employees

Suncorp is committed to ensuring its performance and reward arrangements are balanced and appropriately support providing the best possible outcomes for our customers. Suncorp supports Stephen Sedgwick's retail banking remuneration recommendations and has been fully compliant with these recommendations since 1 July 2020.

All Suncorp customer-facing employees are provided with an opportunity to earn short-term incentives. The STI plan ensures incentive outcomes consider 'what' individuals have achieved (scorecard measures), as well as 'how' the scorecard measures have been achieved (behaviours). If an employee does not adhere to the Code of Conduct, their STI can be reduced (to nil). Annual STI outcomes are also subject to the Group Scorecard outcome to ensure a level of alignment with overall Group performance.

Performance outcomes are weighted 80% towards scorecard measures and 20% towards behaviours. Scorecard measures are based on Financial, Customer, Risk, and People and Culture goals. A summary of the scorecard for customer-facing employees is below:

Scorecard category	Weighting	Performance goals
Financial	20-32%	— Financial goals in Banking have a maximum weighting of 24% and include lending growth, lending disbursements, deposit growth and connecting customers across product quadrants. — Financial goals in Direct Distribution have a maximum weighting of 24% and include customer value targets and increasing the number of customers with multiple Group products. — Financial goals in Claims are weighted at 32% with measures varying depending on area (motor, property, specialty, or personal injury) and may include cost of claims, estimate accuracy, assessments per day and number of referrals.
Customer	16-40%	— Customer goals in Banking and Direct Distribution are weighted between 24% and 40%. The primary goal across these areas is leader-assessed with an overall assessment impacted by customer satisfaction, customer complaints resolution, various call metrics, and presenting quality options that are in the customer's best interests. — Customer goals in Claims are weighted between 16% and 24%, with measures varying depending on area. Generally, these include customer satisfaction or NPS and complaints resolution.
Risk	10-16%	— Risk goals are weighted at 16% in Banking, 10–12% in Direct Distribution and 12–16% in Claims. — The primary goal is advancing Suncorp's risk culture in Banking, Effective Risk Management in Direct Distribution, with varying measures for Claims depending on the area. The common risk measures across all customer-facing roles relate to adhering to compliance requirements, process and delegated authority, licensing, legislative and regulatory obligations, quality assurance and completion of compliance training.
People and Culture	10-16%	— People and Culture goals primarily relate to development, engagement, and safety and wellbeing and have a weighting of 10-16% depending upon role.
Behaviours	20%	— Suncorp's Being @ Suncorp behaviours are weighted at 20% for all customer-facing employees. — The behaviours are aligned to Suncorp's Code of Conduct and focuses employees on "how we do things" as well as "what" is achieved.

7. Non-executive director fees

Remuneration component	Description
Fee structure	Fees are based on a number of factors, including the requirements of the role, the size and complexity of the Suncorp Group, and market practice. Non-executive directors receive fixed pay only, paid as director fees, and do not participate in any performance-based incentive plans.
Superannuation	Compulsory superannuation guarantee contributions (SGC) are paid on the director's fee on behalf of all eligible non-executive directors, unless a non-executive director is receiving SGC from more than one employer and has elected to opt out of receiving the contributions. The Company's general practice is to cap SGC at 9.5% of the Maximum Contribution Base (MCB) (10% in FY22). Superannuation in excess of the MCB is delivered in the form of fees, unless the non-executive director has elected to make voluntary additional superannuation contributions. If a non-executive director ceases to be eligible for SGC payments, the equivalent amount is paid in fees.
Aggregate annual fee pool	Non-executive director aggregate fees are within the shareholder-approved maximum aggregate total remuneration limit of $3,500,000 including SGC. This fee pool has remained the same since it was last increased in 2007.
Minimum shareholding requirement	Non-executive directors have four years from the October following their appointment to achieve the MSR, equivalent to 100% of one year's base fees. A 50% shareholding is required to be achieved after two years. Base fees refer to the Board Chairman fee or Board Member fee only excluding SGC. Based on their shareholding as at 30 June 2021, all non-executive directors have either met, or are on track to meet, the MSR within the required timeframes. Detailed share ownership information for the non-executive directors is outlined in section 8.

Outlined below are the non-executive director fees for FY21. There were no fee adjustments in FY21 and non-executive director base fees excluding SGC have remained the same since 2016. Customer Committee fees were the only fees that increased for FY22, with the Chairman and Member fees increasing to $40,000 and $20,000 respectively (excluding SGC).

	Chairman ($)[1]		Non-executive director ($)	
	Fee excluding SGC	Fee including SGC	Fee excluding SGC	Fee including SGC
Board	600,000	657,000	220,000	241,000
Audit Committee	60,000	66,000	30,000	33,000
Risk Committee	60,000	66,000	30,000	33,000
People and Remuneration Committee	60,000	66,000	30,000	33,000
Customer Committee	30,000	33,000	15,000	16,000
Nomination Committee	-	-	-	-

1 The Chairman receives a fee for chairing the Board and is not paid any additional fees for chairing the Nomination Committee meetings or attending the Audit, Risk, People and Remuneration, and Customer Committee meetings as an ex-officio member.

8. Contractual arrangements and statutory remuneration

Employment agreements and Incentive Plan rules

The Group CEO and Senior Executives are employed by Suncorp Staff Pty Limited, a wholly owned subsidiary of the Company, under standard employment agreements with no fixed term.

A summary of the employment agreements for the Group CEO and Senior Executives, including key terms outlined in relevant Incentive Plan rules, is outlined below.

	Group CEO	Senior Executives
Notice period	**Termination with notice:** nine months **Resignation:** six months	**Termination with notice:** 9–12 months **Resignation:** three months
	Suncorp can immediately terminate the executive's employment in the case of serious misconduct. In this case, the executive would be entitled to fixed pay up to their termination date and their statutory entitlements.	
Treatment of STI cash on termination	**Resignation or immediate dismissal:** No cash STI will be awarded. **Redundancy:** A cash STI award may be received, subject to performance, at Board discretion. **All other cases:** Board discretion.	
Treatment of STI deferral on termination	**Resignation:** Any unvested deferred incentive is forfeited, excluding the share rights that were allocated to the executives in lieu of the cash portion of the FY20 STI. **Immediate dismissal:** All unvested deferred incentives are forfeited. **Redundancy:** Any deferred incentive will generally remain on-foot and vest at the end of the deferral period and will remain subject to malus and clawback criteria. **All other cases:** Board discretion.	
Treatment of LTI on termination	**Unvested equity:** The Board has discretion to determine that any unvested LTI performance rights will continue until the relevant vesting dates and remain subject to the performance measures and malus and clawback criteria. All unvested equity will be forfeited on immediate dismissal. **Vested rights:** Any vested rights will continue beyond cessation of employment and convert into shares in the normal course, subject to malus and clawback criteria.	
Treatment of restricted shares and share rights on termination[1]	The Board has discretion to determine that any unvested restricted shares or share rights will be pro-rated for the time served in the vesting period and those reduced number of restricted shares or share rights will vest at the termination date subject to malus and clawback criteria, unless otherwise determined by the Board. All unvested equity will be forfeited on immediate dismissal.	
Change of control	Impact of a change of control on remuneration is at Board discretion.	

1 These equity awards were granted to some of the executives prior to becoming a KMP.

Executive statutory remuneration

	Year	Short-term benefits				Post-employment benefits		Long-term benefits	Termination benefits[5]	Share-based payments		Total remuneration	Performance related
		Salary	Cash STI	Non-monetary benefits[1]	Other[2]	Superannuation benefits	Superannuation benefits – other[3]	Other[4]		Deferred STI[6]	LTI[7]		
		$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	%
Executive director													
S Johnston	2021	1,778	900	1	8	22	-	28	-	704	798	**4,239**	57%
Group CEO	2020	1,673	-	1	155	21	-	141	-	414	914	**3,319**	40%
Senior Executives													
A Bennett[8]	2021	893	574	-	42	21	-	14	-	130	800	**2,474**	61%
CIO													
L Harrison	2021	769	500	6	(1)	22	-	44	-	225	339	**1,904**	56%
CEO Insurance Product & Portfolio	2020	645	-	6	(4)	21	-	28	-	189	315	**1,200**	42%
J Higgins[9]	2021	481	296	5	(14)	15	-	(42)	-	86	70	**897**	50%
CEO Suncorp New Zealand							-						
J Robson	2021	775	493	15	2	22	-	17	-	194	211	**1,729**	52%
Group CFO	2020	677	68	14	(1)	21	-	26	-	158	101	**1,064**	31%
P Smeaton[10]	2021	836	551	47	(63)	29	-	54	-	279	462	**2,195**	59%
COO - Insurance	2020	879	-	9	18	26	-	(66)	-	288	456	**1,610**	46%
B Speirs[11]	2021	345	148	9	11	11	-	22	-	42	32	**620**	36%
Group General Counsel							-						
F Thompson[12]	2021	895	296	10	(20)	22	-	(15)	-	146	355	**1,689**	47%
Group Executive People, Culture & Advocacy	2020	790	-	9	34	21	-	97	-	164	347	**1,462**	35%
C van Horen[13]	2021	747	503	-	32	22	-	12	-	114	236	**1,666**	51%
CEO Banking & Wealth							-						
Former Senior Executives													
G Dransfield[14]	2021	79	-	2	3	11	27	1	1,050	142	25	**1,340**	13%
CEO Insurance	2020	1,029	-	18	(7)	21	-	16	-	276	576	**1,929**	44%
A Revis[15]	2021	443	245	11	29	14	-	6	838	309	239	**2,134**	37%
Group Executive People & Culture	2020	829	-	18	20	21	-	13	-	230	450	**1,581**	43%

1 Non-monetary benefits include costs met by the Suncorp Group for relocation benefits, car parking, and rebates on insurance premiums (as applicable).
2 Other short-term benefits refer to movements in annual leave accruals.
3 Superannuation benefits – Other for Mr Dransfield refers to superannuation above the maximum contribution base that was paid in cash on cessation of employment.
4 Other long-term benefits refer to movements in long service leave accruals.
5 This refers to the payment in lieu of notice and redundancy payments that was made to Mr Dransfield and Ms Revis on cessation of employment in accordance with contractual entitlements.
6 This includes the amortised value of any on-foot share rights that were delivered as part of the STI related to FY20 or prior to this time.
7 LTI refers to grants under the LTI and/or Restricted Share Plan. Awards are expensed to the profit & loss statement based on the fair value at grant date over the period from grant date to vesting date. The assumptions underpinning these valuations are set out in note 31 to the financial statements.
8 Remuneration disclosed for Mr Bennett relates to time served as a KMP from 20 July 2020 to 30 June 2021.
9 Remuneration disclosed for Mr Higgins relates to time served as a KMP from 15 October 2020 to 30 June 2021. Remuneration has been converted from New Zealand dollars to Australian dollars based on the average FY21 daily exchange rate.
10 Mr Smeaton's remuneration (where applicable) has been converted from New Zealand dollars to Australian dollars based on the average FY21 daily exchange rate.
11 Remuneration disclosed for Ms Speirs relates to time served as a KMP from 1 December 2020 to 30 June 2021.
12 Fixed pay for Ms Thompson includes a $50,000 allowance for when she was Acting Group Executive People & Culture for the period 1 January 2021 to 31 May 2021 alongside her substantive role of CRO.
13 Remuneration disclosed for Mr van Horen relates to time served as a KMP from 4 August 2020 to 30 June 2021.
14 Mr Dransfield ceased employment on 17 July 2020 due to his role becoming redundant.
15 Ms Revis ceased employment on 31 December 2020 due to her previous role of Chief People Experience Officer becoming redundant.

Movement in awards under employee equity plans

	Employee equity awards granted[1]			Fair value yet to vest					
	Number	Grant date	Financial year in which grant may vest	Min[2]	Max[3]	Market value at date of grant[4]	Vested in year	Forfeited in year	Vested in year[5]
				$	$	$	%	%	Number
Executive director									
S Johnston	77,214	21 September 2017	30 June 2021	-	-	-	-	100%	-
	11,236	10 August 2018	30 June 2021		-	-	100%	-	11,236
	5,073	9 August 2019	30 June 2021		-	-	100%	-	5,073
	64,824	20 September 2018	30 June 2022	-	575,637	935,410	-	-	-
	5,073	9 August 2019	30 June 2022	-	67,319	72,098	-	-	-
	41,781	19 August 2020	30 June 2022	-	361,406	367,673	-	-	-
	14,478	19 August 2020	30 June 2022	-	125,235	127,406	-	-	-
	133,441	26 September 2019	30 June 2023	-	994,135	1,860,755	-	-	-
	14,477	19 August 2020	30 June 2023	-	125,226	127,398	-	-	-
	192,098	22 October 2020	30 June 2024	-	750,143	1,690,462	-	-	-
Senior Executives									
A Bennett	43,401	1 July 2020	30 June 2022	-	384,099	384,099	-	-	-
	43,399	1 July 2020	30 June 2023	-	384,081	384,081	-	-	-
	101,385	1 July 2020	30 June 2024	-	421,255	897,257	-	-	-
	43,399	1 July 2020	30 June 2024	-	384,081	384,081	-	-	-
L Harrison	3,073	15 August 2017	30 June 2021	-	-	-	100%	-	3,073
	46,328	1 September 2017	30 June 2021		-	-	-	100%	-
	6,970	10 August 2018	30 June 2021		-	-	100%	-	6,970
	3,382	9 August 2019	30 June 2021	-	-	-	100%	-	3,382
	38,894	1 September 2018	30 June 2022	-	345,379	620,468	-	-	-
	3,382	9 August 2019	30 June 2022	-	44,879	48,066	-	-	-
	17,207	19 August 2020	30 June 2022	-	148,841	151,422	-	-	-
	3,505	19 August 2020	30 June 2022	-	30,318	30,844	-	-	-
	44,480	1 July 2019	30 June 2023	-	329,152	616,124	-	-	-
	3,504	19 August 2020	30 June 2023	-	30,310	30,835	-	-	-
	72,036	1 July 2020	30 June 2024	-	299,310	637,519	-	-	-
J Higgins	2,615	15 August 2017	30 June 2021	-	-	-	100%	-	2,615
	1,802	10 August 2018	30 June 2021	-	-	-	100%	-	1,802
	1,373	9 August 2019	30 June 2021	-	-	-	100%	-	1,373
	1,802	10 August 2018	30 June 2022	-	28,021	28,165	-	-	-
	1,373	9 August 2019	30 June 2022	-	18,220	19,513	-	-	-
	1,176	19 August 2020	30 June 2022	-	10,172	10,349	-	-	-
	1,373	9 August 2019	30 June 2023	-	18,220	19,513	-	-	-
	1,175	19 August 2020	30 June 2023	-	10,164	10,340	-	-	-
	1,175	19 August 2020	30 June 2024	-	10,164	10,340	-	-	-
	71,216	15 October 2020	30 June 2024	-	295,902	636,671	-	-	-
J Robson	3,437	15 August 2017	30 June 2021	-	-	-	100%	-	3,437
	2,720	10 August 2018	30 June 2021	-	-	-	100%	-	2,720
	2,082	9 August 2019	30 June 2021	-	-	-	100%	-	2,082
	2,720	10 August 2018	30 June 2022	-	42,296	42,514	-	-	-
	2,081	9 August 2019	30 June 2022	-	27,615	29,576	-	-	-
	11,327	19 August 2020	30 June 2022	-	97,979	99,678	-	-	-
	2,307	19 August 2020	30 June 2022	-	19,956	20,302	-	-	-
	2,081	9 August 2019	30 June 2023	-	27,615	29,576	-	-	-
	49,362	12 December 2019	30 June 2023	-	296,962	646,642	-	-	-
	2,306	19 August 2020	30 June 2023	-	19,947	20,293	-	-	-
	81,108	1 July 2020	30 June 2024	-	337,004	717,806	-	-	-
	3,588	19 August 2020	30 June 2025	-	31,036	31,754	-	-	-

	Employee equity awards granted[1]			Fair value yet to vest					
	Number	Grant date	Financial year in which grant may vest	Min[2]	Max[3]	Market value at date of grant[4]	Vested in year	Forfeited in year	Vested in year[5]
				$	$	$	%	%	Number
P Smeaton	61,771	1 September 2017	30 June 2021	-	-	-	-	100%	-
	9,259	10 August 2018	30 June 2021	-	-	-	100%	-	9,259
	5,536	9 August 2019	30 June 2021	-	-	-	100%	-	5,536
	54,028	1 September 2018	30 June 2022	-	479,769	836,894	-	-	-
	5,536	9 August 2019	30 June 2022	-	73,463	78,679	-	-	-
	29,144	19 August 2020	30 June 2022	-	252,096	256,467	-	-	-
	5,936	19 August 2020	30 June 2022	-	51,346	52,237	-	-	-
	62,813	1 July 2019	30 June 2023	-	464,816	870,067	-	-	-
	5,935	19 August 2020	30 June 2023	-	51,338	52,228	-	-	-
	91,683	1 July 2020	30 June 2024	-	380,943	811,395	-	-	-
B Speirs	1,849	15 August 2017	30 June 2021	-	-	-	100%	-	1,849
	1,915	10 August 2018	30 June 2021	-	-	-	100%	-	1,915
	1,357	9 August 2019	30 June 2021	-	-	-	100%	-	1,357
	1,915	10 August 2018	30 June 2022	-	29,778	29,931	-	-	-
	1,356	9 August 2019	30 June 2022	-	17,994	19,272	-	-	-
	1,287	19 August 2020	30 June 2022	-	11,133	11,326	-	-	-
	1,356	9 August 2019	30 June 2023	-	17,994	19,272	-	-	-
	1,287	19 August 2020	30 June 2023	-	11,133	11,326	-	-	-
	1,287	19 August 2020	30 June 2024	-	11,133	11,326	-	-	-
	39,828	1 December 2020	30 June 2024	-	165,485	403,458			
F Thompson	204	15 August 2017	30 June 2021	-	-	-	100%	-	204
	46,328	1 September 2017	30 June 2021	-	-	-	-	100%	-
	7,262	10 August 2018	30 June 2021	-	-	-	100%	-	7,262
	3,968	9 August 2019	30 June 2021	-	-	-	100%	-	3,968
	42,136	1 September 2018	30 June 2022	-	374,168	652,687	-	-	-
	3,967	9 August 2019	30 June 2022	-	52,642	56,380	-	-	-
	12,925	19 August 2020	30 June 2022	-	111,801	113,740	-	-	-
	2,632	19 August 2020	30 June 2022	-	22,767	23,162	-	-	-
	48,409	1 July 2019	30 June 2023	-	358,227	670,547	-	-	-
	69,689	1 July 2020	30 June 2024	-	289,558	616,748	-	-	-
C van Horen	7,134	4 August 2020	30 June 2022	-	67,559	63,136	-	-	-
	7,132	4 August 2020	30 June 2023	-	67,540	63,118	-	-	-
	97,506	4 August 2020	30 June 2024	-	405,137	862,928	-	-	-
	7,132	4 August 2020	30 June 2024	-	67,540	63,118	-	-	-
Former Senior Executives									
G Dransfield[6]	81,075	1 September 2017	30 June 2021	-	-	-	-	100%	-
	11,401	10 August 2018	30 June 2021	-	-	-	100%	-	11,401
	4,553	9 August 2019	30 June 2021	-	-	-	100%	-	4,553
	68,066	1 September 2018	30 June 2022	-	378,315	659,920	-	37%	-
	4,553	9 August 2019	30 June 2022	-	60,418	64,708	-	-	-
	26,359	19 August 2020	30 June 2022	-	228,005	231,959	-	-	-
	5,368	19 August 2020	30 June 2022	-	46,433	47,238	-	-	-
	77,840	1 July 2019	30 June 2023	-	201,287	376,780	-	65%	-
	5,368	19 August 2020	30 June 2023	-	46,433	47,238	-	-	-

	Employee equity awards granted[1]			Fair value yet to vest					
	Number	Grant date	Financial year in which grant may vest	Min[2]	Max[3]	Market value at date of grant[4]	Vested in year	Forfeited in year	Vested in year[5]
				$	$	$	%	%	Number
A Revis[7]	61,771	1 September 2017	30 June 2021	-	-	-	-	100%	-
	9,243	10 August 2018	30 June 2021	-	-	-	100%	-	9,243
	4,358	9 August 2019	30 June 2021	-	-	-	100%	-	4,358
	51,859	1 September 2018	30 June 2022	-	358,406	625,192	-	22%	-
	4,357	9 August 2019	30 June 2022	-	57,817	61,923	-	-	-
	21,338	19 August 2020	30 June 2022	-	184,574	187,774	-	-	-
	4,346	19 August 2020	30 June 2022	-	37,593	38,245	-	-	-
	63,013	1 July 2019	30 June 2023	-	233,995	438,005	-	50%	-
	4,345	19 August 2020	30 June 2023	-	37,584	38,236	-	-	-
	90,713	1 July 2020	30 June 2024	-	63,335	134,901	-	83%	-

1 Employee equity awards include performance rights and share rights. The expiry date for performance rights and the fair value per right can be found in note 31.1 to the financial statements.
2 The minimum value yet to vest is nil, since the service condition or performance measure (as applicable) may not be met and consequently the performance rights or share rights may not vest.
3 The maximum value yet to vest is determined as the fair value at grant date, assuming all performance measures are met.
4 Market value at date of grant is calculated based on the number of securities granted multiplied by the closing share price as traded on ASX on the date of grant. Where the date of grant falls on an ASX non-trading day, the closing share price of the preceding trading day is used.
5 This shows the number of performance rights and share rights that have vested during FY21. Mr Dransfield and Ms Revis' share rights that vested were cash settled.
6 Mr Dransfield's LTI awards were pro-rated upon cessation of employment on 17 July 2020 and remain on foot and may vest in the normal course subject to the original vesting conditions (with the exception that the service condition has been waived), the Suncorp Group Equity Incentive Plan Rules and malus and clawback criteria.
7 Ms Revis' LTI awards were pro-rated upon cessation of employment on 31 December 2020 and remain on foot and may vest in the normal course subject to the original vesting conditions (with the exception that the service condition has been waived), the Suncorp Group Equity Incentive Plan Rules and malus and clawback criteria.

Related party transactions

Loans to KMP and their related parties

Loans to KMP and their related parties are secured housing loans and asset lines provided in the ordinary course of the banking business. All loans have normal commercial terms, which may include employee discounts on the same terms available to all employees of the Suncorp Group. No amounts have been written down or recorded as provisions as the balances are considered fully collectable.

Details regarding loans outstanding at the reporting date to KMP and their related parties are outlined below.

FY21	Opening balance $000	Closing balance $000	Interest charged during the year[1] $000	Interest not charged during the year $000	Number in Group at 30 June
Total for KMP and their related parties	2,436	1,260	26	-	4

FY21	Balance 1 July 2020 $000	Balance 30 June 2021 $000	Interest charged during the year[1] $000	Interest not charged during the year $000	Highest balance $000
Executive director					
S Johnston	1,200	-	-	-	1,200
Senior Executives					
J Higgins	-	15	-[2]	-	15
P Smeaton	436	406	7	-	437
C van Horen	-	839	11	-	870
Former Senior Executives					
A Revis	800	-	8	-	800

1 The loans may have offset facilities, in which case the interest charged is after the offset. No interest was charged on Mr Johnston's loan as it was fully offset.
2 Interest charged on Mr Higgins' loan was under $1,000.

Movement in securities

The movement during the reporting period in the number of securities in the Company held directly, indirectly or beneficially by each executive, including their related parties, is outlined below.

1 July 2020 – 30 June 2021		Balance 1 July 2020 Number	Received as remuneration[1] Number	Purchases (sales) Number	Other changes[1] Number	Balance 30 June 2021 Number
Executive director[2]						
S Johnston	Ordinary shares	131,273	16,309	-	-	147,582
	Unvested securities	296,861	262,834	-	(93,523)	466,172
Senior Executives[2]						
A Bennett	Ordinary shares	N/A	-	-	-	-
	Unvested securities	N/A	231,584	-	-	231,584
L Harrison	Ordinary shares	44,539	13,425	(7,330)	-	50,634
	Unvested securities	146,509	96,252	-	(59,753)	183,008
J Higgins[3]	Ordinary shares	N/A	5,790	-	14,751	20,541
	Unvested securities	N/A	74,742	-	5,006	79,748
J Robson	Ordinary shares	16,348	8,239	-	-	24,587
	Unvested securities	64,483	100,636	-	(8,239)	156,880
P Smeaton	Ordinary shares	62,450	14,795	-	-	77,245
	Unvested securities	198,943	132,698	-	(76,566)	255,075
B Speirs[3]	Ordinary shares	N/A	5,121	-	12,600	17,721
	Unvested securities	N/A	43,689	-	4,627	48,316
F Thompson	Ordinary shares	31,538	11,434	-	-	42,972
	Unvested securities	152,274	87,878	-	(57,762)	182,390
C van Horen	Ordinary shares	N/A	-	-	-	-
	Unvested securities	N/A	118,904			118,904
Former Senior Executives[2]						
G Dransfield	Ordinary shares	119,420	-	-	(119,420)	N/A
	Unvested securities	247,488	37,095	-	(284,583)	N/A
A Revis	Ordinary shares	66,925	-	(15,000)	(51,925)	N/A
	SUNPE Capital Notes	1,906	-	-	(1,906)	N/A
	Unvested securities	194,601	120,742	-	(315,343)	N/A

1 Other changes' in ordinary shares relate to dividend plan allotments as part of the Dividend Reinvestment Plan during FY21. 'Other changes' in unvested securities relate to equity awards that vested or were forfeited during FY21 and equity held on cessation of employment for those that ceased employment during FY21.
2 Unvested securities disclosed for the Executive director and current and former Senior Executives refers to the performance rights granted under the LTI Plan and share rights granted as part of the STI award or Share Rights Plan (as applicable). Accordingly, beneficial entitlement of those unvested securities remains subject to satisfaction of specified service conditions and performance measures (as applicable).
3 Securities 'Received as remuneration' by Mr Higgins and Ms Speirs includes securities received prior to being appointed as KMP in FY21.

Executives of the Company and their related parties received normal distributions on these securities.

Non-Executive Director statutory remuneration

	Year	Short term benefits		Post-employment benefits		Total
		Salary and Fees $000	Non-monetary benefits $000	Superannuation - statutory $000	Superannuation - other[1] $000	
Non-executive directors						
Christine McLoughlin, AM	2021	600	-	22	35	657
Chairman	2020	600	-	21	36	657
Sylvia Falzon[2]	2021	291	-	22	6	319
Director	2020	264	-	21	4	289
Elmer Funke Kupper[3]	2021	272	-	22	4	298
Director	2020	118	-	11	-	129
Ian Hammond	2021	310	-	22	8	340
Director	2020	280	-	21	6	307
Sally Herman	2021	295	-	22	6	323
Director	2020	319	-	21	9	349
Simon Machell	2021	310	-	22	8	340
Director	2020	310	-	21	8	339
Douglas McTaggart[4]	2021	390	-	22	15	427
Director	2020	404	-	21	17	442
Lindsay Tanner[5]	2021	300	-	22	7	329
Director	2020	284	-	21	6	311
Former non-executive directors						
Audette Exel, AO[6]	2021	71	-	5	-	76
Director	2020	257	-	21	3	281

1 Superannuation in excess of the MCB is delivered in the form of fees. Non-executive directors may elect to make voluntary additional superannuation contributions.
2 Ms Falzon commenced as a member of the Customer Committee on 30 September 2020.
3 Mr Funke Kupper commenced as a member of the Risk Committee on 30 September 2020.
4 Mr McTaggart is also a member of Suncorp's New Zealand subsidiary boards.
5 Mr Tanner was also Chairman of Suncorp Insurance Ventures Pty Ltd for all of FY21.
6 Ms Exel AO retired from the Board on 30 September 2020.

Movement in securities

The movement during the reporting period in the number of securities in the Company held directly, indirectly or beneficially by each non-executive director, including their related parties, is outlined below.

1 July 2020 - 30 June 2021		Balance 1 July 2020 Number	Purchases (sales) Number	Other changes[1] Number	Balance 30 June 2021 Number
Non-executive directors					
C McLoughlin, AM	Ordinary shares	48,550	-	-	48,550
	SUNPH Capital Notes	700	-	-	700
S Falzon	Ordinary shares	16,768	7,000	289	24,057
E Funke Kupper	Ordinary shares	35,000	12,500	-	47,500
I Hammond	Ordinary shares	39,740	-	1,472	41,212
S Herman	Ordinary shares	29,131	10,869	-	40,000
S Machell	Ordinary shares	50,000	10,000	-	60,000
D McTaggart	Ordinary shares	40,641	-	1,505	42,146
L Tanner	Ordinary shares	18,668	-	-	18,668
Former non-executive directors					
A Exel, AO	Ordinary shares	18,712	(10,000)	(8,712)	N/A

1 Other changes in ordinary shares relate to dividend plan allotments as part of the Dividend Reinvestment Plan during FY21. For Ms Exel, AO, this relates to a dividend plan allotment of 205 and the reduction in her balance of 8,917 given she retired from the Board during the financial year.

Directors and executives of the Company and their related parties received normal distributions on these securities.

Other KMP transactions

Financial instrument transactions

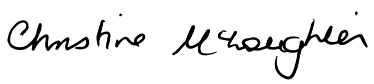
Financial instrument transactions (other than loans and shares disclosed within this report) between the Suncorp Group and executives and their related parties during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions were on arm's length terms and conditions no more favourable than those given to other Suncorp Group employees and are deemed trivial or domestic in nature.

Transactions other than financial instrument transactions

No director or Senior Executive has entered into a material contract with the Company or Suncorp Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end. Other transactions with executives and their related parties are conducted on arm's length terms and conditions that are no more favourable than those given to other Suncorp Group employees and are deemed trivial or domestic in nature. These transactions are in the nature of personal investment, general insurance and life insurance policies.

Directors' signatures to the Directors' Report

Signed in accordance with a resolution of the Board of Directors.



CHRISTINE McLOUGHLIN
CHAIRMAN
9 AUGUST 2021

STEVE JOHNSTON
GROUP CEO AND MD
9 AUGUST 2021

Batemans Bay, February 2020

Financial Statements

Consolidated statement of comprehensive income

For the financial year ended 30 June 2021

	Note	2021 $M	2020 $M
Revenue			
Insurance premium income		**10,438**	10,080
Reinsurance and other recoveries income		**947**	1,592
Interest income on financial assets not at fair value through profit or loss	10	**1,708**	2,104
Interest income on financial assets at fair value through profit or loss	10	**327**	370
Net gains on financial assets and liabilities at fair value through profit or loss		**230**	24
Dividend and trust distribution income		**80**	76
Fees and other income		**457**	524
Total revenue		**14,187**	14,770
Expenses			
Claims expense		**(7,328)**	(7,836)
Outwards reinsurance premium expense		**(1,228)**	(1,217)
Underwriting expense		**(2,276)**	(2,202)
Interest expense on financial liabilities not at fair value through profit or loss	10	**(500)**	(973)
Interest expense on financial liabilities at fair value through profit or loss	10	**(30)**	(27)
Impairment release (loss) on loans and advances	12.2	**49**	(172)
Impairment loss on goodwill and other intangible assets	28	**(9)**	(110)
Amortisation and depreciation expense		**(229)**	(258)
Fees, overheads and other expenses		**(940)**	(981)
Outside beneficial interests in managed funds		**(187)**	(43)
Total expenses		**(12,678)**	(13,819)
Profit before income tax		**1,509**	951
Income tax expense	4.1	**(461)**	(305)
Profit after tax from continuing operations		**1,048**	646
Profit after tax from discontinued operations	27	**-**	286
Profit for the financial year		**1,048**	932
Profit for the period attributable to:			
Owners of the Company		**1,033**	913
Non-controlling interests		**15**	19
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of cash flow hedges	19	**6**	43
Net change in debt investments at fair value through other comprehensive income	19	**23**	(9)
Net change in net investment hedge of foreign operations	19	**-**	1
Exchange differences on translation of foreign operations	19	**(4)**	(25)
Related income tax expense		**(9)**	(10)
Items that will not be reclassified subsequently to profit or loss			
Actuarial gains (losses) on defined benefit plans		**32**	(20)
Net change in equity investments at fair value through other comprehensive income	19	**-**	(17)
Related income tax (expense) benefit		**(9)**	10
Total other comprehensive income (loss)		**39**	(27)
Total comprehensive income for the financial year		**1,087**	905
Total comprehensive income for the financial year attributable to:			
Owners of the Company		**1,072**	886
Non-controlling interests		**15**	19
Earnings per share		**Cents**	**Cents**
Basic earnings per share	5	**80.86**	71.93
Diluted earnings per share	5	**76.95**	67.99
Basic earnings per share from continuing operations		**80.86**	49.43
Diluted earnings per share from continuing operations		**76.95**	47.59

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2021

	Note	2021 $M	2020 $M
Assets			
Cash and cash equivalents	29.2	**1,200**	1,046
Receivables due from other banks	29.2	**1,495**	567
Trading securities	15	**1,579**	1,460
Derivatives	16	**351**	831
Investment securities	15	**21,230**	19,763
Premiums outstanding	25.2(a)	**2,923**	2,857
Loans and advances	11	**57,324**	57,723
Reinsurance and other recoveries	25.2(b)	**1,997**	2,471
Deferred reinsurance assets		**918**	926
Deferred acquisition costs		**752**	734
Property, plant and equipment		**504**	576
Deferred tax assets	4.3	**288**	282
Goodwill and other intangible assets	28	**5,255**	5,275
Other assets		**1,041**	1,236
Total assets		**96,857**	95,747
Liabilities			
Payables due to other banks	29.2	**103**	293
Deposits	13	**41,200**	39,583
Derivatives	16	**332**	574
Amounts due to reinsurers		**802**	784
Payables and other liabilities		**1,600**	1,828
Current tax liabilities	4.2	**189**	164
Unearned premium liabilities	8.1	**5,568**	5,219
Provisions and employee benefit liabilities	34	**597**	610
Outstanding claims liabilities	9	**10,788**	10,601
Deferred tax liabilities	4.3	**121**	115
Managed funds units on issue		**987**	714
Borrowings	14	**18,746**	20,129
Loan capital	21	**2,376**	2,349
Total liabilities		**83,409**	82,963
Net assets		**13,448**	12,784
Equity			
Share capital	18	**12,558**	12,509
Reserves	19	**204**	172
Retained profits		**662**	82
Total equity attributable to owners of the Company		**13,424**	12,763
Non-controlling interests		**24**	21
Total equity		**13,448**	12,784

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the financial year ended 30 June 2021

		Equity attributable to owners of the Company					
	Note	Share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total equity $M
Balance as at 1 July 2019		12,889	207	5	13,101	20	13,121
Profit for the financial year		-	-	913	913	19	932
Total other comprehensive loss for the financial year		-	(12)	(15)	(27)	-	(27)
Total comprehensive income for the financial year		-	(12)	898	886	19	905
Transactions with owners, recorded directly in equity							
Dividends paid	20	-	-	(897)	(897)	(18)	(915)
Shares issued	18	171	-	-	171	-	171
Capital return, including transaction costs	18	(506)	-	-	(506)	-	(506)
Share-based payments	18	(70)	-	64	(6)	-	(6)
Treasury share movements	18	25	-	(7)	18	-	18
Transfers	19	-	(23)	23	-	-	-
Other movements		-	-	(4)	(4)	-	(4)
Balance as at 30 June 2020		12,509	172	82	12,763	21	12,784
Profit for the financial year		**-**	**-**	**1,033**	**1,033**	**15**	**1,048**
Total other comprehensive income for the financial year		**-**	**16**	**23**	**39**	**-**	**39**
Total comprehensive income for the financial year		**-**	**16**	**1,056**	**1,072**	**15**	**1,087**
Transactions with owners, recorded directly in equity							
Dividends paid	20	**-**	**-**	**(460)**	**(460)**	**(12)**	**(472)**
Shares issued	18	**32**	**-**	**-**	**32**	**-**	**32**
Share-based payments	18	**7**	**-**	**-**	**7**	**-**	**7**
Treasury share movements	18	**10**	**-**	**-**	**10**	**-**	**10**
Transfers	19	**-**	**16**	**(16)**	**-**	**-**	**-**
Balance as at 30 June 2021		**12,558**	**204**	**662**	**13,424**	**24**	**13,448**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the financial year ended 30 June 2021

	Note	2021 $M	2020 $M
Cash flows from operating activities			
Premiums received		**11,872**	11,240
Claims paid		**(7,906)**	(8,654)
Interest received		**2,050**	2,546
Interest paid		**(603)**	(1,055)
Reinsurance and other recoveries received		**1,737**	1,881
Outwards reinsurance premiums paid		**(1,299)**	(1,336)
Fees and other operating income received		**357**	612
Dividends and trust distributions received		**80**	76
Fees and operating expenses paid		**(3,432)**	(3,627)
Income tax paid		**(451)**	(321)
Net movement in operating assets			
Trading securities		**(119)**	(232)
Loans and advances		**441**	1,229
Net movement in operating liabilities			
Deposits		**1,617**	1,041
Net cash from operating activities	29.1	**4,344**	3,400
Cash flows from investing activities			
Proceeds from the sale or maturity of investment securities		**23,957**	22,019
Payments for acquisition of investment securities		**(25,528)**	(22,061)
Proceeds from other investing activities		**282**	1
Payments for other investing activities		**(110)**	(254)
Disposal of discontinued operations		**-**	383
Net cash (used in) from investing activities		**(1,399)**	88
Cash flows from financing activities			
Payment for capital return, including transaction costs	18	**-**	(506)
Proceeds from borrowings	29.3	**9,503**	9,667
Repayment of borrowings, including transaction costs	29.3	**(10,669)**	(11,665)
Proceeds from issue of loan capital	29.3	**250**	183
Payment on call of loan capital, including transaction costs	29.3	**(229)**	(30)
Payments for other financing activities		**(99)**	(151)
Dividends paid		**(428)**	(897)
Net cash used in financing activities		**(1,672)**	(3,399)
Net increase in cash and cash equivalents		**1,273**	89
Cash and cash equivalents at the beginning of the financial year		**1,320**	1,232
Effect of exchange rate fluctuations on cash held		**(1)**	(1)
Cash and cash equivalents at the end of the financial year	29.2	**2,592**	1,320

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

Overview

Suncorp Group Limited (SGL, the Company) is listed on the Australian Securities Exchange (ASX) and is a for-profit entity. The Company and its subsidiaries (referred to as the "Group" or "Suncorp") offer insurance, banking and wealth products and services through some of Australia's and New Zealand's most recognisable brands.

The financial report includes information that is considered most relevant to the users' understanding of the operations, financial position and performance of the Group.

Information in the notes to the consolidated financial statements is only included if it is material and relevant to the understanding of the consolidated financial statements and results of the Group. Information is considered material and relevant if:

— the amount is significant in size or nature

— it is essential to understanding the Group's results

— it is critical in explaining significant changes in the Group's business operations

— it relates to an aspect of the Group's operations that is important to its future performance

— it is required under the relevant reporting and legislative frameworks applied by the Group.

Agreement to sell the Australian Wealth business

On 28 April 2021, Suncorp announced it had entered into an agreement for the sale of its Australian Wealth business, Suncorp Portfolio Services Limited (SPSL), to LGIAsuper. The sale is estimated to be completed in the financial year ended 30 June 2022, subject to regulatory approvals. Total estimated consideration is $45 million. This includes a fixed amount of $26.6 million, plus regulatory capital. The consideration is subject to standard completion adjustments. After allowing for separation and transaction costs, the impact of the transaction on Group profit is not expected to be material.

Following completion of the sale, Suncorp will enter into an agreement with LGIAsuper to distribute Suncorp superannuation products to Suncorp customers for 18 months.

1. Reporting entity

The Company is a public company domiciled in Australia. Its registered office is at Level 28, 266 George Street, Brisbane, Qld, 4000.

The consolidated financial statements for the financial year ended 30 June 2021 comprise the Company and its subsidiaries and were authorised for issue by the SGL Board of Directors (the Board) on 9 August 2021.

2. Basis of preparation

The Group's consolidated financial statements have been prepared on a historical cost basis, unless the application of fair value measurements is required by the relevant accounting standards.

These consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency and the functional currency of the majority of its subsidiaries.

There were no substantial amendments to Australian Accounting Standards adopted during the period that have a material impact on the Group. All accounting policies applied by the Group in the consolidated financial statements are the same as those applied in its consolidated financial statements for the financial year ended 30 June 2020.

As the Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016, all financial information presented has been rounded to the nearest one million dollars unless otherwise stated.

The consolidated statement of financial position is prepared in a liquidity format. In the notes to the consolidated financial statements, amounts expected to be recovered or settled no more than 12 months after the reporting period are classified as 'current', otherwise they are classified as 'non-current'.

Where necessary, comparatives have been re-presented to conform to changes in presentation in the current financial year.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

2.1 Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001* (Corporations Act). The consolidated financial statements comply with International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board (IASB).

2.2 Foreign currency

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars using the following applicable exchange rates:

Foreign currency	Applicable exchange rate
Transactions	Exchange rate at date of transaction
Monetary assets and liabilities	Exchange rate at reporting date
Non-monetary assets and liabilities measured at historical cost	Exchange rate at date of transaction
Non-monetary assets and liabilities measured at fair value	Exchange rate at date fair value is determined
Assets and liabilities of foreign operations	Exchange rate at reporting date
Income and expenses of foreign operations	Approximate exchange rate applicable at the dates of the transactions

The resulting foreign exchange gains and losses on monetary items are recognised as revenue or expenses in the financial year in which the exchange rate difference arises, with the exception of qualifying cash flow hedges which are deferred to equity reserves and are recognised in other comprehensive income (OCI). Foreign exchange differences arising on translation of assets, liabilities, income and expenses of foreign operations are recognised in OCI and presented in the foreign currency translation reserve, part of 'Reserves' in the consolidated statement of financial position.

2.3 Use of estimates and judgements

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements.

Significant estimates, judgements and assumptions are discussed in the following notes:

— Liability adequacy test (LAT) relating to general insurance contracts (refer to note 8.2).
— General insurance outstanding claims liabilities (refer to notes 9.2, 9.3, 9.4 and 9.5).
— Provision for impairment on financial assets (refer to note 12.3).
— Hedge accounting and valuation of financial instruments (refer to notes 16.1 and 17.1).
— Impairment of goodwill and other intangible assets (refer to note 28.1).
— Provisions and employee benefit liabilities (refer to note 34).
— Contingent assets and liabilities (refer to note 35).

COVID-19 impact on the use of estimates and assumptions

Given the ongoing economic uncertainties from COVID-19, the Group has continued to monitor its financial reporting procedures and governance practices surrounding the preparation of the consolidated financial statements. While the effects of COVID-19 do not change the areas requiring significant estimation and judgement in the preparation of consolidated financial statements, it has resulted in estimation uncertainty and application of further judgement within those identified areas and where relevant, is disclosed in the notes to the consolidated financial statements. Consistent with the prior year, the most significant areas impacted by COVID-19 are the measurement of outstanding claims liabilities arising from business interruption (refer to note 9) and the provision for impairment on financial assets (refer to note 12.3).

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

Financial performance

This section provides an analysis of the Group's financial performance by business segments, its tax breakdown and earnings per share.

The Group comprises three core businesses – Insurance (Australia), Banking & Wealth and Suncorp New Zealand. The Group earns its revenue from providing a broad range of insurance, banking and wealth products and services to retail, corporate and commercial customers in Australia and New Zealand.

3. Segment reporting

Operating segments are identified based on separate financial information which is regularly reviewed by the Group's Chief Operating Decision Maker (CODM), represented by the Group CEO and Managing Director (Group CEO and MD) and his Executive Leadership Team (ELT), in assessing performance and determining the allocation of resources.

3.1 Operating segments

The Group comprises the following operating segments:

Reportable segments	Segment information
Insurance (Australia)	- Design, manufacture and delivery of general insurance products and services and distribution of life insurance products to customers in Australia. - Key products include home and contents, motor, marine, travel, commercial property, industrial special risk, public liability and professional indemnity, workers' compensation and compulsory third party.
Banking & Wealth	- Design, manufacture and delivery of banking, superannuation and fund administration services to customers in Australia. - Key products include commercial, agribusiness, small business, home loans, savings and transaction accounts, foreign exchange, treasury products and services, superannuation and funds administration services.
Suncorp New Zealand	- Design, manufacture and delivery of general and life insurance products to customers in New Zealand. - Key products include home and contents, motor, commercial property, public liability and professional indemnity, life, trauma, total and permanent disablement and income protection.
Corporate	- Investment of the Group's capital, Suncorp Group business strategy activities (including business combinations and divestments) and Suncorp Group shared services.

Only profit or loss information is reviewed by the CODM at an operating segment level.

Segment results presented below are measured on a consistent basis to how they are reported to the CODM:

— Revenues and expenses occurring between segments are subject to contractual agreements between the legal entities comprising each segment.
— Inter-segment transactions, which are eliminated on consolidation, are reported on a gross basis. An exception exists for operating expenses incurred by one segment on behalf of another, which are recharged on a cost-recovery basis, and are presented on a net basis (post allocation basis).
— Intra-group dividends are presented net of eliminations.
— Consolidated gain or loss on sale of subsidiaries and joint ventures and any amortisation of material business combination acquired intangible assets are allocated to the corporate segment.
— Amortisation and depreciation expenses relating to the corporate segment's property, plant, equipment and non-business combination acquired intangible assets are allocated to other segments based on their utilisation.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

3.1 Operating segments (continued)

	Insurance (Australia) $M	Banking & Wealth $M	Suncorp New Zealand $M	Corporate $M	Total $M
2021					
External revenue	9,954	1,957	2,087	13	14,011
Inter-segment revenue	12	-	6	-	18
Total segment revenue	9,966	1,957	2,093	13	14,029
Segment profit (loss) before income tax	779	599	277	(146)	1,509
Segment income tax (expense) benefit	(232)	(180)	(77)	28	(461)
Segment profit (loss) after income tax	547	419	200	(118)	1,048
Other segment disclosures					
Interest revenue	286	1,711	36	2	2,035
Interest expense	(18)	(469)	(4)	(39)	(530)
Amortisation and depreciation expense	(84)	(87)	(17)	(41)	(229)
Impairment release on financial assets	-	49	-	-	49
Impairment of goodwill and other intangible assets	-	-	-	(9)	(9)
Goodwill	4,187	254	283	-	4,724
2020					
External revenue	10,486	2,377	2,021	407	15,291
Inter-segment revenue	13	1	7	-	21
Total segment revenue	10,499	2,378	2,028	407	15,312
Segment revenue continuing operations	10,360	2,378	2,028	12	14,778
Segment revenue discontinued operations	139	-	-	395	534
Segment profit before income tax	547	346	333	77	1,303
Segment income tax expense	(162)	(104)	(88)	(17)	(371)
Segment profit after income tax	385	242	245	60	932
Segment profit (loss) after tax continuing operations	384	242	245	(225)	646
Segment profit after tax discontinued operations	1	-	-	285	286
Other segment disclosures					
Interest revenue	312	2,114	40	8	2,474
Interest expense	(23)	(923)	(2)	(52)	(1,000)
Amortisation and depreciation expense	(85)	(110)	(21)	(42)	(258)
Impairment loss on financial assets	-	(172)	-	-	(172)
Impairment of goodwill and other intangible assets	-	-	-	(110)	(110)
Goodwill	4,187	254	283	-	4,724

3.2 Reconciliation of reportable segment revenue and profit before income tax

	Revenue		Profit before income tax	
	2021 $M	2020 $M	2021 $M	2020 $M
Segment total	14,029	15,312	1,509	1,303
Consolidation adjustments relating to intra-group investment income	187	44	-	-
Other consolidation eliminations	(29)	(52)	-	-
Attributable to discontinued operations	-	(534)	-	(352)
Consolidated total	14,187	14,770	1,509	951

Notes to the consolidated financial statements
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4. Income tax

4.1 Income tax expense

	2021 $M	2020 $M
Reconciliation of prima facie to actual income tax expense		
Profit before tax from continuing operations	**1,509**	951
Profit before tax from discontinued operations	**-**	352
Profit before income tax	**1,509**	1,303
Prima facie domestic corporate tax rate of 30% (2020: 30%)	**453**	391
Effect of tax rates in foreign jurisdictions	**(5)**	(6)
Effect of income taxed at non-corporate tax rate	**-**	1
Tax effect of:		
Non-deductible expenses	**11**	13
Non-deductible expenses – Life companies	**6**	1
Amortisation of intangible assets	**6**	6
Dividend adjustments	**14**	16
Tax exempt revenues	**(9)**	(6)
Current year rebates and credits	**(16)**	(18)
Utilisation of previously unrecognised capital losses	**-**	(29)
Prior year (over) under provision	**(1)**	1
Other	**2**	1
Total income tax expense on pre-tax profit	**461**	371
Total income tax expense on pre-tax profit from continuing operations	**461**	305
Total income tax expense on pre-tax profit from discontinued operations	**-**	66
Effective tax rate from continuing operations	**30.6%**	32.1%
Total effective tax rate	**30.6%**	28.5%
Income tax expense recognised in profit consists of:		
Current tax expense (benefit)		
Current tax movement	**490**	463
Current year rebates and credits	**(16)**	(18)
Adjustments for prior financial years	**3**	13
Total current tax expense	**477**	458
Deferred tax benefit		
Origination and reversal of temporary differences	**(12)**	(75)
Adjustments for prior financial years	**(4)**	(12)
Total deferred tax benefit	**(16)**	(87)
Total income tax expense	**461**	371

The effective tax rate of 30.6% (2020: 28.5%) is primarily due to the corporate tax rate in Australia of 30%. The calculation differences between taxable income and accounting profit and the application of accounting standards give rise to a minor difference in the effective tax rate. In the prior year, tax and accounting gains and losses on sale from discontinued operations contributed to a total effective tax rate below 30%.

New Zealand
In New Zealand, a corporate tax rate of 28% (2020: 28%) applies.

Notes to the consolidated financial statements
For the financial year ended 30 June 2021

4.2 Current tax liabilities and receivables

	2021 $M	2020 $M
Net current tax liability at the beginning of the financial year	**163**	26
Income tax paid net of refunds	**(451)**	(321)
Current year tax on operating profit	**474**	445
Adjustment for prior financial years	**3**	13
Net current tax liability at the end of the financial year[1]	**189**	163

1 Includes current tax receivables of $nil million (2020: $1 million) classified as "Other assets" in the consolidated statement of financial position.

4.3 Deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Deferred tax assets		Deferred tax liabilities		Net	
	2021 $M	2020 $M	2021 $M	2020 $M	2021 $M	2020 $M
Trading securities and investment securities	**-**	-	**103**	123	**(103)**	(123)
Property, plant and equipment	**59**	59	**-**	-	**59**	59
Intangible assets	**-**	-	**29**	35	**(29)**	(35)
Provision for impairment on financial assets	**74**	94	**-**	-	**74**	94
Outstanding claims liabilities	**105**	98	**-**	-	**105**	98
Employee benefits	**111**	93	**-**	-	**111**	93
Other items	**120**	144	**170**	163	**(50)**	(19)
Deferred tax assets and liabilities	**469**	488	**302**	321	**167**	167
Set-off of tax	**(181)**	(206)	**(181)**	(206)	**-**	-
Net deferred tax assets	**288**	282	**121**	115	**167**	167

Movement in deferred tax balances during the financial year:

	Deferred tax assets		Deferred tax liabilities	
	2021 $M	2020 $M	2021 $M	2020 $M
Balance at the beginning of the financial year	**488**	457	**321**	370
Movement recognised in profit or loss	**(15)**	48	**(31)**	(39)
Movement recognised in OCI and retained earnings	**(10)**	9	**8**	4
Acquisition/disposal of subsidiaries	**-**	(21)	**-**	(7)
Foreign currency exchange movement and other	**6**	(5)	**4**	(7)
Balance at the end of the financial year	**469**	488	**302**	321

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

4.3 Deferred tax assets and liabilities (continued)

Accounting policies

Income tax expense comprises current and deferred tax. This is recognised in the profit or loss, except to the extent that it relates to items recognised in equity or in OCI. Current tax consists of the expected tax payable on the taxable income for the year, after any adjustments in respect of previous years. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognised when it is probable that future taxable profits will be available against which the temporary differences can be utilised. Provisions for taxation require the Group to take into account the impact of uncertain tax positions. For such uncertainties, the Group relies on estimates and assumptions about future events.

Tax consolidation

The Company is the head entity in the tax consolidated group comprising all the Australian wholly owned subsidiaries. Consequently, all members of the tax-consolidated group are taxed as a single entity.

The members of the tax-consolidated group have entered into a tax sharing agreement and a tax funding agreement. Under the tax funding agreement, the wholly owned entities fully compensate the Company for any current tax payable assumed. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities, at call.

The members recognise the current and deferred tax amounts applicable to the transactions undertaken by it, reasonably adjusted for certain intra-group transactions, as if it continued to be a separate taxpayer. The Company also recognises the entire tax-consolidated group's current tax liability. Any differences between the current tax liability and any tax funding arrangement amounts are recognised by the Company as an equity contribution to, or distribution from, the subsidiary.

5. Earnings per share

	2021 $M	2020 $M
Profit attributable to ordinary equity holders of the Company (basic)	**1,033**	913
Interest expense on convertible preference shares[1]	**-**	9
Interest expense on convertible capital notes[1]	**29**	30
Profit attributable to ordinary equity holders of the Company (diluted)	**1,062**	952
	No of shares	**No of shares**
Weighted average number of ordinary shares (basic)	**1,277,438,768**	1,269,314,322
Effect of conversion of convertible preference shares[1]	**-**	29,632,222
Effect of conversion of convertible capital notes[1]	**102,610,688**	101,308,005
Weighted average number of ordinary shares (diluted)	**1,380,049,456**	1,400,254,549

1 Capital notes and preference shares will only be treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations as per AASB 133 *Earnings per share*.

Accounting policies

Basic earnings per share (EPS) is calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period after eliminating shares held within the Group, known as treasury shares. Diluted EPS is calculated by adjusting the profit or loss attributable to equity holders of the Company and the weighted average number of ordinary shares used in the basic EPS calculation, for the effect of dilutive potential ordinary shares.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

Insurance activities

This section discloses the general insurance activities, which is the largest segment of the Group.

6. Underwriting result from general insurance contracts

	Note	2021 $M	2020 $M
Net earned premium			
Direct premium income		**10,191**	9,840
Outwards reinsurance premium expense		**(1,188)**	(1,178)
		9,003	8,662
Net incurred claims			
Claims expense		**(7,216)**	(7,698)
Reinsurance and other recoveries revenue		**916**	1,558
	7	**(6,300)**	(6,140)
Underwriting expenses			
Acquisition costs		**(1,459)**	(1,439)
Other underwriting expenses		**(727)**	(669)
		(2,186)	(2,108)
Reinsurance commission and other revenue		**106**	112
Underwriting result from general insurance contracts		**623**	526

Accounting policies

Premium revenue

Premium revenue comprises amounts charged to policyholders and includes applicable levies and charges such as fire service levies, but excludes stamp duty and taxes collected on behalf of third parties such as goods and services tax. Premiums are recognised as revenue in accordance with the pattern of the underlying risk exposure from the date of attachment over the period of the insurance policy, which is usually one year.

Outward reinsurance premium expense

Premiums ceded to reinsurers are recognised as an expense from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk. Reinsurance premiums are deferred and recognised as an asset where there are future economic benefits to be received from reinsurance premiums.

Premiums on unclosed business are brought to account by reference to the prior years' experience and information that has become available between the reporting date and the date of completing the consolidated financial statements.

Claims expenses

Claims expenses represent payments for claims and the movement in outstanding claims liabilities. Claims represent the benefits paid or payable to the policyholders on the occurrence of an event giving rise to a loss or accident according to the terms of the policy. Claims expenses are recognised in profit or loss as losses are incurred, which is usually the point in time when the event giving rise to the claim occurs.

Reinsurance and other recoveries

Reinsurance and other recoveries on paid claims, reported claims not yet paid, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) are recognised as revenue. Recoveries are measured as the present value of the expected future receipts.

Notes to the consolidated financial statements

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6. Underwriting result from general insurance contracts (continued)

Acquisition costs

Acquisition costs are deferred and recognised as an asset where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in profit or loss in subsequent reporting periods.

Deferred acquisition costs (DAC) are amortised systematically in accordance with the expected pattern of the incidence of risk under the general insurance contracts to which they relate. DAC are recognised as assets to the extent that the related unearned premiums exceed the sum of the DAC and the present value of both future expected claims and settlement costs, including an appropriate risk margin. Where there is a shortfall, the DAC asset is written down and if insufficient, an unexpired risk liability is recognised.

7. Net incurred claims from general insurance contracts

	2021			2020		
	Current year $M	Prior year $M	Total $M	Current year $M	Prior year $M	Total $M
Gross claims incurred and related expenses						
Undiscounted	8,056	(778)	7,278	8,416	(909)	7,507
Discount and discount movement	(38)	(24)	(62)	(27)	218	191
Gross claims incurred discounted	8,018	(802)	7,216	8,389	(691)	7,698
Reinsurance and other recoveries						
Undiscounted	(1,136)	213	(923)	(1,983)	472	(1,511)
Discount and discount movement	6	1	7	5	(52)	(47)
Reinsurance and other recoveries	(1,130)	214	(916)	(1,978)	420	(1,558)
Net incurred claims	6,888	(588)	6,300	6,411	(271)	6,140

The $588 million decrease in prior year net incurred claims is primarily due to risk margin release relating to prior periods and changes in claims assumptions and experiences. The sensitivity of net profit to changes in claims assumptions, experience and risk margins is set out in note 9.5.

8. Unearned premium liabilities

8.1 Reconciliation of movement

	2021 $M	2020 $M
Unearned premium liabilities relating to general insurance contracts		
Balance at the beginning of the financial year	5,218	5,122
Premiums written during the financial year	10,544	9,953
Premiums earned during the financial year	(10,191)	(9,840)
Foreign currency exchange movement	(4)	(17)
Balance at the end of the financial year	5,567	5,218
Unearned premium liabilities relating to life insurance contracts	1	1
Total unearned premium liabilities	5,568	5,219
Current	5,567	5,215
Non-current	1	4
Total unearned premium liabilities	5,568	5,219

Accounting policies

Premium revenue received and receivable but not earned is recognised as unearned premium liabilities.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

8.2 Liability adequacy test relating to general insurance contracts

	2021 $M	2020 $M
Central estimate of present value of expected future cash flows arising from future claims	4,480	4,207
Risk margin	99	95
Present value of expected future cash inflows arising from reinsurance recoveries on future claims	(270)	(259)
Expected present value of future cash flows arising from future claims including risk margin	4,309	4,043
	%	%
Risk margin	2.5	2.6
Probability of adequacy	57 - 64	57 - 64

Significant estimates, judgements and assumptions

The carrying value of unearned premium liabilities is assessed at each reporting date by carrying out a LAT. This test assesses whether the net unearned premium liabilities less any DAC is sufficient to cover future claims costs for in-force insurance contracts. Future claims costs are calculated as the present value of the expected cash flows relating to future claims, and include a risk margin to reflect the inherent uncertainty in the central estimate. The assessment is carried out on each portfolio of contracts subject to broadly similar risks and managed together as a single portfolio.

The probability of adequacy adopted for the general insurance LAT differs from the 90% probability of adequacy adopted in determining the outstanding claims liabilities (refer to note 9). The reason for this difference is that the former is in effect an impairment test used only to test the sufficiency of net premium liabilities whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liabilities.

The process used to determine the risk margin is discussed in note 9.4.

As at 30 June 2021 and 30 June 2020, the LAT resulted in surpluses for the Australian and New Zealand general insurance portfolios.

If a LAT deficiency occurs, it is recognised in the profit or loss with a corresponding write-down of the related DAC asset. Any remaining balance is recognised as an unexpired risk liability on the consolidated statement of financial position.

Notes to the consolidated financial statements

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9. Outstanding claims liabilities

	2021 $M	2020 $M
General insurance contracts		
Gross central estimate – undiscounted	**9,320**	9,130
Risk margin	**1,192**	1,162
Claims handling expenses	**389**	356
	10,901	10,648
Discount to present value	**(274)**	(212)
Gross outstanding claims liabilities relating to general insurance contracts – discounted	**10,627**	10,436
Gross outstanding claims liabilities relating to life insurance contracts – discounted	**161**	165
Total gross outstanding claims liabilities – discounted	**10,788**	10,601
	%	**%**
General insurance contracts		
Overall net risk margin applied	**15.1**	16.2
Probability of adequacy of the risk margin (approximately)	**90**	90

Accounting policies

Outstanding claims liabilities are measured as the central estimate of the present value of expected future payments, relating to claims incurred at the reporting date with an additional risk margin to allow for the inherent uncertainty of the central estimate. Standard actuarial methods are applied to determine the net central estimate of outstanding claims liabilities. The details of actuarial assumptions and the process for determining the risk margins are set out in note 9.4.

COVID-19 impact on significant estimates, judgements and assumptions

The Group has considered the impact from COVID-19 in its assumptions for measuring outstanding claims liabilities and assets arising from reinsurance contracts, including the potential claims impact of business interruption.

Potential claims impacts arising from business interruption remain uncertain. At 30 June 2021, outstanding claims liabilities include additional claims provisions and risk margins of $211 million (2020: $70 million) relating to business interruption. The outstanding claims liability continues to include a risk margin to achieve a probability of adequacy of 90% for the Group overall.

The provision for additional claims has been calculated on a probability-weighted basis and significant judgement has been exercised by management to derive a reasonable estimate of the probability-weighted view of potential future cash flows relating to business interruption. Key areas of judgement relate to ongoing legal risk (refer to note 35.2 'Contingent Liabilities'), the ultimate number of claims and the estimation of potential economic loss. Key assumptions in our provision estimate are that income from Government subsidies such as JobKeeper is offset against any economic loss subject to indemnity and that the *Biosecurity Act* exclusion wordings in our policies can be relied on by the Group.

Subsequent to the reporting period, ongoing COVID-19 lockdowns were implemented across a number of states. The level of exposure to policies with *Quarantine Act* exemptions has reduced as the policies renew with updated wordings and, at 30 June 2021, these policies comprise less than 5% of the business interruption in-force policies. COVID-19 lockdowns during the year ended 30 June 2021 resulted in fewer motor and home claims and the impact of the lockdowns arising subsequent to 30 June 2021 is expected to be consistent.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

9.1 Reconciliation of movement in discounted outstanding claims liabilities on general insurance contracts

	2021 $M	2020 $M
Net outstanding claims liabilities relating to general insurance contracts at the beginning of the financial year	**8,036**	7,869
Prior periods		
Claims payments	**(2,204)**	(2,337)
Discount unwind	**14**	52
Margin release on prior periods	**(288)**	(289)
Incurred claims due to changes in assumptions and experience	**(269)**	(137)
Change in discount rate	**(45)**	103
Current period		
Incurred claims	**6,888**	6,411
Claims payments	**(3,428)**	(3,628)
Foreign currency exchange movement	**-**	(8)
Net outstanding claims liabilities relating to general insurance contracts at the end of the financial year	**8,704**	8,036
Reinsurance and other recoveries on outstanding claims liabilities		
Expected undiscounted outstanding reinsurance and other recoveries	**1,953**	2,424
Discount to present value	**(30)**	(24)
	1,923	2,400
Gross outstanding claims liabilities (discounted) on general insurance contracts at the end of the financial year	**10,627**	10,436

The following table summarises the maturity profile of net discounted outstanding claims liabilities on general insurance contracts based on the estimated timing of discounted cash outflows:

	Carrying amount $M	1 year or less $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2021	**8,704**	**3,654**	**3,927**	**1,123**	**8,704**
2020	8,036	3,137	3,649	1,250	8,036

9.2 General insurance outstanding claims liabilities and assets arising from reinsurance contracts

The Group's estimation of its claims liabilities includes the expected future cost of claims notified to the Group as at reporting date as well as claims IBNR and claims IBNER. Projected payments are discounted to present value and an estimate of direct expenses expected to be incurred in settling these claims is determined.

The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, with estimates and judgements continually being evaluated and updated based on historical experience and other factors. However, given the uncertainty in the estimation process, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims IBNR and claims IBNER is generally subject to a greater degree of uncertainty with claims often not being adequately reported until many years after the events giving rise to the claims have happened. For this reason, long-tail classes of business will typically display greater variations between initial estimates and final outcomes.

Estimation of assets arising from reinsurance and other recoveries are also calculated using the above methods. The recoverability of these assets is assessed on a periodic basis, taking into consideration factors such as counterparty and credit risk.

Notes to the consolidated financial statements

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9.3 General insurance contracts claims development table

The following table shows the development of the estimated undiscounted outstanding claims liabilities on general insurance contracts relative to the ultimate expected claims for the 10 most recent accident years:

	Accident Year											
	Prior $M	2012 $M	2013 $M	2014 $M	2015 $M	2016 $M	2017 $M	2018 $M	2019 $M	2020 $M	2021 $M	Total $M
Estimate of ultimate claims cost:												
At end of accident year		1,329	1,399	1,415	1,433	1,477	1,589	1,519	1,434	1,387	**1,430**	
One year later		1,319	1,369	1,410	1,377	1,435	1,504	1,467	1,354	1,267		
Two years later		1,249	1,254	1,308	1,280	1,376	1,413	1,449	1,358			
Three years later		1,165	1,155	1,241	1,197	1,354	1,402	1,464				
Four years later		1,113	1,119	1,206	1,182	1,342	1,399					
Five years later		1,086	1,085	1,172	1,161	1,311						
Six years later		1,069	1,056	1,167	1,160							
Seven years later		1,057	1,056	1,166								
Eight years later		1,051	1,051									
Nine years later		1,052										
Current estimate of cumulative claims cost		1,052	1,051	1,166	1,160	1,311	1,399	1,464	1,358	1,267	**1,430**	
Cumulative payments		(1,015)	(976)	(1,041)	(1,051)	(1,070)	(1,030)	(821)	(541)	(319)	**(127)**	
Outstanding claims liabilities – undiscounted	636	37	75	125	109	241	369	643	817	948	**1,303**	**5,303**
Discount to present value	(87)	(1)	(2)	(5)	(3)	(8)	(10)	(10)	(10)	(14)	**(24)**	**(174)**
Outstanding claims – long-tail	549	36	73	120	106	233	359	633	807	934	**1,279**	**5,129**
Outstanding claims – short-tail												**2,058**
Claims handling expense												**378**
Risk margin												**1,139**
Total net outstanding claims liabilities relating to general insurance contracts												**8,704**
Reinsurance and other recoveries on outstanding claims liabilities relating to general insurance contracts												**1,923**
Total gross outstanding claims liabilities relating to general insurance contracts												**10,627**

The claims development table discloses amounts net of reinsurance and third-party recoveries to give the most meaningful insight into the impact on profit or loss. Short-tail claims are disclosed separately as they are generally subject to less uncertainty since they are normally reported soon after the incident and are generally settled within 12 months following the reported incident.

9.4 Actuarial assumptions and methods relating to general insurance contracts

Significant accounting judgements and estimates

The estimation of the outstanding claims liabilities is based on multiple actuarial techniques that analyse experience, trends and other relevant factors utilising the Group's specific data, relevant industry data and general economic data. Methods undertaken to determine claims liabilities will vary according to the class of business.

The use of multiple actuarial methods assists in providing a greater understanding of the trends inherent in the historical data. The projections obtained from various methods also assist in setting the range of possible outcomes. The most appropriate method or a blend of methods is selected, taking into account the characteristics of the class of business and the extent of the development of each past accident period.

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9.4 Actuarial assumptions and methods relating to general insurance contracts (continued)

The following key assumptions have been made in determining the outstanding claims liabilities relating to general insurance contracts:

	2021		2020	
	Australia	New Zealand	Australia	New Zealand
Weighted average term to settlement (years)	**3.0**	**0.9**	3.3	1.0
Weighted average economic inflation rate	**3.3%**	**1.8%**	3.4%	2.1%
Superimposed inflation rate	**2.1%**	**1.5%**	2.1%	1.8%
Discount rate	**1.0%**	**0.8%**	0.8%	0.4%
Claims handling expense ratio	**5.2%**	**8.0%**	5.2%	9.1%
Risk margin	**15.6%**	**15.7%**	16.9%	17.8%

Weighted average term to settlement – The weighted average term to settlement is the projected term to final claim payment. The term to settlement is calculated separately by class of business and is based on historical settlement patterns.

Economic and superimposed inflation – Economic inflation is based on economic indicators such as the consumer price index and/or increases in average weekly earnings. Superimposed inflation reflects the tendency for some costs, such as court awards, to increase at levels in excess of economic inflation. Inflation assumptions are set at a class of business level and reflect experience and future expectations.

Discount rate – Discount rates are derived from market yields on Commonwealth Government securities in Australia and the 10-year government stock rate in New Zealand at the reporting date.

Claims handling expense ratio – Claims handling expense ratio is calculated with reference to past experience of claims handling costs as a percentage of past payments.

Risk margin – The overall risk margin is determined after analysing the relative uncertainty of the outstanding claims estimate for each class of business and the diversification between classes and geographical locations.

The assumptions regarding uncertainty for each class of business are applied to the net central estimates, and the results are aggregated, allowing for diversification, in order to arrive at an overall position which is intended to have an approximate probability of sufficiency of 90% across the Group (2020: 90%).

9.5 Impact of changes in key variables relating to general insurance contracts

The Group conducts sensitivity analyses to quantify the exposure to the risk of changes in the key underlying actuarial assumptions. A sensitivity analysis is conducted on each variable while holding all other variables constant. The table below describes how a change in each assumption will affect the profit before tax. There is no impact to equity reserves.

		2021	2020
	Movement in variable	Profit (loss) $M	Profit (loss) $M
Weighted average term to settlement (years)	+0.5 years	**(174)**	(178)
	-0.5 years	**170**	174
Inflation rate	+100 bps	**(231)**	(239)
	-100 bps	**215**	220
Discount rate	+100 bps	**223**	229
	-100 bps	**(245)**	(254)
Claims handling expense ratio	+100 bps	**(72)**	(65)
	-100 bps	**72**	65
Risk margin	+100 bps	**(75)**	(68)
	-100 bps	**75**	68

Note: bps – basis points

Notes to the consolidated financial statements

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Banking activities

This section includes disclosures about the Group's banking activities operated by Suncorp-Metway Limited (SML) and its subsidiaries (referred to as the "Bank").

10. Net interest income

	2021 $M	2020 $M
Interest income		
Cash and cash equivalents	-	4
Receivables due from other banks	-	1
Investment securities at fair value through other comprehensive income (FVOCI)	65	99
Loans and advances	1,643	2,000
Interest income on financial assets and liabilities not at fair value through profit or loss (FVTPL)	1,708	2,104
Trading securities	3	11
Investment securities at FVTPL[1]	324	359
Interest income on financial assets and liabilities at FVTPL	327	370
Total interest income	2,035	2,474
Interest expense		
Deposits	(211)	(487)
Borrowings at amortised cost	(212)	(390)
Loan capital[1]	(68)	(85)
Leases[1]	(9)	(11)
Interest expense on financial assets and liabilities not at FVTPL	(500)	(973)
Borrowings designated at FVTPL	(4)	(29)
Derivatives[2]	(26)	2
Interest expense on financial assets and liabilities at FVTPL	(30)	(27)
Total interest expense	(530)	(1,000)
Net interest income	1,505	1,474

1 Represents interest income or expense on bank-related as well as non-bank-related assets and liabilities.
2 Represents the net interest income/expense from derivative instruments which are utilised to hedge interest rate risk in accordance with the Group's risk management practices.

Accounting policies

Interest income and expense

Interest income and expense on financial assets or liabilities at amortised cost are recognised in profit or loss using the effective interest method. This includes fees and commission income and expense (e.g. lending fees) that are integral to the effective interest rate on a financial asset or liability.

Interest income and expense on financial assets or liabilities at fair value are recognised in profit or loss when earned or incurred.

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11. Loans and advances

	Note	2021 $M	2020 $M
Retail loans			
Housing loans		41,688	40,403
Securitised housing loans and covered bonds[1]		4,374	6,071
Consumer loans		122	155
		46,184	46,629
Business loans			
Commercial (SME)		7,151	7,314
Agribusiness		4,228	4,081
		11,379	11,395
Gross loans and advances		57,563	58,024
Provision for impairment	12.1	(239)	(301)
Net loans and advances		57,324	57,723
Current		10,590	10,036
Non-current		46,734	47,687
Net loans and advances		57,324	57,723

1 Excludes internally held notes for repurchase with central banks. Refer to note 17.3 for further details.

During the year, the Group continued to support customers who experienced financial difficulties as a result of the COVID-19 global pandemic and offered a range of industry-wide financial assistance measures including temporary loan repayment deferrals (principal and interest). The capital relief provided by the Australian Prudential Regulation Authority (APRA) ceased on 31 March 2021. As a result, loans and advances subject to COVID-19 financial assistance packages were $nil million at 30 June 2021 (2020: $4,828 million, comprised of housing loans of $3,752 million, SME lending of $697 million and other business and retail lending of $379 million).

Accounting policies

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are facilities the Group provides directly to customers or through third party channels.

Financial assets are classified at amortised cost where cash flows are solely payments of principal payments and interest (SPPI), and the business model is held-to-collect. Loans and advances are included in this category. They are initially measured at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost less any impairment losses.

Modification of contractual cash flows

In cases where borrowers face financial difficulties, the Group may grant a change to the terms and conditions of their loan repayments for a specific period to avoid the customers defaulting on their loan. These changes can include payment deferrals, change in amortisation periods, and temporary change in interest rates. Loans restructured on commercial terms with a significant modification of contractual cash flows are considered a re-origination. In this case, the asset will be derecognised and a new asset will be recognised.

For modifications that do not result in a derecognition, a modification gain or loss will be calculated based on the difference between the present value of the renegotiated or modified contractual cash flows and the gross carrying amount prior to modification. The present value is determined using the loan's original effective interest rate.

Derecognition of financial assets

Financial assets, including loans and advances are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Group has transferred substantially all risk and rewards of ownership.

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12. Provision for impairment on financial assets

12.1 Reconciliation of provision for impairment on financial assets

The table below shows the reconciliation of expected credit loss (ECL), specific provision (SP) and gross carrying amount for loans and advances (GLA) for the financial year ended 30 June 2021.

	Collective provision									
	Stage 1		Stage 2		Stage 3		Stage 3 SP		Total	
	GLA $M	ECL $M	GLA $M	ECL $M	GLA $M	ECL $M	GLA $M	SP $M	GLA $M	Provision $M
As at 1 July 2019	56,631	42	1,905	37	638	32	122	31	59,296	142
Transfers:										
Transfer to stage 1	982	16	(854)	(12)	(128)	(4)	-	-	-	-
Transfer to stage 2	(1,484)	(4)	1,558	6	(74)	(2)	-	-	-	-
Transfer to stage 3	(273)	-	(264)	(7)	491	5	46	2	-	-
New loans and advances originated	8,743	27	-	-	-	-	-	-	8,743	27
Net increase (release) of ECL/SP	-	61	-	54	-	29	-	28	-	172
Loans and advances derecognised	(9,523)	(18)	(322)	(4)	(134)	(3)	(36)	(5)	(10,015)	(30)
SP written-off	-	-	-	-	-	-	-	(7)	-	(7)
Unwind of discount	-	-	-	-	-	-	-	(3)	-	(3)
As at 1 July 2020	55,076	124	2,023	74	793	57	132	46	58,024	301
Transfers:										
Transfer to stage 1	**1,049**	**34**	**(918)**	**(27)**	**(131)**	**(7)**	**-**	**-**	**-**	**-**
Transfer to stage 2	**(904)**	**(10)**	**1,076**	**20**	**(170)**	**(9)**	**(2)**	**(1)**	**-**	**-**
Transfer to stage 3	**(319)**	**(2)**	**(120)**	**(8)**	**399**	**4**	**40**	**6**	**-**	**-**
New loans and advances originated	**11,082**	**34**	**-**	**-**	**-**	**-**	**-**	**-**	**11,082**	**34**
Net increase (release) of ECL/SP	**-**	**(62)**	**-**	**8**	**-**	**21**	**-**	**16**	**-**	**(17)**
Loans and advances derecognised	**(10,918)**	**(25)**	**(407)**	**(17)**	**(179)**	**(14)**	**(39)**	**(11)**	**(11,543)**	**(67)**
SP written-off	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9)**	**-**	**(9)**
Unwind of discount	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3)**	**-**	**(3)**
As at 30 June 2021	**55,066**	**93**	**1,654**	**50**	**712**	**52**	**131**	**44**	**57,563**	**239**
Provision for impairment on:										
Loans and advances	**(81)**		**(45)**		**(52)**		**(44)**		**(222)**	
Commitments & guarantees	**(12)**		**(5)**		**-**		**-**		**(17)**	
Net carrying amount as at 30 June 2021	**54,973**		**1,604**		**660**		**87**		**57,324**	

12.2 Impairment loss on financial assets

	2021 $M	2020 $M
(Decrease) increase in collective provision for impairment	**(60)**	145
Increase in SP for impairment	**10**	25
Bad debts written off	**2**	3
Bad debts recovered	**(1)**	(1)
Total impairment (release) loss on loans and advances	**(49)**	172

The collective provision release of $60 million (2020: $145 million loss) was driven by better economic outcomes than anticipated at the time of establishing the June 2020 collective provision, as well as improved forward-looking economic inputs to the ECL model, primarily unemployment levels and residential and commercial property prices. Refer note 12.3 for further details.

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12.2 Impairment loss on financial assets (continued)

Accounting policies

By providing loans and advances to customers, the Group is exposed to credit risk. Accordingly, there will be instances where the Group will not receive the full amount owed, hence provisions for impairment are recognised.

Expected credit loss model

The Group has developed the ECL model to estimate the adverse impact on future cash flows for each group of loans with similar credit risk characteristics.

ECL is recorded for all financial assets measured at amortised cost or FVOCI. ECL is calculated as the probability of default (PD) x loss given default (LGD) x exposure at default. The credit models are calibrated to reflect PD and LGD estimates based on historical observed experience, as well as reflecting the influence of unbiased forward-looking views of macroeconomic conditions, through macroeconomic variables that influence credit losses, such as unemployment rate and changes in residential property prices.

The economic forecasts underpinning the PD and LGD estimates are reviewed on at least a six-monthly basis, taking into account expert judgment, and are approved by the Bank's Asset and Liability Committee. Management has included adjustments to the modelled provisions to capture emerging risks that have not been captured in the ECL model.

Financial assets that are subject to credit risk are assigned to one of three stages and could be reassigned based on changes in asset quality:

	Asset quality	Provision established to provide for ECL for:
Stage 1	Performing and/or newly originated assets.	A 12-month period.
Stage 2	Have experienced a significant increase in credit risk (SICR) since origination.	The remaining term of the asset (lifetime ECL).
Stage 3	In default as they are either past due but not impaired or impaired assets.	Lifetime ECL.

Portfolio managed assets in stage 3 (mainly retail lending), will have a collective provision determined by the ECL model. The portfolios are split into pools with homogenous risk profiles and pool estimates of PD and LGD. Some portfolio managed assets are individually covered by a SP.

The majority of relationship managed assets in stage 3 (mainly business lending) will require a SP. If it is determined that a collective provision provides a more appropriate estimate, a ratings-based approach is applied using estimates of PD and LGD, at a customer level.

Loans with similar credit risk characteristics are grouped as follows:

- Retail loans, small business and non-credit risk-rated business loans are grouped by product.
- Credit risk-rated business loans are grouped by the industry types, being agribusiness, commercial property, development finance and property investment.

The independent Business Customer Support and Collections teams provide the Chief Risk Officer, Banking & Wealth and the Bank Credit Risk Committee with analysis of the carrying value of impaired loans and factors impacting recoverability.

Significant increase in credit risk

A SICR event occurs if a loan deteriorates on the master rating scale (MRS) by a defined number of notches since origination or by going into arrears. Loans with a higher MRS at origination (higher risk) require fewer notch movements to trigger a SICR event than loans with a lower MRS at origination (lower risk). From the perspective of arrears, 30 days past due is always considered stage 2. Exposures for which the MRS subsequently improves to below the SICR threshold will move back to stage 1. Loans restructured on commercial terms with a significant modification of their terms and conditions are considered a re-origination and will be moved into stage 1. The incorporation of forward-looking information within the ECL includes a mechanism to allocate a proportion of portfolio exposure to stage 2, based on the macroeconomic outlook and is designed to capture SICR events that are not yet reflected in observed data at the exposure level.

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12.2 Impairment loss on financial assets (continued)

Specific provisions

A SP for impairment is recognised where there is objective evidence of impairment and full recovery of principal and interest is considered doubtful. The present value of the expected future cash flows is compared to the carrying amounts of the loan. All factors that have a bearing on the expected future cash flows are considered, including the business prospects for the customer, the realisable value of collateral, the Group's position relative to other claimants, the reliability of customer information and the likely cost and duration of the work-out process. These judgements can change as new information becomes available and work-out strategies evolve. The asset quality of an exposure carrying a SP is rated as stage 3.

The Group's policy requires the SP that are above internal thresholds to be reviewed at least quarterly, and more regularly as circumstances require.

Write-offs

A write-off is made when all practical recovery efforts have concluded and all or part of a financial asset is deemed unrecoverable or forgiven. Write-offs reduce the principal amount of a claim and are charged against previously established ECLs.

12.3 Expected credit loss model methodology, estimates and assumptions

COVID-19 impact on the use of estimates and assumptions

The provision for impairment on financial assets is considered to be a significant accounting estimate and judgment as forecast macroeconomic conditions are a key factor in determining the ECL for loans and advances. The COVID-19 pandemic and the associated prevention measures continue to have a profound impact on the Australian and global economy. Key economic indicators such as residential property prices and unemployment have improved. However, there remains downside economic risk associated with future lockdowns and delays in vaccine rollouts which could impede economic recovery.

Reported expected credit loss

The Group calculates the ECL by considering a distribution of economic outcomes around a central underlying scenario, with the central scenario set considering the Group's view of the most likely economic scenario, as well as more adverse outcomes.

As the negative impact of an economic downturn on credit losses tends to be greater than the positive impact of an economic upturn, if the Group determines collective provision only on the ECL under the central forecast, or based on a limited number of discrete scenarios, it might maintain a level of collective provision that does not appropriately reflect the range of potential outcomes, including more severe downside events. To address this, AASB 9 *Financial Instruments* (AASB 9) requires the ECL to be the probability weighted ECL outcome calculated for a range of possible outcomes.

In determining the Reported ECL of $195 million as at 30 June 2021, a distribution of outcomes around the central economic scenario is adopted for both PD and LGD, taking into consideration observed variability in economic outcomes and collateral values. The macroeconomic outlook, as reflected in the central scenario, has improved since the outset of COVID-19. However, considerable uncertainty and potential for further downside risk remains, including the potential for economic fallout from further lockdowns, rolling back of government support and delays in the vaccine rollout.

Accordingly, the PD and LGD distributions around the central estimate incorporate an increased weighting to downside outcomes. For example, for LGD, the ECL reflects a 10% probability that Queensland metro residential property prices fall in excess of 20% over the next year. Similarly, the ECL calculation reflects a 10% probability that national commercial property prices fall in excess of 29.2% over the next year.

The central scenario incorporates a weighting of key macroeconomic information from three distinct views being Base, Downside and Severe Downside. The central scenario does reflect potential for worse outcomes than may be indicated by recent data points which indicate a more positive outlook. The views are described below:

- Base view reflects the assumptions used by the Group for business planning and forecasting.
- Downside view reflects a moderate shift to the downside in the short term in comparison to the base view. In the longer term the annual change is more aligned to the base view.
- Severe downside view reflects a significant and prolonged deterioration in the economic outlook.

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12.3 Expected credit loss model methodology, estimates and assumptions (continued)

The key macroeconomic information for the central scenario view is presented below:

	Actual	Central (weighted view)		
	FY20	FY21[1]	FY22	FY23
Property prices - residential - annual change (%)	5.2	**12.9**	(0.3)	(1.0)
Property prices - commercial - annual change (%)	(3.0)	**(5.1)**	(0.4)	0.6
Unemployment rate[2] (%)	7.2	**6.8**	6.4	5.5

1 FY21 reflects a forecast as the actual figures were not available at the time of the model calibration.
2 The impact of unemployment on the modelled ECL is captured primarily via changes in the rate. For retail lending portfolios, defaults generally arise with a lag following an increase in unemployment rate, whereas for business lending portfolios changes in unemployment tend to flow through more quickly and the future outlook becomes more relevant.

Downside sensitivity expected credit loss

The ECL calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, signifying no single analysis can fully demonstrate the sensitivity of the ECL to fluctuations in macroeconomic variables. As a result of economic uncertainty and the sensitivity to key macroeconomic variables, significant adjustments to the ECL could occur in future periods. To provide an indication of the impact of changes in key macroeconomic variables, a sensitivity analysis is conducted on the following key macroeconomic drivers as the ECL is most sensitive to these inputs:

- residential and commercial property prices,
- the unemployment rate, and
- a combination of simultaneous adverse movements in both the property prices and the unemployment rate as this highlights how the variables would interact in a downside scenario.

The table below describes how each of the three aforementioned drivers will impact the profit (loss) before tax with a corresponding impact on the ECL at reporting date.

	Downside sensitivity	
	Movement in variable relative to central case	Pre-tax impact Profit (loss) $M
Movement of variables in isolation		
Property prices - residential	Decrease ~400 bps over 2 years	(7)
Property prices - commercial	Decrease ~400 bps over 2 years	(14)
Unemployment rate	Increase 100 bps	(27)
Movement of variables in combination		
Property prices - residential and commercial, and unemployment rate all move simultaneously	Adverse movements as above	(53)

13. Deposits

	2021 $M	2020 $M
At-call transactions deposits	**16,928**	14,418
At-call savings deposits	**16,180**	13,902
Term deposits	**8,092**	11,263
Total deposits	**41,200**	39,583
Current	**40,935**	39,442
Non-current	**265**	141
Total deposits	**41,200**	39,583

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14. Borrowings

	Note	2021 $M	2020 $M
Short-term[1] securities issued in domestic market[2]		**4,011**	5,079
Short-term[1] offshore commercial paper[3]		**1,763**	1,498
Long-term[1] domestic borrowings[2]		**3,217**	4,432
Long-term[1] offshore borrowings[2]		**1,370**	2,486
Total unsecured borrowings		**10,361**	13,495
Covered bonds[2]	17.3	**2,091**	2,589
Securitisation liabilities[2]	17.3	**2,165**	2,945
Term funding facility[2]	17.3	**4,129**	1,100
Total secured borrowings		**8,385**	6,634
Total borrowings		**18,746**	20,129
Current		**7,147**	9,995
Non-current		**11,599**	10,134
Total borrowings		**18,746**	20,129

1 Short-term is defined as original maturity of less than 12 months, and long-term is defined as original maturity of 12 months or greater.
2 Financial liabilities at amortised cost.
3 Financial liabilities at FVTPL.

Short-term borrowings outstanding at 30 June 2021 of $301 million (2020: $817 million) have been obtained under repurchase agreements with the Reserve Bank of Australia (RBA) and disclosed within the above category of 'Short-term securities issued in domestic market'.

The Group has elected to recognise its US Commercial Paper portfolio at FVTPL on the basis that it is economically hedged by forward foreign exchange contracts. The fair value of forward foreign exchange contracts used as economic hedges of monetary liabilities in foreign currencies as at 30 June 2021 is $49 million asset (2020: $41 million liability).

The contractual amount payable on financial liabilities designated at FVTPL at maturity is $1,763 million (2020: $1,498 million).

Accounting policies

Financial liabilities at amortised cost

Financial liabilities at amortised cost are initially measured at fair value plus any directly attributable transaction costs. They are subsequently measured at amortised cost (except those designated at FVTPL, as outlined below) using the effective interest method. Interest incurred is recognised using the effective interest method. The Group's financial liabilities at amortised cost include "Deposits" (refer to note 13), "Borrowings" (refer to note 14) and "Loan capital" (refer to note 21).

Financial liabilities at fair value through profit or loss

These liabilities are classified as either held for trading or those that are designated upon initial recognition. Liabilities are initially recognised on trade date at fair value with any directly attributable transaction costs recognised in profit or loss as incurred. Fair value is determined using the offer price where available. Movements in the fair value are recognised in the profit or loss. The impact of changes in 'own credit risk' for financial liabilities designated at FVTPL will be separated and recorded in OCI instead of profit or loss. The Group designates certain short-term offshore borrowings at FVTPL when they are managed on a fair value basis.

Derecognition of financial liabilities

Non-derivative financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expired.

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Other investment and financial instruments

The Group's investment strategy is a key part in achieving an appropriate balance between risk and return. This strategy utilises a diverse range of trading and investment securities. This generates interest income which contributes to the Group's results, assists in meeting the Group's cash flow needs to pay claims (part of insurance activities), meet customer demands (part of banking activities) and the Group's capital requirements.

Derivatives are used by the Group to manage interest rate and foreign exchange risk exposures.

15. Trading and investment securities

	2021 $M	2020 $M
Trading securities		
Financial assets at FVTPL		
Interest-bearing securities at FVTPL:		
Bank bills, certificates of deposit and other securities – current	**1,579**	1,460
Investment securities		
Financial assets at FVTPL		
Interest-bearing securities	**14,579**	13,349
Equity securities	**1,367**	892
Unit trusts	**728**	690
	16,674	14,931
Interest-bearing securities at FVOCI	**4,556**	4,832
Total investment securities	**21,230**	19,763
Current	**16,387**	14,940
Non-current	**4,843**	4,823
Total investment securities	**21,230**	19,763

Accounting policies

The Group determines whether each financial asset's contractual cash flows are SPPI and how the financial asset is managed.

Fair value through profit or loss

Financial assets where contractual cash flows are not SPPI will be classified at FVTPL. Assets that are SPPI, but managed on a fair value basis, will also be classified at FVTPL. Where financial assets other than FVTPL back liabilities at FVTPL, this would create an accounting mismatch and the financial assets can be designated at FVTPL to remove this mismatch.

Financial assets at FVTPL are initially recognised on trade date at fair value. Transaction costs are recognised in profit or loss as incurred. Subsequently, the assets are measured at fair value on each reporting date and any gains or losses are taken immediately to profit or loss.

The Group has classified financial assets held in portfolios that match the average duration of a corresponding insurance liability, as assets backing general insurance liabilities.

Fair value through other comprehensive income

Debt instruments that are SPPI and are held-to-collect-and-to-sell (regular, but not frequent sales) will be recorded as FVOCI. These will be measured at fair value with subsequent changes going through OCI. On derecognition, the accumulated OCI will be recycled into profit or loss.

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16. Derivative financial instruments and hedge accounting

	2021		2020	
	Asset $M	Liability $M	Asset $M	Liability $M
Interest rate				
Non-hedge accounting	**60**	**53**	138	78
Hedge accounting	**235**	**240**	375	444
	295	**293**	513	522
Interest rate and foreign exchange				
Non-hedge accounting	**1**	**-**	1	1
Hedge accounting	**3**	**8**	262	-
	4	**8**	263	1
Foreign exchange				
Non-hedge accounting	**51**	**30**	54	50
Hedge accounting	**-**	**-**	-	1
	51	**30**	54	51
Credit contracts				
Non-hedge accounting	**1**	**1**	1	-
	1	**1**	1	-
Total derivative exposures				
Non-hedge accounting	**113**	**84**	194	129
Hedge accounting	**238**	**248**	637	445
	351	**332**	831	574

Derivative financial instruments are contracts whose values are derived from one or more underlying prices, benchmarks or other variables. Derivatives are used by the Group to manage interest rate and foreign exchange risk. Non-hedge accounting derivatives are those derivatives that are classified as "held for trading" which are either not designated in a qualifying hedge accounting relationship, or acquired or incurred principally for the purpose of selling or repurchasing in the near term, or held as part of a portfolio that is managed together for short-term profit or position taking. Hedge accounting derivatives are those derivatives that are designated in a qualifying hedge accounting relationship.

As at 30 June 2021, there was either no embedded derivatives or if any it was deemed insignificant in value (2020: none).

Accounting policies

All derivatives are initially recognised at fair value on trade date and transaction costs are recognised in profit or loss as incurred. Derivatives are classified and measured at FVTPL unless they are being designated as a hedging instrument in an effective hedge relationship under hedge accounting.

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16.1 Derivative financial instruments – hedge accounting

Type of hedge	Fair value hedge	Cash flow hedge	Net investment hedge
Objective	To hedge changes in fair value of financial assets and liabilities arising from interest rate risk	To hedge variability in cash flows from recognised financial assets and liabilities arising from interest rate and foreign currency risk	To hedge changes in foreign currency exposure arising from foreign operations of the Group
Hedged risk	Interest rate risk	Interest rate risk Foreign exchange risk	Foreign exchange risk (spot)
Hedging instruments	Pay fixed / receive variable interest rate swaps Receive fixed / pay variable interest rate swaps Receive fixed foreign currency / pay variable local currency cross currency swaps	Receive fixed / pay variable interest rate swaps Pay fixed / receive variable interest rate swaps Receive fixed foreign currency / pay variable local currency cross currency swaps	Pay variable foreign currency / receive variable local currency on cross currency swaps
Hedged item	Fixed interest financial assets and liabilities	Variable interest financial assets and liabilities	Foreign operations
Economic relationship test	Matched terms	Regression analysis	Regression analysis
Hedge effectiveness testing	Cumulative dollar offset Hedge ratio 1:1	Cumulative dollar offset Hedge ratio 1:1	Regression analysis Hedge ratio 1:1
Potential sources of ineffectiveness	Differences between the hedging instrument and hedged item, including: interest curves used for discounting; interest rate reset date or frequency; and changes in credit risk	Differences between the hedging instrument and hedged item, including: interest rate reset date or frequency; changes in credit risk; and prepayment risk on hedged items	Differences in interest rate reset frequency between the derivative and hedged item; differences in the interest rate setting date between the derivative and hedged item; change in the credit risk of the derivatives; prepayment risk on the hedged item and basis risks on the cross currency swap

The following table shows the maturity profile for hedging instruments by notional amount, reported based on their contractual maturity.

	2021				2020			
	Notional				Notional			
	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M	0 to 12 months $M	1 to 5 years $M	Over 5 years $M	Total $M
Interest rate risk								
Fair value hedge	**35**	**125**	**455**	**615**	400	160	551	1,111
Cash flow hedge	**11,793**	**25,769**	**625**	**38,187**	9,536	26,002	625	36,163
Interest rate and foreign exchange risk								
Fair value and cash flow hedge	**665**	**665**	**-**	**1,330**	948	1,458	-	2,406
Foreign exchange risk								
Net investment hedge	**-**	**55**	**-**	**55**	-	55	-	55

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16.1 Derivative financial instruments – hedge accounting (continued)

The following table shows amounts relating to designated hedged items:

	Carrying amount $M	Accumulated fair value hedge adjustments[1] $M	Accumulated balances in reserves[2] $M	Amounts reclassified from reserves to profit or (loss)[3] as: Hedged cash flows will no longer occur $M	Hedged item has affected profit or (loss) $M
2021					
Interest rate risk					
Fair value hedge					
Investment securities	**674**	**-**	**n/a**	**n/a**	**n/a**
Cash flow hedge					
Loans and advances	**24,368**	**n/a**	**296**	**-**	**-**
Deposits and borrowings	**25,750**	**n/a**	**(248)**	**-**	**-**
Interest rate and foreign exchange risk					
Fair value and cash flow hedge					
Borrowings	**1,370**	**42**	**(8)**	**-**	**-**
Foreign exchange risk					
Net investment hedge					
Net investment in foreign operation	**55**	**-**	**-**	**-**	**-**
2020					
Interest rate risk					
Fair value hedge					
Investment securities	1,216	-	n/a	n/a	n/a
Cash flow hedge					
Loans and advances	23,849	n/a	652	-	-
Deposits and borrowings	24,844	n/a	(616)	-	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge					
Borrowings	2,486	82	(2)	-	-
Foreign exchange risk					
Net investment hedge					
Net investment in foreign operation	55	-	(1)	-	-

Note: n/a – not applicable

1 The accumulated amount of fair value hedge adjustments remaining on the consolidated statement of financial position for hedged items that have ceased to be adjusted for hedging gains and losses is $nil million (2020: $nil million).

2 Balances presented in the table are gross of tax. There is $nil million (2020: $nil million) remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.

3 Amounts reclassified from reserves to profit or loss are included as part of 'Fees and other income' in the consolidated statement of comprehensive income.

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16.1 Derivative financial instruments – hedge accounting (continued)

The table below shows the average executed price or rate of the hedging instrument for interest rate exposures:

	2021	2020
Interest rate swaps:		
AUD average fixed interest rate		
Hedging investment securities	**2.47%**	3.31%
Hedging loans and advances	**1.14%**	1.64%
Hedging deposits and borrowings	**1.10%**	1.63%
Cross currency swaps:		
Average AUD/USD exchange rate	**0.7288**	0.7405
Average fixed interest rate USD	**2.99%**	2.78%

The following table shows amounts related to designated hedging instruments, including the fair value changes for the period used as the basis for calculating hedge ineffectiveness.

	Carrying amount assets $M	Carrying amount liabilities $M	Gains (losses) on hedging instruments $M	Gains (losses) attributable to hedged risk $M	Hedge ineffectiveness in profit or (loss)[1] $M
2021					
Interest rate risk					
Fair value hedge - interest rate swaps	**2**	**45**	**53**	**(53)**	**-**
Cash flow hedge - interest rate swaps	**233**	**195**	**12**	**(12)**	**-**
Interest rate and foreign exchange risk					
Fair value and cash flow hedge - cross currency swaps	**3**	**8**	**(264)**	**264**	**-**
Foreign exchange risk					
Net investment hedge	**-**	**-**	**-**	**-**	**-**
Total	**238**	**248**	**(199)**	**199**	**-**
2020					
Interest rate risk					
Fair value hedge - interest rate swaps	-	96	(4)	5	1
Cash flow hedge - interest rate swaps	375	348	42	(44)	-
Interest rate and foreign exchange risk					
Fair value and cash flow hedge - cross currency swaps	262	-	29	(29)	-
Foreign exchange risk					
Net investment hedge	-	1	1	(1)	-
Total	637	445	68	(69)	1

1 Hedge ineffectiveness is recognised as part of 'Fees and other income' in the consolidated statement of comprehensive income.

Accounting policies

The Group applies hedge accounting to offset the effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item.

The IASB is currently working on a project on dynamic risk management, which will impact hedge accounting for macro hedges. AASB 9 currently provides an option to continue to apply AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) hedge accounting rules until this project is finalised. The Group continues to apply hedge accounting under AASB 139.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

16.1 Derivative financial instruments – hedge accounting (continued)

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability of cash flows that:

- is attributable to a particular risk associated with a recognised asset or liability (such as future interest payments on variable rate debt) or a highly probable forecast transaction; and
- could affect profit or loss.

Changes in the fair value associated with the effective portion of a hedging instrument designated as a cash flow hedge are recognised in OCI and accumulated in the hedging reserve within equity as the lesser of the cumulative fair value gain or loss on the hedging instrument and the cumulative change in fair value on the hedged item from the inception of the hedge. Ineffective portions are immediately recognised in the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised or the hedge relationship is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, the amounts accumulated in equity are released to profit or loss immediately. In other cases, the cumulative gain or loss previously recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of:

- a recognised asset or liability;
- an unrecognised firm commitment; or
- an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

Where an effective hedge relationship is established, fair value gains or losses on the hedging instrument are recognised in profit or loss. At the same time, changes in fair value of the hedged item attributable to the hedged risk are recognised as a gain or loss in the profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised or the hedge relationship is revoked, then hedge accounting is discontinued prospectively. The hedged item is accounted for under the effective interest method from that point and any accumulated adjustment to the carrying value of the hedged item from when it was effective is released to profit or loss over the period to when the hedged item will mature.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, is accounted for similarly to cash flow hedges. Where an effective hedge relationship is established, the effective portion of the cumulative net change in the clean fair value of hedging instruments is recognised in the foreign currency translation reserve; while the ineffective portion is recognised in profit or loss.

Upon disposal or partial disposal of the foreign operation, the effective portion recognised in the foreign currency translation reserve shall be reclassified from equity to profit or loss as part of the gain or loss on disposal.

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For the financial year ended 30 June 2021

17. Financial instruments, master netting and transfer of financial assets

17.1 Fair value of financial instruments

Fair values are categorised by a three-level hierarchy which identifies the inputs to valuation techniques used to measure fair value:

- Level 1: derived from quoted prices (unadjusted) in active markets for identical financial instruments that the Group can access at the measurement date.
- Level 2: derived from other than quoted prices included within level 1 that are observable for the financial instruments, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.
- Level 3: fair value is determined using valuation techniques which include significant inputs that are unobservable. The valuation techniques include the use of discounted cash flow models for loans and advances. The fair value of investments in infrastructure assets (held via unlisted trusts) are determined based on the Group's share of the net asset value of the unlisted trusts, as advised by the external investment manager. The fair value of other unlisted equity securities is determined as the cost of the investment adjusted for known increments or decrements as this is considered to be the most reliable measure of fair value.

Financial assets and liabilities measured at fair value

The following table presents the financial assets and liabilities that are measured at fair value categorised by fair value hierarchy.

	2021				2020			
	Level 1 $M	Level 2 $M	Level 3 $M	Total $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
Financial assets								
Trading securities	-	1,579	-	1,579	435	1,025	-	1,460
FVTPL[1]	4,737	11,690	247	16,674	3,648	10,979	304	14,931
FVOCI[1]	-	4,538	18	4,556	-	4,814	18	4,832
Derivatives	1	350	-	351	2	829	-	831
	4,738	18,157	265	23,160	4,085	17,647	322	22,054
Financial liabilities								
Short-term offshore commercial paper[2]	-	1,763	-	1,763	-	1,498	-	1,498
Derivatives	6	326	-	332	6	568	-	574
Managed funds units on issue	-	987	-	987	-	714	-	714
	6	3,076	-	3,082	6	2,780	-	2,786

1 Disclosed within the consolidated statement of financial position category of 'Investment securities'.
2 Designated as financial liabilities at FVTPL. Disclosed within the consolidated statement of financial position category of 'Borrowings'.

There have been no significant transfers between Level 1 and Level 2 during the financial year ended 30 June 2021.

Level 3 financial assets consist of investment in unlisted equity securities of $18 million (2020: $29 million) and investments in infrastructure assets and property related assets of $245 million (2020: $293 million).

During the financial year, no additional units of infrastructure assets or property related assets were purchased (2020: $nil million) while infrastructure units were redeemed for $72 million (2020: $41 million). Fair value gain of $8 million (2020: $5 million) was recognised through 'Net gains on financial assets and liabilities at FVTPL'.

At 30 June 2021, an additional $19 million (2020: $98 million) of infrastructure related assets have been reclassified from level 2 to level 3. Included in the fair value of those assets transferred to level 3 is a fair value increase of $3 million (2020: $8 million decrease) recognised through 'Net gains on financial assets at FVTPL'.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

17.1 Fair value of financial instruments (continued)

Financial assets and liabilities not measured at fair value

The following table discloses a comparison of carrying value and fair value of financial assets and liabilities that are not measured at fair value after initial recognition, where their carrying value is not a reasonable approximation of fair value.

			Fair value			
	Note	Carrying value $M	Level 1 $M	Level 2 $M	Level 3 $M	Total $M
2021						
Financial assets						
Loans and advances	11	**57,324**	**-**	**-**	**57,341**	**57,341**
		57,324	**-**	**-**	**57,341**	**57,341**
Financial liabilities						
Deposits	13	**41,200**	**-**	**41,226**	**-**	**41,226**
Borrowings	14	**16,983**	**-**	**17,187**	**-**	**17,187**
Loan capital	21	**2,376**	**1,169**	**1,286**	**-**	**2,455**
		60,559	**1,169**	**59,699**	**-**	**60,868**
2020						
Financial assets						
Loans and advances	11	57,723	-	-	57,909	57,909
		57,723	-	-	57,909	57,909
Financial liabilities						
Deposits	13	39,583	-	39,647	-	39,647
Borrowings	14	18,631	-	18,765	-	18,765
Loan capital	21	2,349	1,128	1,214	-	2,342
		60,563	1,128	59,626	-	60,754

Accounting policies

Financial assets

The carrying value of loans and advances is net of provisions for ECL. For variable rate loans, excluding impaired loans, the carrying amount is considered a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models to determine the net present value of the portfolio future principal and interest cash flows, based on the interest rate repricing of the loans. The discount rates applied are based on the rates offered by the Group on current products with similar maturity dates.

Financial liabilities

The carrying value for non-interest-bearing, call and variable rate deposits, and fixed rate deposits repricing within six months of origination included in deposits is considered a reasonable estimate of their fair value. Discounted cash flow models are used to calculate the fair value of other term deposits included in deposits based upon deposit type and related maturities.

The fair value of borrowings and loan capital are calculated based on either the quoted market prices at reporting date or, where quoted market prices are not available, a discounted cash flow model using an observable yield curve appropriate to the remaining maturity of the instrument.

Significant estimates, judgements and assumptions

The Group continues to monitor valuation inputs when determining fair value of financial instruments. The Group's derivative assets and liabilities, trading and investment securities are valued using inputs from observable market data as shown in the Group fair value hierarchy disclosure.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

17.2 Master netting or similar arrangements

The following table sets out the effect of netting or similar arrangements (netting) of financial assets and financial liabilities that:

— are offset in the consolidated statement of financial position (SoFP)
— are subject to netting, irrespective of whether they are offset in the consolidated SoFP.

	Amounts subject to netting						
			Related amounts not offset on the SoFP				
	Gross amounts $M	Offsetting applied $M	Financial instruments $M	Financial collateral received/ pledged $M	Net exposure $M	Amounts not subject to netting $M	Total $M
2021							
Financial assets							
Derivatives[1]	**333**	**-**	**(223)**	**(76)**	**34**	**18**	**351**
Amounts due from reinsurers[2]	**99**	**(74)**	**-**	**(11)**	**14**	**55**	**80**
Reverse repurchase agreements[3]	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investment receivables[5]	**89**	**-**	**-**	**-**	**89**	**-**	**89**
Total	**521**	**(74)**	**(223)**	**(87)**	**137**	**73**	**520**
Financial liabilities							
Derivatives[1]	**325**	**-**	**(223)**	**(82)**	**20**	**7**	**332**
Amounts due to reinsurers[2]	**83**	**(74)**	**-**	**-**	**9**	**793**	**802**
Repurchase agreements[4]	**4,430**	**-**	**(4,430)**	**-**	**-**	**-**	**4,430**
Investment payables[5]	**102**	**-**	**-**	**-**	**102**	**-**	**102**
Total	**4,940**	**(74)**	**(4,653)**	**(82)**	**131**	**800**	**5,666**
2020							
Financial assets							
Derivatives[1]	798	-	(420)	(319)	59	33	831
Amounts due from reinsurers[2]	91	(77)	-	(11)	3	250	264
Reverse repurchase agreements[3]	50	-	-	(50)	-	-	50
Investment receivables[5]	209	-	-	-	209	-	209
Total	1,148	(77)	(420)	(380)	271	283	1,354
Financial liabilities							
Derivatives[1]	570	-	(420)	(142)	8	4	574
Amounts due to reinsurers[2]	92	(77)	-	-	15	769	784
Repurchase agreements[4]	1,917	-	(1,917)	-	-	-	1,917
Investment payables[5]	422	-	-	-	422	-	422
Total	3,001	(77)	(2,337)	(142)	445	773	3,697

1 Certain derivatives are subject to the International Swaps and Derivative Association (ISDA) Master Agreement and other similar master netting arrangements. These arrangements contractually bind the Group and the counterparty to apply close out netting across all outstanding transactions only if either party defaults or other pre-agreed termination events occur. As such, they do not meet the criteria for offsetting in the consolidated statement of financial position. The cash collateral pledged or received is subject to the ISDA Credit Support Annex and other standard industry terms.

2 Some reinsurance treaties of the Group include netting arrangements. Collateral received is subject to terms and conditions of the respective reinsurance treaties and provides regulatory capital relief on the Group's credit exposures to reinsurers. Amounts due from reinsurers is included as part of 'Other assets' in the consolidated statement of financial position.

3 Provision is made for netting of payments/receipts of all amounts in the same currency payable by each party to the other and close-out netting on termination. Reverse repurchase agreements with an original maturity of 90 days and are included as part of 'Cash and cash equivalents' in the consolidated statement of financial position. If original maturity is greater than 90 days, they are included in 'Loans and advances'. Details are discussed in note 17.3.

4 Repurchase agreements are presented as part of 'Borrowings' in the consolidated statement of financial position.

5 Investment receivables is included as part of 'Other assets' in the consolidated statement of financial position. Investment payables is included as part of 'Payables and other liabilities' in the consolidated statement of financial position.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

17.3 Transfers of financial assets and collateral accepted as security for assets

Transferred financial assets continue to be recognised in the consolidated statement of financial position if the Group is deemed to have retained substantially all the risks and rewards associated with the financial assets transferred. This arises when the Group enters into repurchase agreements and conducts covered bond and securitisation programs.

Repurchase agreements

The Group enters into repurchase agreements involving the sale of interest-bearing securities and simultaneously agrees to buy them back at a pre-agreed price on a future date. In the consolidated statement of financial position, the interest-bearing securities transferred are included in 'Trading securities', 'Investment securities' and 'Loans and advances', because the Group retains the risks and rewards of ownership. The obligation to repurchase is included in 'Borrowings'.

Reverse repurchase agreements

The Group enters into reverse repurchase agreements whereby interest-bearing securities are acquired and simultaneously agrees to sell them back at a pre-agreed price on a future date. In the statements of financial position, the securities acquired are not recognised because the Group does not acquire the risks and rewards of ownership.

Covered bonds

SML conducts a covered bond program whereby it issues covered bonds guaranteed by the Covered Bond Guarantor that are secured over covered pool assets consisting of mortgages and cash at call. Eligible mortgages are sold by SML to a special purpose trust, the Suncorp Covered Bond Trust, which guarantees the covered bonds. The Covered Bond Guarantor can take possession of the cover pool under certain events. In the event of default by SML, the covered bond holders have claim against both the cover pool assets and SML. SML receives the residual income of the Suncorp Covered Bond Trust after all costs of the program have been met. In the consolidated statement of financial position, the eligible mortgages transferred are included in 'Loans and advances' and the covered bonds issued are included in 'Borrowings'.

Term funding facility

The Group obtains funding through the facility by entering into repurchase agreements with the RBA. At 30 June 2021 the Group has drawn down $4,129 million (2020: $1,100 million) of the facility, with $nil million (2020: $641 million) remaining undrawn (refer to note 14). Interest is charged at a fixed rate equivalent to the official cash rate at the time the respective portion of the facility is drawn down and is presented within interest expense (refer to note 10). The repurchase agreements entered into under the Term funding facility require the Group to pledge eligible collateral which includes self-securitised residential mortgage-backed securities (RMBS). As at 30 June 2021 $5,409 million (2020: $1,435 million) of RMBS were pledged as collateral. In the consolidated statement of financial position, the eligible collateral transferred is included in 'Loans and advances'.

Securitisation programs

SML conducts a mortgage securitisation program whereby residential mortgages are packaged and sold to special purpose securitisation trusts known as the Apollo Series Trusts (the Trusts). The Trusts fund their purchase of the mortgages by issuing floating-rate pass-through debt securities. SML receives residual income from the Trusts after all payments to security holders and costs of the program have been met. SML does not guarantee the capital value or the performance of the securities or the assets of the Trusts, and it does not guarantee the payment of interest or the repayment of principal due on the securities. The mortgages subject to the securitisation program have been pledged as security for the securities issued by the Trusts, and as such, SML cannot use these assets to settle the liabilities of the Bank. SML is not obliged to support any losses that may be incurred by investors and does not intend to provide such support. In the consolidated statement of financial position, the mortgages transferred are included in 'Loans and advances' and the securitisation securities issued are included in 'Borrowings'.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

17.3 Transfers of financial assets and collateral accepted as security for assets (continued)

The following table sets out the carrying amount of the transferred financial assets and the associated liability at the reporting date.

	2021			2020		
	Repurchase agreements $M	Covered bonds $M	Securitisation liabilities[1] $M	Repurchase agreements $M	Covered bonds $M	Securitisation liabilities[1] $M
Carrying amount of transferred financial assets	**5,805**	**2,248**	**2,126**	2,380	3,184	2,887
Carrying amount of associated financial liabilities	**4,430**	**2,091**	**2,165**	1,917	2,589	2,945
For those liabilities that have recourse only to the transferred assets:						
Fair value of transferred financial assets	**n/a**	**n/a**	**2,128**	n/a	n/a	2,893
Fair value of associated financial liabilities	**n/a**	**n/a**	**2,189**	n/a	n/a	2,924
Net position			**(61)**			(31)

1 Securitisation liabilities of the Group comprise RMBS notes issued by the Apollo Series Trusts and are held by external investors. The carrying amount of transferred assets are included as part of 'Loans and advances' in the consolidated statement of financial position.

Capital structure

This section discloses the Group's different sources of funds, such as ordinary shares, retained earnings and loan capital. Details of the Group's approach to capital risk management are disclosed in note 22.

18. Share capital

	Number of ordinary shares	Issued capital $M	Share-based payments $M	Treasury shares $M	Total share capital $M
Balance as at 30 June 2019	1,298,503,953	12,874	91	(76)	12,889
Shares issued	18,699,563	171	-	-	171
Capital return and share consolidation	(37,553,178)	(506)	-	-	(506)
Share-based payments	-	-	(70)	-	(70)
Treasury share movements	-	-	-	25	25
Balance as at 30 June 2020	1,279,650,338	12,539	21	(51)	12,509
Shares issued	**3,316,337**	**32**	**-**	**-**	**32**
Share-based payments	**-**	**-**	**7**	**-**	**7**
Treasury share movements	**-**	**-**	**-**	**10**	**10**
Balance as at 30 June 2021	**1,282,966,675**	**12,571**	**28**	**(41)**	**12,558**

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

18. Share capital (continued)

Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

Holders of ordinary shares are entitled to receive dividends when declared and are entitled to one vote per share at shareholders' meetings.

In the event of the winding-up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

Dividend Reinvestment Plan

All eligible shareholders can elect to participate in the Dividend Reinvestment Plan (DRP) to reinvest all or part of their dividends, with no brokerage or transaction costs.

During the current period, the DRP has been satisfied by issuing new shares on market (2020: satisfied by acquiring existing shares on market rather than issuing new shares). On 21 October 2020, 951,084 ordinary shares were issued and allotted at the issue price of $9.12 per share under the DRP in respect of the 2020 final dividend. On 1 April 2021, 2,365,253 ordinary shares were issued and allotted at the issue price of $10.09 per share under the DRP in respect of the 2021 interim dividend.

Share-based payments

Share-based payments represent the cumulative expense and other adjustments recognised in share capital relating to equity-settled share-based payment transactions.

Treasury shares

Treasury shares are deducted from consolidated equity at the amount of the consideration paid. No gain or loss on treasury shares is recognised.

19. Reserves

	Equity reserve for credit losses $M	Hedging reserve $M	FVOCI reserve $M	Foreign currency translation reserve $M	Total reserves $M
Balance as at 1 July 2019	104	(6)	15	94	207
Transfer to retained profits	(23)	-	-	-	(23)
Amount recognised in equity	-	43	(26)	1	18
Income tax (expense) benefit	-	(13)	8	-	(5)
Exchange differences on translation of foreign operations	-	-	-	(25)	(25)
Balance as at 30 June 2020	81	24	(3)	70	172
Transfer from retained profits	**4**	**-**	**12**	**-**	**16**
Amount recognised in equity	**-**	**6**	**43**	**-**	**49**
Amount transferred from equity to profit or loss	**-**	**-**	**(20)**	**-**	**(20)**
Income tax (expense) benefit	**-**	**(2)**	**(7)**	**-**	**(9)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**(4)**	**(4)**
Balance as at 30 June 2021	**85**	**28**	**25**	**66**	**204**

Equity reserve for credit losses

The equity reserve for credit losses represents the difference between the estimate of credit losses over the full life of all exposures and the Group's collective provisions impairment, consistent with the requirements of APRA Prudential Standard APS 220 *Credit Quality*.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions.

Notes to the consolidated financial statements

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19. Reserves (continued)

Fair value through other comprehensive income reserve

The FVOCI reserve represents the cumulative net changes in the fair value of debt investments and equity investments classified as FVOCI, until derecognised or impaired.

Foreign currency translation reserve

The foreign currency translation reserve consists of all foreign exchange differences arising from the translation of the financial statements of foreign operations that have a functional currency other than Australian dollars. These foreign exchange differences are net of the effective portion of the cumulative net change in the fair value of hedging instruments used to hedge these operations.

20. Dividends

	2021		2020	
	Cents per share	$M	Cents per share	$M
Dividend payments on ordinary shares				
2020 final dividend (2020: 2019 final dividend)	**10**	**128**	44	571
2021 interim dividend (2020: 2020 interim dividend)	**26**	**333**	26	328
Dividends paid on treasury shares		**(1)**		(2)
Total dividends on ordinary shares paid to owners of the Company	**36**	**460**	70	897
Dividends not recognised in the consolidated statement of financial position[1]				
Dividends determined since reporting date				
2021 final dividend (2020: 2020 final dividend)	**40**	**513**	10	128
2021 special dividend (2020: 2020 special dividend)	**8**	**103**	-	-
	48	**616**	10	128
Dividend franking account[2]				
Amount of franking credit available for use in subsequent financial years excluding the effects of dividends determined since reporting date		**471**		275

1 The 2021 final and special dividends determined but not recognised in the consolidated statement of financial position, are estimated based on the total number of ordinary shares on issue without taking into account treasury shares as at 30 June 2021. The actual amount recognised in the consolidated financial statements for the year ending 30 June 2022 will be based on the actual number of ordinary shares on issue net of treasury shares on the record date.

2 The 2021 final and special dividends determined are expected to reduce the dividend franking accounting balance by $207 million (2020: $55 million).

Accounting policies

Dividends on ordinary shares are provided for in the consolidated financial statements once determined, accordingly, the final dividends announced for the current financial year is provided for and paid in the following financial year.

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21. Loan capital

The following table shows loan capital at amortised cost and categorised by capital type, class and instrument under APRA's Life and General Insurance Capital (LAGIC) and Bank Basel III reporting standards. These instruments have been issued by SGL, AAI Limited (AAIL) and SML.

	2021 $M	2020 $M
Additional Tier 1 loan capital		
$AUD 375 million SGL Capital Notes 1 (CN)	**373**	372
$AUD 375 million SGL Capital Notes 2 (CN2)	**372**	371
$AUD 389 million SGL Capital Notes 3 (CN3)	**384**	383
Total Additional Tier 1 loan capital	**1,129**	1,126
Tier 2 loan capital		
LAGIC/Basel III fully compliant subordinated notes		
$AUD 250 million SGL Subordinated Notes	**250**	-
$AUD 600 million SGL Subordinated Notes	**596**	597
$AUD 330 million AAIL Subordinated Notes	**329**	329
$AUD 225 million AAIL Subordinated Notes	**-**	225
Total LAGIC/Basel III fully compliant subordinated notes	**1,175**	1,151
Basel III transitional subordinated notes		
$AUD 72 million SML Floating Rate Notes[1]	**72**	72
Total Basel III transitional subordinated notes	**72**	72
Total Tier 2 capital	**1,247**	1,223
Total loan capital	**2,376**	2,349
Current	**72**	-
Non-current	**2,304**	2,349
Total loan capital	**2,376**	2,349

1 Tier 2 instruments subject to the transitional arrangements outlined in APRA prudential standard APS 111 Attachment L.

Total liability in relation to interest payment accrued for the Group to make payments under the loan capital as at the end of the financial year is $2 million (2020: $2 million). It is disclosed within the consolidated statement of financial position category of 'Payables and other liabilities.

Additional Tier 1 Capital

	Margin above 90 day BBSW	Potential scheduled mandatory conversion date	Optional call/exchange date	Issue date	2021 Number on issue	2020 Number on issue
SGL CN	410 bps	17 Jun 2024	17 Jun 2022	5 May 2017	**3,750,000**	3,750,000
SGL CN2	365 bps	17 Jun 2026	17 Jun 2024	24 Nov 2017	**3,750,000**	3,750,000
SGL CN3	300 bps	17 Jun 2028	17 Jun 2026	17 Dec 2019	**3,890,000**	3,890,000

The capital notes are eligible Additional Tier 1 instruments under Basel III and LAGIC rules. They are fully paid, perpetual, subordinated, unsecured securities.

Capital notes pay a distribution. Payments are floating rate, discretionary, non-cumulative, and scheduled to be paid quarterly, at the Company's discretion and are expected to be fully franked. They are calculated based on the sum of the three-month bank bill swap rate (BBSW) and the margin, adjusted for the corporate tax rate. If the Company does not make a payment in full, on a payment date (or within three business days of that date), then the dividend restriction applies to the Company in respect of the Group's dividends on ordinary shares and ordinary share buybacks.

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21. Loan capital (continued)

Suncorp has the option to convert, redeem or resell the instruments on the optional call/exchange date, or following a regulatory or tax event or potential acquisition event, subject to APRA's prior written approval and certain conditions being fulfilled. If APRA determines that a non-viability event has occurred in relation to the Company, all (or in some circumstances, some) of the instruments will be immediately converted into the Company's ordinary shares or, if conversion cannot be effected for any reason within five business days, immediately and irrevocably terminated. Conversion will be based on a volume weighted average price (VWAP) of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1%. This is subject to a maximum conversion number, equal to 20% of the VWAP over a 20-day period prior to the issue date.

If still outstanding on the mandatory conversion date, the instruments will mandatorily convert into a variable number of the Company's ordinary shares (subject to certain conditions being satisfied). Conversion will be based on a VWAP of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1%. This is subject to a maximum conversion number, equal to 50% of the VWAP over a 20-day period prior to the issue date.

In the event of the winding-up of the Company, the rights of the holders will rank equally, and in priority to the rights of the ordinary shareholders only.

LAGIC/Basel III fully compliant subordinated notes[1]

	Margin above 90 day BBSW	Maturity date	Holder conversion date	Optional redemption date	Issue date	2021 Number on issue	2020 Number on issue
$AUD 250 million SGL Subordinated Notes	225 bps	1 Dec 2035	n/a	1 Dec 2025	1 Sep 2020	**25,000**	-
$AUD 600 million SGL Subordinated Notes	215 bps	5 Dec 2028	n/a	5 Dec 2023	5 Sep 2018	**60,000**	60,000
$AUD 330 million AAIL Subordinated Notes	320 bps	6 Oct 2042	06 Oct 2024	6 Oct 2022	6 Oct 2016	**33,000**	33,000
$AUD 225 million AAIL Subordinated Notes	330 bps	18 Nov 2040	18 Nov 2022	18 Nov 2020	18 Nov 2015	**-**	22,500

1 No subordinated notes have been converted as at 30 June 2021 and 30 June 2020.

The $AUD 600 million SGL Subordinated Notes pay quarterly, cumulative non-deferrable interest payments at a floating rate equal to the sum of the three-month BBSW and the margin. The $AUD 250 million SGL Subordinated Notes and the AAIL Subordinated Notes pay quarterly cumulative deferrable interest payments at a floating rate equal to the sum of BBSW and the margin.

The issuer has the option to redeem the instruments on the optional redemption date and for certain tax and regulatory events (in each case subject to APRA's prior written approval). Holders of AAIL Subordinated Notes have the option to convert, into the Company's ordinary shares, on each interest payment date following the holder conversion date, assuming certain conditions are satisfied. Conversion will be based on a VWAP of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1%. This is subject to a minimum conversion price, equal to 50% of the VWAP over a 20-day period prior to the issue date.

If APRA determines that a non-viability event has occurred in relation to the issuing entity and, where relevant, its parent, all (or in some circumstances, some) of the subordinated notes will be immediately converted into the Company's ordinary shares (or, if conversion cannot be effected for any reason within five business days, written off). Conversion will be based on a VWAP of the Company's ordinary shares over a certain period prior to the relevant date for conversion, less a discount of 1%. This is subject to a minimum conversion price, equal to 20% of the VWAP over a 20-day period prior to the issue date. The rights of the holder rank in preference to the rights of the issuer's ordinary share and capital notes holders and rank equally against all other subordinated note holders of the issuer.

Basel III transitional subordinated notes

	Semi-annual coupon rate	Margin above 90 day BBSW	Optional redemption date	Issue date	2021 Number on issue	2020 Number on issue
SML Floating Rate Notes	n/a	75 bps	n/a	17 Dec 1998	**715,383**	715,383

On 4 May 2021, the Group elected to redeem all of the perpetual cumulative non-convertible notes with a floating rate coupon issued on 17 December 1998. The subordinated notes were redeemed on the early redemption date of 28 July 2021. Each note holder received the face value ($100 per note) together with all unpaid accrued interest. The subordinated notes were carried at amortised cost, therefore there was no gain or loss for the Group on redemption.

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22. Group capital management

The Group's capital management strategy is to optimise shareholder value by managing the level, mix and use of capital resources. The primary objective is to ensure that there are sufficient capital resources to maintain and grow the business, in accordance with the Group's risk appetite. The Group's Internal Capital Adequacy Assessment Process (ICAAP) provides the framework to ensure that the Group and each regulated entity is capitalised to meet internal and external requirements. The Group is subject to, and in compliance with, externally imposed capital requirements set and monitored by APRA and the Reserve Bank of New Zealand.

In optimising shareholder value and managing the level and mix of capital, the timing of issuance of hybrid capital instruments is driven by a number of factors and in particular, expected market conditions.

The ICAAP is reviewed regularly and, where appropriate, adjustments are made to reflect changes in the capital needs and risk profile of the Group. Capital targets are structured according to risk appetite, the regulatory framework and APRA's non-operating holding company (NOHC) conditions. Details relating to classification of capital for regulatory purposes and the capital positions of key regulated entities at the reporting date are provided on page 19 of the operating and financial review.

The Group has been operating under a NOHC structure since 2011, with associated NOHC conditions from APRA.

The NOHC conditions include the following:

- The Group is required to meet, at all times, the Level 3 Prudential Capital Requirement for Eligible Capital (and the Eligible Capital must satisfy certain requirements around the proportion of high-quality capital such as share capital and retained earnings).
- Reductions in the Group's capital base require APRA's written approval (for example, planned payment of dividends that exceed the prior 12 months' earnings).
- The NOHC activities of the Company, Bank NOHC (SBGH Limited), and Life Insurance NOHC (Suncorp Life Holdings Limited) are limited and defined in scope.
- Compliance with certain APRA Prudential Standards.
- The Company must ensure that where the Group raises capital or funds externally and these are transferred within the Group, the nature and quality of the capital or funds is not upgraded to a higher category of capital than the external capital or funds.

The Group has established comprehensive policies and procedures to ensure compliance with the NOHC conditions.

The following table summarises the capital position as at the reporting date.

	2021 $M	2020 $M
Common Equity Tier 1 Capital	**7,744**	7,011
Additional Tier 1 Capital	**1,139**	1,139
Tier 1 Capital	**8,883**	8,150
Tier 2 Capital	**1,398**	1,419
Total Capital	**10,281**	9,569
Excess Common Equity Tier 1 Capital to target (ex dividends net of DRP)	**773**	823
Excess Total Capital to target (ex dividends net of DRP)	**1,081**	1,236

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Risk management

The Group applies a consistent and integrated approach to enterprise risk management (ERM).

The Group recognises that a strong risk culture, good governance and effective risk management are essential to achieving the Group's strategy and business plan and maintaining the Group's social licence to operate. The Group has systems, policies, processes and people in place to identify, measure, analyse, monitor, report and control or mitigate internal and external sources of material risk.

23. Risk management

The material risks addressed by Suncorp's Enterprise Risk Management Framework (ERMF) are defined below.

Material	Definition
Strategic risk	Suncorp recognises and defines two types of strategic-level risk: - Risks to the viability of Suncorp's business model resulting from adverse changes in the external business environment, with respect to the economy, political landscape, regulation, technology, climate change, customer and social expectations and competitors. Detailed climate change disclosures are included on page 54 of the TCFD. - The risk of failing to achieve strategic business objectives or execution of the business strategy.
Financial risk	Financial risks include credit, counterparty and contagion risk, market/investment risk, liquidity risk and asset and liability management (ALM) risk. Credit risk is the risk of default of an obligor to fully meet its obligation in accordance with agreed terms. Counterparty risk is the risk that the other party in an agreement will default/will not meet its contractual obligations in accordance with agreed terms. Contagion risk is the risk that problems impacting one entity within Suncorp may compromise the financial position of other entities within Suncorp. Market/investment risk is the risk of unfavourable changes in foreign exchange rates, interest rates, equity prices, credit spreads, duration, commodity prices, and market volatilities. Liquidity risk is the risk that Suncorp will be unable to service its cash flow obligations today or in the future. ALM risk is the risk of adverse movements in the relative value of assets and liabilities due to changes in market factors (e.g. interest rates, inflation, foreign exchange (FX)), the variation in repricing profiles or from the different characteristics of the assets and liabilities.
Insurance risk	The risk that for any class of risk insured, the present value of actual claims payable, will exceed the present value of actual premium revenues generated (net of reinsurance).
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes compliance and legal risk.

Suncorp Group is exposed to the following categories of market risk:

Categories of market risk	Definition
Foreign exchange risk	The risk of an asset or liability's value changing unfavourably due to changes in currency exchange rates.
Interest rate risk	The risk of loss of current and future earnings and unfavourable movements in the value of interest-bearing assets and liabilities from changes in interest rates.
Equity risk	The risk of loss of current and future earnings and unfavourable movement in the value of investment in equity instruments from adverse movements in equity prices.
Credit spread risk	Credit spread is the difference in yield due to difference in credit quality. This is the risk of loss of current and future earnings and unfavourable movement in the value of investments from changes in the credit spread as determined by capital market sentiment or factors affecting all issuers in the market and not necessarily due to factors specific to an individual issuer.

Further discussions on the application of the Group's risk management practices are presented in note 16 "Derivative financial instruments", note 24 "Insurance risk management" and note 25 "Risk management for financial instruments: credit, liquidity and market risks".

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24. Insurance risk management

24.1 Managing insurance risk

Insurance risk is inherent in the operations of the Insurance business and relates to insurance product design, pricing, underwriting, exposure concentration, reserving, claims management and reinsurance management.

Insurance risk is managed through risk appetite statements, operation of the ERMF and supporting risk standards where adopted, with oversight from relevant Asset-Liability committees, non-financial risk committees and insurance risk committees in Australia and New Zealand.

The Board receives an Australian General Insurance Financial Condition Report from the appointed actuary which reports on a number of areas including the management of insurance risk within the entities. The Boards for the New Zealand General Insurer and Life company receive equivalent reports and advice in respect of obligations imposed by the Reserve Bank of New Zealand.

24.2 Terms and conditions of general insurance contracts

The majority of direct insurance contracts written are entered into on a standard form basis. Insurance contracts are generally entered into on an annual basis, with most terms and conditions negotiable at the time of entering into a contract or, in the case of renewals, renegotiable. Non-standard and long-term policies may only be written if expressly approved by a relevant delegated authority. There are no special terms and conditions in any non-standard contracts that would have a material impact on the consolidated financial statements.

25. Risk management for financial instruments

25.1 Credit risk for bank-related financial instruments

Due to the nature of the Bank's business, credit risk exposure arising from the Bank's financial assets is managed separately to other business areas of the Group.

(a) Credit risk exposures

The Bank is exposed to credit risk from conventional lending to customers and receivables from inter-bank, treasury, international trade and capital market activities.

Credit risk is managed on a structured basis with approval decisions being taken within credit approval authorities delegated by the Board. The setting and maintenance of detailed credit policies and standards is undertaken by an independent function under the responsibility of the Chief Risk Officer, Banking & Wealth. The CEO, Banking & Wealth is accountable for exercising delegated credit authority for credit decisions and delivering delegated credit authorities for the completion of first line of defence credit activities, in accordance with Board delegated authorities and credit policies and standards. The management of Business Banking troublesome and impaired assets is the responsibility of the Business Customers Support team within the Banking & Wealth Chief Risk Office. The CEO, Banking & Wealth has accountability for these activities.

Credit risk on loans and advances

Credit risk involves a wide spectrum of customers ranging from individuals to large institutions and as such credit risk management is divided into two distinct categories: a statistically managed portfolio and a risk-graded portfolio.

The statistically managed portfolio covers consumer business (personal loans, housing loans and small business loans) and automated credit scoring is widely used to determine customer creditworthiness. Credit scoring is embedded within the Bank's end-to-end automated workflow system that also enforces credit policies and certain business rules. These exposures are generally not reviewed individually unless arrears occur when all collections and recovery actions are managed by a centralised team.

The risk-graded portfolio includes commercial, agribusiness, property investment and property development finance exposures. Within these portfolios, exposures are individually assessed, and an internal risk grade is assigned depending on the discrete analysis of each customer or group of related customers' risk profile. Exposures within this portfolio are subject to annual review, or more frequent review if deemed necessary including a reassessment of the assigned internal risk grade. In the event of default, collections and recovery activity is managed within a well-defined structure. This process involves initial follow-up by the relationship manager including regular performance monitoring, reporting and if required, transfer to the Business Customer Support team.

A Portfolio Quality Review team within the Banking & Wealth Chief Risk Office reviews the acceptance and management of credit risk in accordance with the approved ERMF.

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25.1 Credit risk for bank-related financial instruments (continued)

Credit risk on derivative financial instruments

The Bank manages its exposures to potential credit losses on over the counter derivative contracts through central clearing and by entering into netting arrangements with its derivative counterparties (refer to note 17.2).

The fair value of derivatives recognised in the consolidated statement of financial position represent the current risk exposure, but not the maximum risk exposure. The notional value and fair value of derivatives are illustrated in note 16.

Credit risk by gross credit exposure

The tables below detail the Bank's exposure to credit risk from its financial assets and credit commitments as at the reporting date. No adjustments are made for any collateral held or credit enhancements.

Bank	Receivables due from other banks $M	Trading securities $M	Investment securities $M	Loans and advances $M	Credit commitments[1] $M	Derivatives[1] $M	Total risk $M
2021							
Agribusiness	-	-	-	4,228	209	-	4,437
Construction	-	-	-	728	269	-	997
Financial services	1,495	-	1,228	105	257	310	3,395
Hospitality	-	-	-	869	52	-	921
Manufacturing	-	-	-	228	18	-	246
Professional services	-	-	-	335	26	-	361
Property investment	-	-	-	3,110	100	-	3,210
Real estate – Mortgages	-	-	-	46,062	2,072	-	48,134
Consumer loans	-	-	-	122	-	-	122
Government and public authorities	-	1,579	3,310	-	-	-	4,889
Other commercial and industrial	-	-	-	1,776	178	-	1,954
Total gross credit risk	1,495	1,579	4,538	57,563	3,181	310	68,666
Impairment provisions	-	-	-	(239)	-	-	(239)
Total credit risk	1,495	1,579	4,538	57,324	3,181	310	68,427
2020							
Agribusiness	-	-	-	4,081	255	-	4,336
Construction	-	-	-	789	221	-	1,010
Financial services	567	-	1,720	90	239	691	3,307
Hospitality	-	-	-	913	56	-	969
Manufacturing	-	-	-	279	20	-	299
Professional services	-	-	-	328	18	-	346
Property investment	-	-	-	2,944	163	-	3,107
Real estate – Mortgages	-	-	-	46,474	993	-	47,467
Consumer loans	-	-	-	155	-	-	155
Government and public authorities	-	1,460	3,094	-	-	-	4,554
Other commercial and industrial	-	-	-	1,971	183	-	2,154
Total gross credit risk	567	1,460	4,814	58,024	2,148	691	67,704
Impairment provisions	-	-	-	(301)	-	-	(301)
Total credit risk	567	1,460	4,814	57,723	2,148	691	67,403

1 Credit commitments represent the credit equivalent amount of the Bank's off-balance sheet exposures calculated in accordance with APRA Prudential Standard APS 112 *Capital Adequacy: Standardised Approach to Credit Risk.*

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25.1 Credit risk for bank-related financial instruments (continued)

The table below details the Group's exposure to credit risk by credit quality of the loans and advances.

	2021				2020			
Bank	Impaired assets $M	Past due >90 days but not impaired[1] $M	Remaining assets[2] and not impaired $M	Total risk $M	Impaired assets $M	Past due >90 days but not impaired[1] $M	Remaining assets[2] and not impaired $M	Total risk $M
Agribusiness	25	32	4,380	4,437	38	49	4,249	4,336
Construction	2	3	992	997	3	4	1,003	1,010
Financial services	-	-	3,395	3,395	-	-	3,307	3,307
Hospitality	68	-	853	921	29	14	926	969
Manufacturing	3	1	242	246	3	6	290	299
Professional services	1	3	357	361	1	4	341	346
Property investment	9	19	3,182	3,210	16	7	3,084	3,107
Real estate – Mortgages	47	470	47,617	48,134	60	489	46,918	47,467
Personal	-	4	118	122	-	4	151	155
Government and public authorities	-	-	4,889	4,889	-	-	4,554	4,554
Other commercial and industrial	25	18	1,911	1,954	20	17	2,117	2,154
Gross credit risk	180	550	67,936	68,666	170	594	66,940	67,704
Impairment provisions	(59)	(36)	(144)	(239)	(60)	(38)	(203)	(301)
Total credit risk	121	514	67,792	68,427	110	556	66,737	67,403

1 Loans which have overdue payments under the contractual terms by 90 days or more. The amount represents the entire contractual balance, not just the overdue portion.
2 Remaining assets are all loans that are not impaired or past due.

(b) Credit quality

The following table provides information regarding the credit quality of loans and advances including restructured loans.

Bank	2021 $M	2020 $M
Performing loans[1]		
Loans and advances	56,811	57,234
Provision for impairment	(144)	(203)
	56,667	57,031
Non-performing loans – not impaired		
Non-performing loans – not impaired[2]	550	594
Loans and advances with restructured terms[3]	22	26
Provision for impairment	(36)	(38)
	536	582
Non-performing loans – impaired[4]		
Gross impaired loans	180	170
Provision for impairment	(59)	(60)
	121	110
Total loans and advances	57,324	57,723

1 Loans that are not impaired and not past due by more than 90 days.
2 Loans that are past due for greater than 90 days where the Bank considers that principal and interest plus any associated costs will be recovered in full.
3 Loan facilities whereby the original contractual terms have been modified in a manner that would not be commercially available to other customers in good standing due to the financial difficulties or hardship of the customer. For example, a reduction in principal, interest or other repayments due or an extended maturity date for repayment.
4 Loans classified as impaired, as doubt exists that the full amount of principal and interest will be collected in a timely manner in compliance with agreed terms.

Refer to note 11 for further information relating to the Group's treatment of loans and advances that were subject to a COVID-19 financial assistance package, and aligned with industry and APRA, expired 31 March 2021.

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25.1 Credit risk for bank-related financial instruments (continued)

Financial assets that are performing loans can be assessed by reference to the Bank's internal credit grade rating scale and are segmented into strong, satisfactory and weak categories. Credit quality is internally assessed using the Bank's credit rating system to determine each customer's PD and the associated internal risk rating grade. The rating grades can be aligned to the Standard & Poor's (S&P) ratings categories to enable wider comparisons. Internal credit rating assessments reflect arrears status, are tailored to the Bank's significant customer segments and are undertaken in accordance with Credit Policy and Lending Guidelines.

The analysis below represents the current credit quality of loans and advances. Refer to note 12.2 for the explanation of each stage.

	2021					2020				
Bank	Stage 1 ECL $M	Stage 2 ECL $M	Stage 3 ECL $M	Stage 3 SP $M	Total $M	Stage 1 ECL $M	Stage 2 ECL $M	Stage 3 ECL $M	Stage 3 SP $M	Total $M
Statistically managed portfolio										
Strong[1]	46,219	-	-	-	46,219	44,996	-	-	-	44,996
Satisfactory[2]	798	381	-	-	1,179	2,360	448	-	-	2,808
Weak[3]	-	407	491	-	898	-	450	548	-	998
Impaired	-	-	21	35	56	-	-	36	32	68
Risk-graded portfolio										
Strong[1]	4,009	-	-	-	4,009	3,715	-	-	-	3,715
Satisfactory[2]	4,040	459	-	-	4,499	4,005	694	-	-	4,699
Weak[3]	-	407	172	-	579	-	431	207	-	638
Impaired	-	-	28	96	124	-	-	2	100	102
Gross carrying amount	55,066	1,654	712	131	57,563	55,076	2,023	793	132	58,024
Provision for impairment	(93)	(50)	(52)	(44)	(239)	(124)	(74)	(57)	(46)	(301)
Net carrying amount	54,973	1,604	660	87	57,324	54,952	1,949	736	86	57,723

1 Strong: PD aligns to S&P's rating AAA to BB.
2 Satisfactory: PD aligns to S&P's rating BB- to B.
3 Weak: PD aligns to S&P's rating B- to C.

(c) Collateral management

Collateral is used to mitigate credit risk as the secondary source of repayment in the event the counterparty cannot meet their contractual repayment commitments.

The Bank evaluates each customer's creditworthiness on a case-by-case basis. The extent of collateral value secured, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty.

More than 80.2% (2020: 80.4%) of the Bank's lending is classified as consumer and 99.7% (2020: 99.7%) of that lending is secured by residential property. Residential Lenders Mortgage Insurance is generally required for residential mortgages with a loan-to-value ratio at origination of more than 80% to cover any shortfall in outstanding loan principal and accrued interest. The financial effect of these measures is that remaining credit risk on residential loans is significantly reduced.

For the business banking portfolio, the Bank will hold collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees.

In the event of ongoing customer default and/or post appropriate customer hardship support and negotiations, the Bank may enact possession of security held as collateral against the outstanding claim. Any loan security for residential mortgages is held as mortgagee in possession while the Bank seeks to realise its value through the sale of the property. Therefore, the Bank does not hold any real estate or other assets acquired through the repossession of collateral. It is the Bank's practice to demonstrate high standards of conduct when taking recovery action, and to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim.

For impaired assets, considerable care is taken to assess the underlying collateral value taking into account the likely method of recovery such as whether the client sells or through a formal insolvency appointment, the time involved and likely costs associated with the strategy. At 30 June 2021 the net impaired loans of $121 million (2020: $110 million) were supported by collateral held against the impaired loans of $150 million (2020: $139 million). Collateral and other credit enhancements held by the Bank mitigates the maximum exposure to credit risk.

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25.1 Credit risk for bank-related financial instruments (continued)

(d) Concentration of credit risk

Concentration of credit risk is managed by client or counterparty, industry sector and geography. Portfolios are actively monitored and frequently reviewed to identify, assess and protect against unacceptable risk concentrations. The following table details the credit risk by geographical concentration on gross loans and advances.

Geographic breakdown	2021 $M	2020 $M
Queensland	28,020	28,731
New South Wales	15,771	15,755
Victoria	7,393	7,073
Western Australia	3,686	3,779
South Australia and other	2,693	2,686
Gross loans and advances	57,563	58,024

25.2 Credit risk for non-bank-related financial instruments

Exposure to credit risk from other functions of non-bank-related financial instruments arises primarily from:

- premiums outstanding
- reinsurance and other recoveries
- investments in interest-bearing securities and derivatives.

The carrying amount of the relevant asset classes in the consolidated statement of financial position represents the maximum amount of credit exposures as at reporting date.

(a) Premiums outstanding

Credit risk is managed by maintaining debtor control procedures including the monitoring of aged amounts to minimise overdue debts. Credit limits are set and enforced to limit credit exposures from business written through general insurance intermediaries. Where permissible by law, payment default will result in the termination of the insurance contract with the policyholder, eliminating both the credit risk and insurance risk for the unpaid balance. Collateral is not sought on these balances.

The ageing analysis is as follows:

	2021 $M	2020 $M
Neither past due nor impaired	2,814	2,741
Past due 0-3 months	43	53
Past due >3 months	58	55
Impaired	8	8
	2,923	2,857

(b) Reinsurance and other recoveries

Credit risk with respect to reinsurance programs is minimised by placement of cover with a number of reinsurers with AA or higher credit ratings. Eligible recoveries under reinsurance arrangements are monitored and managed internally, and by specialised reinsurance brokers operating in the international reinsurance market.

Collateral arrangements exist for non-regulated reinsurers. In certain cases, the Group requires letters of credit or other collateral arrangements to be provided to guarantee the recoverability of the amount involved. The Group holds $173 million (2020: $138 million) in collateral to support reinsurance recoveries on outstanding claims.

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25.2 Credit risk for non-bank-related financial instruments (continued)

The following table provides information regarding credit risk exposure of reinsurance and other recoveries. The analysis classifies the assets according to S&P's counterparty credit ratings. Credit ratings are sourced from other globally recognised credit agencies, where S&P's ratings are not available. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as non-investment grade.

	2021 $M	2020 $M
AAA	480	489
AA	746	1,058
A	340	435
BBB	4	-
Not rated	427	489
Total	1,997	2,471

The ageing analysis is as follows:

	2021 $M	2020 $M
Neither past due nor impaired	1,989	2,465
Past due 0-3 months	5	6
Past due >3 months	3	-
	1,997	2,471

(c) Investments in interest-bearing securities and derivatives

Interest-bearing securities are held in accordance with the investment mandates. Credit limits have been established within these guidelines to ensure counterparties have appropriate credit ratings. An investment framework is in place that sets and monitors investment strategies and arrangements.

Certain derivatives issuers have signed ISDA Credit Support Annex documentation to facilitate derivative transactions and manage credit risk (refer to note 17.2).

The following table provides information regarding credit risk exposure of investments in interest-bearing securities and derivatives. The analysis classifies the assets according to S&P counterparty credit ratings. Credit ratings are sourced from other globally recognised credit agencies, where S&P ratings are not available.

	2021	2020	2021	2020
	Interest-bearing investment securities		Derivative asset	
	$M	$M	$M	$M
AAA	6,475	4,996	-	-
AA	2,545	2,974	30	77
A	2,803	2,667	10	59
BBB	2,732	2,696	3	4
Non-investment grade	23	15	-	-
Not rated	1	1	-	-
Total	14,579	13,349	43	140

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25.3 Liquidity risk

The key objective of the Group's liquidity and funding management is to ensure that it has sufficient available liquidity to meet the current and future obligations under both normal and stressed liquidity environments, and does not introduce an unacceptable level of funding risk.

The following key facilities and arrangements are in place to mitigate liquidity risks (excluding Bank):

- Investment portfolio mandates provide sufficient cash deposits to meet day-to-day obligations.
- Investment funds set aside within the investment portfolios can be realised to meet significant claims payment obligations.
- In the event of a major catastrophe, cash access is available under the terms of reinsurance arrangements.
- Mandated liquidity limits.
- Regularity of premiums received provides substantial liquidity to meet claims payments and associated expenses as they arise.

In conjunction with Group policies, the Bank has separate documents and processes to mitigate liquidity and funding risk which are approved by the Board Risk Committee and the Chief Risk Officer, Banking & Wealth, which are also subject to APRA review. These include:

- A liquidity and funding risk appetite statement as well as relevant risk limits.
- A framework that includes control practices, early warning indicators and appropriate management notification structures, including, but not limited to: deposit concentration, liquidity coverage ratio, net stable funding ratio and liquidity concentration metrics limits.
- Sourcing of retail deposits and long-term debt to provide funding for the majority of the funding portfolio. Funding capacity is monitored and diversity in the funding portfolio is managed with consideration given to product, tenor and customer concentrations.
- A contingency funding plan that outlines strategies to address liquidity shortfalls in stressed situations.

(a) Maturity analysis

The following table summarises the maturity profile of the Group's financial liabilities based on the remaining undiscounted contractual obligations. For liquidity risk management purposes, the Group's daily liquidity reporting is largely aligned to contractual maturity except where prescribed differently by APRA or where other methods are considered more appropriate. The Group supplements contractual maturity with other metrics including the liquidity coverage ratio and the net stable funding ratio to manage its liquidity risk.

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25.3 Liquidity risk (continued)

Derivatives designated in a hedging relationship are included according to their contractual maturity. Contractual maturities for non-hedge accounted derivative liabilities are not included within the following tables as they are frequently settled and managed within the short term (refer to note 16). The maturity profile for the Group's financial liabilities are set out in the table below.

	Carrying amount $M	At call $M	1 year or less $M	1 to 5 years $M	Over 5 years $M	Total cash flows $M
2021						
Payables due to other banks	**103**	**103**	**-**	**-**	**-**	**103**
Deposits	**41,200**	**33,003**	**8,016**	**273**	**-**	**41,292**
Payables and other liabilities	**1,575**	**-**	**1,267**	**212**	**96**	**1,575**
Amounts due to reinsurers	**802**	**-**	**802**	**-**	**-**	**802**
Managed funds units on issue	**987**	**987**	**-**	**-**	**-**	**987**
Borrowings	**18,746**	**-**	**7,908**	**10,561**	**764**	**19,233**
Loan capital[1]	**2,376**	**-**	**505**	**2,054**	**-**	**2,559**
	65,789	**34,093**	**18,498**	**13,100**	**860**	**66,551**
Derivatives						
Contractual amounts receivable (gross settled)	**(979)**	**-**	**(48)**	**(927)**	**(17)**	**(992)**
Contractual amounts payable (gross and net settled)	**1,227**	**-**	**173**	**1,048**	**20**	**1,241**
	248	**-**	**125**	**121**	**3**	**249**
Off-balance sheet positions						
Guarantees entered into in the normal course of business	**-**	**92**	**-**	**-**	**-**	**92**
Commitments to provide loans and advances	**-**	**10,247**	**-**	**-**	**-**	**10,247**
	-	**10,339**	**-**	**-**	**-**	**10,339**
2020						
Payables due to other banks	293	293	-	-	-	293
Deposits	39,583	28,222	11,382	150	-	39,754
Payables and other liabilities	1,772	-	1,319	326	127	1,772
Amounts due to reinsurers	784	-	784	-	-	784
Managed funds units on issue	714	714	-	-	-	714
Borrowings	20,129	-	11,038	8,532	1,153	20,723
Loan capital[1]	2,349	-	284	1,809	477	2,570
	65,624	29,229	24,807	10,817	1,757	66,610
Derivatives						
Contractual amounts receivable (gross settled)	(200)	-	(39)	(143)	(20)	(202)
Contractual amounts payable (gross and net settled)	645	-	243	368	37	648
	445	-	204	225	17	446
Off-balance sheet positions						
Guarantees entered into in the normal course of business	-	112	-	-	-	112
Commitments to provide loans and advances	-	8,777	-	-	-	8,777
	-	8,889	-	-	-	8,889

1 The cash flows for loan capital have been included at the earlier of optional call/exchange/redemption date and the mandatory conversion/maturity/next call date of each instrument. Cash flows include both principal and associated future interest estimated using estimated forward rates at the reporting date. For loan capital, interest payments for a number of securities are discretionary and/or may be deferred (refer to note 21). For the purposes of the maturity analysis, it is assumed discretionary interest payments are payable and no deferral to occur.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

25.3 Liquidity risk (continued)

(b) Composition of funding

Details of the composition of funding (before intra-group eliminations) used in the Bank's activities to raise funds are as follows:

Bank	2021 $M	2020 $M
Customer funding		
Customer deposits		
At-call transactions deposits	**17,248**	14,782
At-call savings deposits	**16,180**	13,902
Term deposits	**8,092**	11,263
Total retail funding	**41,520**	39,947
Wholesale funding		
Domestic funding		
Short-term wholesale[1]	**4,011**	5,079
Long-term wholesale[2]	**7,346**	5,532
Covered bonds	**2,091**	2,589
Subordinated notes	**672**	672
Total domestic funding	**14,120**	13,872
Overseas funding[3]		
Short-term wholesale[1]	**1,763**	1,498
Long-term wholesale[2]	**1,370**	2,486
Total overseas funding	**3,133**	3,984
Total wholesale funding	**17,253**	17,856
Total funding (excluding securitisation)	**58,773**	57,803
Securitisation		
APS 120 qualifying[4]	**2,165**	2,945
Total securitisation	**2,165**	2,945
Total funding (including securitisation)	**60,938**	60,748
Total funding is represented on the consolidated statement of financial position by:		
Deposits (before intra-group eliminations)	**41,520**	39,947
Borrowings	**18,746**	20,129
Subordinated notes	**672**	672
Total funding	**60,938**	60,748

1 Original maturity of less than 12 months.
2 Original maturity of 12 months or greater.
3 Foreign currency borrowings are hedged back into Australian dollars.
4 Qualifies for capital relief under APS 120 *Securitisation*.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

25.4 Market risk for bank-related financial instruments

Due to the nature of the Bank's business, market risk exposure is managed separately to other business areas of the Group.

The Bank is exposed to mainly two sources of market risk, being interest rate and foreign exchange risks. For the purposes of market risk management, these are further broken down into traded and non-traded market risks.

The Bank uses value at risk (VaR) as one of the key measures of traded market risk and non-traded interest rate risk in the banking book (IRRBB). The VaR model is a statistical technique used to measure and quantify the market risk over a specific holding period at a given confidence level. The Bank's standard VaR approach for traded and non-traded risk is based on a historical simulation which uses equally weighted market observation from the last two years and eight years respectively. Historical VaR simulation assumes that the distribution of past price returns will reflect future returns.

(a) Traded market risk

The Bank trades a range of on-balance sheet interest, foreign exchange and off-balance sheet derivative products. Income is earned from effective trading within the established risk management framework.

In addition to VaR, traded interest rate and foreign exchange risks are managed using a framework that includes stress-testing, scenario analysis, sensitivity and stop losses. These measures are monitored and reported to the Chief Risk Officer, Banking & Wealth, and the Bank Asset and Liability Committee for management oversight.

VaR is modelled at a 99% confidence level over a 1-day holding period for trading book positions.

The VaR for the Bank's total interest rate and foreign exchange trading activities at the end of the financial year are as follows:

	2021			2020		
Bank	Interest rate risk $M	FX risk $M	Combined risk[1] $M	Interest rate risk $M	FX risk $M	Combined risk[1] $M
VaR at the end of the financial year	**0.41**	**0.18**	**0.48**	0.15	0.01	0.16
Average VaR for the financial year	**0.31**	**0.12**	**0.31**	0.15	0.14	0.23

1 VaR for combined risk is the total trading risk and foreign exchange risks, taking into account correlations between different positions in both the interest rate and foreign exchange trading portfolios.

(b) Non-traded interest rate risk

Non-traded IRRBB is defined as all on-balance sheet items and off-balance sheet items in the banking portfolio that create an interest rate risk exposure within the Bank. The main objective of IRRBB management is to maximise and stabilise net interest income in the long term.

Interest rate risk arises from changes in interest rates that expose the Bank to the risk of loss in terms of earnings and/or economic value. There are several sources of IRRBB and they include:

— Repricing risk: resulting from changes in the overall levels of interest rates and the effect this has on the banking book with respect to mismatches in repricing dates.

— Yield curve risk: resulting from changes in the relative levels of interest rates at different tenors of the yield curve (that is a change in the slope or shape of the yield curve).

— Basis risk: resulting from differences between the actual and expected interest margins on banking book items.

— Optionality risk: resulting from the existence of stand-alone or embedded options to the extent that the potential for losses is not included in the measurement of repricing, yield curve or basis risks.

— Embedded value risk: resulting from differences in transactions book value compared to market-to-market fair value due to past interest rate movements.

— Spread risk: arises due to the imperfect movement of interest rates for different yield curves within an economy.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

25.4 Market risk for bank-related financial instruments (continued)

(i) IRRBB – Net interest income sensitivity

IRRBB exposures are generated by using underlying reconciled financial position data to generate cash flows using relevant interest rate curves, and a static balance sheet assumption. Contractual cash flows are generated except for products where expected behavioural cash flow modelling is more appropriate, and they are modelled with a profile and at a term that can be statistically supported.

As a measure of shorter-term sensitivity, net interest income sensitivity (NIIS) measures the sensitivity of the banking book earnings over the next 12 months to instantaneous parallel and non-parallel shocks to the yield curve. NIIS is measured using a 2% downwards parallel and non-parallel shock to the yield curve to determine the potential adverse change in net interest income in the ensuing 12-month period.

The following table indicates the potential impact to NIIS from an adverse 2% parallel movement in interest rates on the Bank's statement of financial position. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2021 $M	2020 $M
Exposure at the end of the financial year	**(7)**	(20)
Average exposure during the financial year	**(12)**	(23)

(ii) Present value sensitivity

As a measure of longer-term sensitivity, present value sensitivity measures the sensitivity of the present value of all known future cash flows in the banking book, to instantaneous parallel and non-parallel shocks to the yield curve. All exposures have their known future cash flows present valued from relevant interest rate curves.

The following table indicates the potential impact to economic value from an adverse 2% downwards parallel movement in interest rates on the Bank's statement of financial position.

The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2021 $M	2020 $M
Exposure at the end of the financial year	**(69)**	(48)
Average exposure during the financial year	**(34)**	(41)

(iii) Value at Risk

VaR is modelled at a 99% confidence level over a one-month holding period for IRRBB. The results are prepared based on the IRRBB framework applicable to the respective financial year.

Bank	2021 $M	2020 $M
Exposure at the end of the financial year	**(19)**	(20)
Average exposure during the financial year	**(15)**	(19)

(c) Non-traded foreign exchange risk

Non-traded foreign exchange risk can arise from having non-Australian dollar items in the banking portfolio, thereby exposing current and future earnings to movements in foreign exchange rates. The objective of foreign currency exchange risk management is to minimise the impact on earnings of any such movements. The Bank policy is to fully hedge any such exposure and accordingly minimise exposure to the risk. All offshore borrowing facilities arranged as part of the overall funding diversification process have been economically hedged in respect of their potential foreign exchange risk through the use of financial derivatives (refer to note 16).

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

25.5 Market risk for non-bank-related financial instruments

(a) Foreign exchange risk

The Group's non-bank business foreign exchange risk exposure mainly arises from investments in overseas assets, including foreign issued interest-bearing securities and global equities. The exposure is managed via the use of cross currency swaps, forward foreign exchange and futures contracts.

A sensitivity analysis showing the impact on profit or loss for changes in foreign exchange rates for exposure as at the reporting date with all other variables including interest rates remaining constant is shown in the table below. There is no impact on equity reserves.

The movements in foreign exchange rates used in the sensitivity analysis for the current financial year have been revised to reflect an updated assessment of the reasonable possible changes in foreign exchange rates over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2021			2020		
	Exposure at 30 June $M	Change in FX rate %	Profit (loss) after tax[1] $M	Exposure at 30 June $M	Change in FX rate %	Profit (loss) after tax[1] $M
USD	**602**	**+10**	**42**	468	+15	49
		-10	**(42)**		-10	(33)
Other	**540**	**+5**	**19**	446	+5	16
		-5	**(19)**		-5	(16)

1 Profit or loss impact reflects the FX sensitivity on investment securities before the effect of economic hedging.

(b) Interest rate risk

Interest rate risk exposure arises mainly from investment in interest-bearing securities and from ongoing valuation of insurance liabilities.

The investment portfolios, which hold significant interest-bearing securities in support of corresponding outstanding insurance liabilities, are invested in a manner consistent with the expected duration of claims payments. Interest rate risk is also managed by maintaining a diversified portfolio of investment securities and the controlled use of interest rate derivative instruments. The below table considers the impact of interest rate risk on the interest-bearing investment securities including derivative financial instruments. The impact of interest rate changes on outstanding claims liabilities will partially offset this effect.

The sensitivity of profit and loss after tax to movements in interest rates in relation to interest-bearing financial assets held at the reporting date is shown in the table below. There is no impact on equity reserves. It is assumed that all residual exposures for the shareholder after tax are included in the sensitivity analysis, that the percentage point change occurs at the reporting date and that there are concurrent movements in interest rates and parallel shifts in the yield curves.

Investment-linked business is excluded from the analysis as there is no residual interest rate exposure to the shareholder. The movements in interest rates used in the sensitivity analysis for the current financial year have been revised based on an updated assessment of the reasonable possible changes in interest rates over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2021			2020		
	Exposure at 30 June $M	Change in interest rate bps	Profit (loss) after tax $M	Exposure at 30 June $M	Change in interest rate bps	Profit (loss) after tax $M
Interest-bearing investment securities (including derivative financial instruments)	**14,589**	**+15**	**(35)**	13,515	+15	(37)
		-5	**14**		-15	37
Loan capital	**2,319**	**+15**	**(2)**	2,294	+15	(6)
		-5	**-**		-15	4

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

25.5 Market risk for non-bank-related financial instruments (continued)

(c) Equity risk

The Group has exposure to equity risk through its investments in international and domestic equity trusts. Equity risk is managed by incorporating a diverse holding of Australian and overseas equities (whether direct or through unitised trusts) and through the controlled use of derivative financial instruments.

The table below presents a sensitivity analysis showing the impact on profit or loss for price movements for exposures as at the reporting date with all other variables remaining constant. There is no impact on equity reserves.

The movements in equity prices used in the sensitivity analysis for the current financial year have been revised to reflect an updated assessment of the reasonable possible changes in equity prices over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2021			2020		
	Exposure at 30 June $M	Change in equity prices %	Profit (loss) after tax $M	Exposure at 30 June $M	Change in equity prices %	Profit (loss) after tax $M
Australian equities and unit trusts	1,351	+15	143	1,037	+15	178
		-10	(95)		-10	(119)
International equities and unit trusts	744	+15	78	535	+15	56
		-10	(52)		-10	(37)

(d) Credit spread risk

The Group is exposed to credit spread risk through its investments in non-Australian Government-issued bonds (and other interest-bearing securities). This risk is mitigated by incorporating a diversified investment portfolio, establishing maximum exposure limits for counterparties and minimum limits on credit ratings, and managing to a credit risk diversity score limit.

The table below presents a sensitivity analysis on how credit spread movements could affect profit or loss for the exposure as at the reporting date. There is no impact on equity reserves.

The movements in credit spread used in the sensitivity analysis for 2021 have been revised based on an updated assessment of the reasonable possible changes in credit spread over the next 12 months, taking into account observations and experience in the investment markets during the financial year.

	2021			2020		
	Exposure at 30 June $M	Change in credit spread bps	Profit (loss) after tax $M	Exposure at 30 June $M	Change in credit spread bps	Profit (loss) after tax $M
Credit exposure (excluding semi-government)	8,808	+15	(22)	8,988	+40	(56)
		-5	8		-10	14
Credit exposure (semi-government)	1,169	+15	(5)	880	+20	(6)
		-5	1		-20	6

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

Group structure and consolidation

This section provides disclosures on the Company's separate set of financial statements, the Company's interest in subsidiaries, the fiduciary activities carried out by the Group on behalf of the trusts as trustee or custodian and any significant acquisitions or divestments during the year.

26. Parent entity and composition of the Group

26.1 Ultimate parent entity

Company	2021 $M	2020 $M
Results of the Company for the financial year:		
Revenue		
Dividend and interest income from subsidiaries	552	1,289
Interest and trust distribution income on financial assets at FVTPL	58	36
Other income	3	4
Total revenue	613	1,329
Expenses		
Impairment loss on investment in subsidiaries	(127)	(159)
Interest expense on financial liabilities at amortised cost	(52)	(63)
Operating expenses	(11)	(70)
Total expenses	(190)	(292)
Profit before income tax	423	1,037
Income tax (expense) benefit	(9)	45
Profit for the financial year	414	1,082
Total comprehensive income for the financial year	414	1,082

Notes to the consolidated financial statements

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Company	2021 $M	2020 $M
Financial position of the Company as at the end of the financial year:		
Current assets		
Cash and cash equivalents	**38**	34
Financial assets designated at FVTPL	**1,128**	911
Due from subsidiaries	**196**	220
Other assets	**5**	5
Total current assets	**1,367**	1,170
Non-current assets		
Investment in subsidiaries	**13,216**	13,398
Due from subsidiaries	**873**	593
Deferred tax assets	**4**	18
Other assets	**39**	51
Total non-current assets	**14,132**	14,060
Total assets	**15,499**	15,230
Current liabilities		
Payables and other liabilities	**36**	55
Current tax liabilities	**179**	114
Due to subsidiaries	**92**	113
Total current liabilities	**307**	282
Non-current liabilities		
Loan capital	**1,975**	1,723
Total non-current liabilities	**1,975**	1,723
Total liabilities	**2,282**	2,005
Net assets	**13,217**	13,225
Equity		
Share capital	**12,598**	12,559
Retained profits	**619**	666
Total equity	**13,217**	13,225

Capital and expenditure commitments

There are no capital and expenditure commitments contracted for but not provided in the statement of financial position of the Company.

Contingent liabilities

The parent entity issued letters of comfort for certain subsidiaries. In this capacity, SGL ensures that subsidiaries continue to meet their obligations and commitments.

Parent entity guarantees

There are no parent entity guarantees in relation to the debts of its subsidiaries.

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26.2 Material subsidiaries of Suncorp Group Limited

			2021	2020
			Equity holding	
Material subsidiaries of Suncorp Group Limited	**Class of shares**	**Country of incorporation**	**%**	**%**
Suncorp Insurance Holdings Limited	Ordinary	Australia	**100**	100
AAI Limited[1]	Ordinary	Australia	**100**	100
Australian Associated Motor Insurers Pty Ltd	Ordinary	Australia	**100**	100
Suncorp Insurance (General Overseas) Pty Ltd	Ordinary	Australia	**100**	100
Suncorp Group Holdings (NZ) Limited	Ordinary	New Zealand	**100**	100
Vero Insurance New Zealand Limited	Ordinary	New Zealand	**100**	100
Vero Liability Insurance Limited	Ordinary	New Zealand	**100**	100
AA Insurance Limited[2]	Ordinary	New Zealand	**68**	68
SBGH Limited	Ordinary	Australia	**100**	100
Suncorp-Metway Limited	Ordinary	Australia	**100**	100
APOLLO Series Trusts (various)[3]	Units	Australia	**100**	100
Suncorp Covered Bond Trust	Units	Australia	**100**	100
Suncorp Life Holdings Limited	Ordinary	Australia	**100**	100
Suncorp Insurance (Life Overseas) Pty Ltd	Ordinary	Australia	**100**	100
Asteron Life Limited	Ordinary	New Zealand	**100**	100
Asteron Retirement Investment Limited	Ordinary	New Zealand	**100**	100
Suncorp Portfolio Services Limited	Ordinary	Australia	**100**	100
Suncorp Staff Pty Ltd	Ordinary	Australia	**100**	100
Suncorp Corporate Services Pty Ltd	Ordinary	Australia	**100**	100
Suncorp Group Investment Trusts (various)[4]	Units	Australia	**n/a**	n/a

1 Also registered as an overseas company in New Zealand.
2 The New Zealand Automobile Association Limited holds the remaining shares in AA Insurance Limited.
3 These trusts are structured entities (SE) created as part of the Group's loan securitisation program. As at 30 June 2021, the Group held interests in seven trusts (2020: eight).
4 The Group consolidates three (2020: four) unit trusts which are not required to be registered under the Corporations Act. Suncorp Funds Pty Ltd (a subsidiary of SGL) is a trustee of 11 (2020: 12) of such trusts. The trusts are consolidated in the Group if the trust meets the consolidation criteria per AASB 10 *Consolidated Financial Statements*. The non-controlling interest on the consolidated trusts are disclosed within the consolidated statement of financial position category of 'Managed funds units on issue'.

The Group did not acquire or dispose of any material subsidiaries, associates or joint venture entities during the current year.

Accounting policies

The Group's consolidated financial statements are the financial statements of the Company and all its subsidiaries, presented as those of a single economic entity. Intra-group transactions and balances are eliminated on consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Group which includes companies, managed funds and trusts. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date when control commences until the date on which control ceases.

Non-controlling interests recognised as equity and managed funds units recognised as a liability arise when the Group does not hold 100% of the shares or units in a subsidiary. They represent the external equity or liability interests in non-wholly owned subsidiaries of the Group.

SE are entities created to accomplish a specific and well-defined objective such as the securitisation of particular assets or the execution of a specific borrowing or lending transaction. Critical judgements are applied in determining whether a SE is controlled and consolidated by the Group. A SE is consolidated if the Group is exposed to, or has rights to, variable returns from its involvement with the SE and has the ability to affect those returns through its power over the SE.

The main types of SE established by the Group are securitisation trusts and covered bond trusts. The securitisation trusts and the covered bond trusts are controlled by the Group and are consolidated in the consolidated financial statements.

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26.3 Unconsolidated structured entities

The Group conducts fiduciary activities as trustee or custodian for various investment funds and trusts, approved deposit funds, superannuation funds, and wholesale and retail unit trusts.

The trusts are governed by the terms under which they were created, as set out in their trust deeds. The Group is deemed a sponsor of these entities through normal terms and conditions and by the association of its brand names. Compensation received by the Group from sponsored entities for the financial year ended 30 June 2021 related to fees from trust fiduciary activities of $55 million (2020: $68 million).

The Group does not have any other interests in these entities. Arrangements are in place to ensure activities relating to asset management and trusteeship and mortgage investments are managed separately from the operations of the Group. The assets and liabilities of these trusts are not the property of the Group and are not included in the consolidated financial statements as the Group does not control these entities.

The funds under administration by trustee companies are listed in the table below.

Trustee/Fund Manager	2021 $M	2020 $M
Asteron Life Limited (New Zealand), Asteron Retirement Investment Limited & Asteron Trust Services Limited[1]	-	311
Suncorp Portfolio Services Limited[2]	5,731	5,035

1 Trustee and manager for a number of wholesale, superannuation and investment funds. The assets and liabilities of these trusts and funds are not consolidated in the financial statements as the Group does not control these entities. On 1 July 2020, two Asteron Retirement Investment Limited Superannuation Schemes were wound up.
2 Administrator for Superannuation Funds.

26.4 Consolidated structured entities

SML has the following contractual arrangements which require it to provide support to its consolidated SE, the Apollo Series Trusts.

Liquidity facility

SML provides a liquidity facility to the Trustee of the Apollo Series Trusts. If there is a remaining net liquidity shortfall, the trustee may be able to request an advance under the liquidity facility up to a total aggregate amount equal to the unutilised portion of the liquidity facility limit. Drawings under the liquidity facility will be subject to certain conditions precedent.

The maximum amount which can be drawn is $207 million (2020: $217 million).

The amount drawn as of 30 June 2021 is $nil million (2020: $nil million).

Redraw facility

SML provides a redraw facility to the Trustee of the Apollo Series Trusts. If total principal collections for a monthly period are insufficient to fully reimburse the seller for redraws made during that monthly period to the extent the seller is entitled to be reimbursed, the trustee may be able to request an advance from the redraw facility provider under the redraw facility up to a total aggregate amount equal to the unutilised portion of the redraw facility limit. The provision of the redraw facility will be subject to normal credit criteria and a market rate of interest will be charged. Drawings under the redraw facility will be subject to certain conditions precedent.

The maximum amount which can be drawn is $72 million (2020: $77 million).

The amount drawn as of 30 June 2021 is $nil million (2020: $nil million).

27. Discontinued operations

Discontinued operations for the year ended 30 June 2020 relates to the sale of the Capital S.M.A.R.T Repairs Australia Pty Ltd (Capital S.M.A.R.T) and ACM Parts Pty Ltd (ACM Parts) businesses to AMA Group Limited (AMA) on 31 October 2019 and includes $285 million total profit on sale after tax.

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28. Goodwill and other intangible assets

	Goodwill $M	Brands $M	Customer contracts & other relationships $M	Outstanding claims liabilities intangible $M	Software $M	Internally generated software in development $M	Total $M
2020							
Gross carrying amount	5,285	632	949	187	649	32	7,734
Accumulated amortisation and impairment losses	(561)	(302)	(912)	(170)	(514)	-	(2,459)
Balance at the end of the financial year	4,724	330	37	17	135	32	5,275
Movements in intangible assets							
Balance at the beginning of the financial year	4,731	350	55	19	300	5	5,460
Acquisitions	-	-	-	-	1	32	33
Disposal	(3)	-	-	-	(1)	-	(4)
Amortisation	-	(20)	(18)	(2)	(61)	-	(101)
Impairment loss[1]	-	-	-	-	(110)	-	(110)
Transfers	-	-	-	-	5	(5)	-
Foreign currency exchange movement	(4)	-	-	-	1	-	(3)
Balance at the end of the financial year	4,724	330	37	17	135	32	5,275
Maximum remaining useful life	Indefinite	37 years	7 years	7 years	7 years	n/a	
2021							
Gross carrying amount[2]	**5,285**	**632**	**949**	**187**	**619**	**52**	**7,724**
Accumulated amortisation and impairment losses[2]	**(561)**	**(322)**	**(924)**	**(172)**	**(490)**	**-**	**(2,469)**
Balance at the end of the financial year	**4,724**	**310**	**25**	**15**	**129**	**52**	**5,255**
Movements in intangible assets							
Balance at the beginning of the financial year	**4,724**	**330**	**37**	**17**	**135**	**32**	**5,275**
Acquisitions	**-**	**-**	**-**	**-**	**1**	**60**	**61**
Amortisation	**-**	**(20)**	**(12)**	**(2)**	**(37)**	**-**	**(71)**
Impairment loss[1]	**-**	**-**	**-**	**-**	**(9)**	**-**	**(9)**
Transfers	**-**	**-**	**-**	**-**	**40**	**(40)**	**-**
Foreign currency exchange movement	**-**	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Balance at the end of the financial year	**4,724**	**310**	**25**	**15**	**129**	**52**	**5,255**
Maximum remaining useful life	**Indefinite**	**36 years**	**6 years**	**6 years**	**6 years**	**n/a**	

1 During the financial year, an impairment loss of $9 million (2020: $110 million) was recognised in relation to the carrying value of Core Banking Platform.
2 During the financial year, the Group derecognised the cost and accumulated amortisation relating to obsolete software.

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28.1 Impairment test for cash-generating units containing goodwill

For the purpose of the annual impairment test, goodwill is allocated to groups of cash-generating units (CGU) which represent the Group's operating segments (refer to note 3.1). The carrying amount of each CGU is then compared to its recoverable amount.

The value of goodwill allocated to each group of CGUs is disclosed in note 3.1. The value of goodwill allocated to each of the Banking & Wealth and Suncorp New Zealand operating segments is not significant in comparison to the Group's total carrying amount of goodwill.

The recoverable amount for the banking CGU, within the Banking & Wealth operating segment, is determined based on fair value less cost to sell.

The recoverable amounts for the Insurance (Australia) and Suncorp New Zealand operating segments, are determined based on value in use.

Significant estimates, judgements and assumptions

Value in use for Insurance (Australia)

The recoverable amount of Insurance (Australia) is its value in use and is determined by discounting the future cash flows generated from the continuing use of the unit and are based on the latest three-year business plans projected for years four and five using key assumptions to cover a five-year period. A terminal growth rate of 2.5% (2020: 2.5%) is used to extrapolate cash flows beyond the five-year projections which does not exceed the long-term average growth rate for the industry.

The key assumptions for Insurance (Australia) include gross earned premium growth, projected insurance loss ratios, operating expense growth, and expected operational and regulatory capital levels. The cash flow projections and values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external and internal sources of data.

For Insurance (Australia), the weighted average cost of capital is used as the post-tax discount rate. The discount rates reflect an equity beta and a market risk premium sourced from observable market inputs.

Discount rates	2021		2020	
	Post-tax %	Pre-tax equivalent %	Post-tax %	Pre-tax equivalent %
Insurance (Australia)	**7.2**	**9.0**	7.2	9.0

Accounting policies

Goodwill is recognised at cost from business combinations and is subsequently measured at cost less accumulated impairment loss. Intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses. Where an intangible asset is acquired in a business combination, the cost of that asset is its fair value at acquisition date.

Internally generated intangible assets such as software are recognised at cost, which comprises all directly attributable costs necessary to purchase, create, produce, and prepare the asset to be capable of operating in the manner intended by management. All other expenditure, including expenditure on software maintenance, research costs and brands is recognised as an expense as incurred.

Amortisation

Intangible assets with finite lives are amortised over the estimated useful lives from the date the asset is available for use. Amortisation is charged to profit or loss in a manner that reflects the pattern in which the asset's future economic benefits are expected to be consumed using straight-line or diminishing balance methods. All intangible assets except goodwill have finite useful lives. The maximum remaining useful lives as outlined in note 28 are reviewed annually.

Intangible assets deemed to have an indefinite useful life are not amortised but are tested for impairment at least annually.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

28.1 Impairment test for cash-generating units containing goodwill (continued)

Impairment

Goodwill and other intangible assets are assessed for indicators of impairment at each reporting date. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (as part of CGU) which may be an individual asset or a group of assets. The recoverable amount is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In assessing fair value less cost to sell, an earnings' multiple applicable to that type of business is used.

Impairment losses are recognised in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses, if any, recognised in respect of the CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss recognised for goodwill is not reversed.

Other disclosures

This section includes other information about the Group's operations that must be disclosed to comply with the Australian Accounting Standards, Corporations Act and ASX Listing Rules. Also set out in this section are details of the employee benefit arrangements including share-based payments, an overview of key management personnel remuneration and related party arrangements.

29. Notes to the consolidated statement of cash flows

29.1 Reconciliation of cash flows from operating activities

	2021 $M	2020 $M
Profit for the financial year	**1,048**	932
Non-cash items		
Profit from discontinued operations	**-**	(286)
Impairment loss on financial assets	**(49)**	172
Impairment loss on goodwill and other intangible assets	**9**	110
Amortisation and depreciation expense	**229**	258
Change in fair value relating to investing and financing activities	**187**	(239)
Other non-cash items	**(214)**	288
Change in operating assets and liabilities		
Net movement in insurance assets and liabilities	**1,184**	140
Net movement in tax assets and liabilities	**13**	42
Increase in trading securities	**(119)**	(232)
Decrease in loans and advances	**441**	1,229
(Increase) decrease in other assets	**(160)**	4
Increase in deposits	**1,617**	1,041
Increase (decrease) in payables and other liabilities	**158**	(59)
Net cash from operating activities	**4,344**	3,400

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

29.2 Reconciliation of cash and cash equivalents to the consolidated statement of cash flows

	2021 $M	2020 $M
Cash and cash equivalents at the end of the financial year in the consolidated statement of cash flows is represented by the following line items in the consolidated statement of financial position:		
Cash and cash equivalents[1]	**1,200**	1,046
Receivables due from other banks[2]	**1,495**	567
Payables due to other banks[3]	**(103)**	(293)
	2,592	1,320

1 Includes $167 million (2020: $nil million) of restricted cash held for members of two Asteron Retirement Investment Limited Superannuation Schemes wound up during the year. This cash is not available for use by the Group and will be paid out on completion of the wind-up process of the two schemes in the financial year ending 30 June 2022.
2 Includes $78 million (2020: $147 million) of collateral representing credit support to secure the Group's derivative liability position, as part of the standard ISDA agreement.
3 Includes $62 million (2020: $260 million) of collateral representing credit support to secure the Group's derivative asset position, as part of the standard ISDA agreement.

Accounting policies

Cash and cash equivalents include cash on hand, cash at branches, cash on deposit, balances with the RBA, highly liquid short-term investments, money at short call, and securities held under reverse repurchase agreements with an original maturity of three months or less. Receivables due from and payables due to other banks are classified as cash equivalents for cash flow purposes. Bank overdrafts are shown within financial liabilities unless there is a right of offset.

Receivables due from and payables due to other banks include collateral posted or received on derivative positions, nostro balances and settlement account balances. They are carried at the gross value of the outstanding balance.

29.3 Changes in liabilities arising from financing activities

	Borrowings $M	Loan capital $M
Balance as at 1 July 2019	21,837	2,360
Cash flows		
Proceeds	9,667	183
Repayments	(11,661)	(23)
Transaction costs	(4)	(7)
Non-cash changes		
Fair value changes	69	-
Foreign exchange movement	172	-
Other movements	49	(164)
Balance as at 30 June 2020	20,129	2,349
Cash flows		
Proceeds	**9,503**	**250**
Repayments	**(10,667)**	**(225)**
Transaction costs	**(2)**	**(4)**
Non-cash changes		
Fair value changes	**(36)**	**-**
Foreign exchange movement	**(202)**	**-**
Other movements	**21**	**6**
Balance as at 30 June 2021	**18,746**	**2,376**

On 1 September 2020, the Company issued $250 million of SGL Subordinated Notes for $10,000 per note. They are fully paid, cumulative, unsecured, subordinated notes, with a maturity date of 1 December 2035, with the option to redeem the notes on the early redemption date of 1 December 2025, subject to APRA approval. Subsequent to the 1 September 2020 issue, $225 million of AAIL Subordinated Notes, originally issued by AAIL in 2015, were redeemed at the optional redemption date on 18 November 2020. Refer to note 21 for details.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

30. Employee benefits

The following employee expenses have been included in the consolidated statement of comprehensive income under the line items: 'Claims expense', 'Underwriting expense', and 'Fees, overheads and other expenses'. The below table shows expenses for both continuing and discontinued operations.

	2021 $M	2020 $M
Wages, salaries, share-based payments and other staff costs[1]	**1,664**	1,691
Defined contribution superannuation expenses	**108**	106
Total employee expenses	**1,772**	1,797

1 Includes $17,850,000 (2020: $14,807,000) relating to equity-settled share-based payment transactions.

31. Share-based payments

Eligible employees of the Group have the right to participate in the Group's share plans. Shares, share rights and performance rights are offered in these share plans and are granted by the Company to eligible employees of the Group.

Shares required for the equity plans are acquired by a special purpose trustee on the ASX. Shares can only be granted or issued under the plans if the number to be granted or issued will not exceed 5% of the Company's total shares on issue when aggregated with the number of shares granted or issued during the previous five years for all share plans operated by the Company.

31.1 Long-term incentives (performance rights)

Long-term incentives (LTI) are performance rights granted to eligible executives. These are equity-settled and in limited circumstances cash-settled at the Board's discretion. The Board determines the value of shares granted (offered) based on the executive's remuneration. Vested shares carry full entitlement to dividends from the grant date (less any taxes paid/payable by the Plan Trustee in respect of such dividends).

Vesting of LTI is subject to non-market conditions (service and internal cash return on equity) and a market performance hurdle being met during the performance period. The market performance hurdle is based on the Company's total shareholder returns (TSR) against the TSR of a peer comparator group, which is the top 50 listed companies by market capitalisation in the S&P/ASX 100 (excluding real estate investment trusts and resources companies) as determined at the commencement of each grant. If a company in the peer comparator group is suspended or delisted from the ASX during the performance period, it may be removed from the peer comparator group. There may, therefore, be fewer than 50 companies in the peer comparator group for that period. No LTI will vest unless the Company achieves a relative TSR of fiftieth percentile (median) or above. Any performance rights not vested at the end of the performance period are lapsed. Further details on TSR and the vesting schedule and other terms and conditions can be found on page 104 of the Remuneration Report.

The fair value of services received in return for LTI granted is measured by reference to the fair value of the shares granted. The estimate of the fair value of the shares is measured based on a Monte Carlo simulation pricing model and reflects the fact that vesting of the shares is dependent on meeting performance criteria based on TSR. The vesting of the shares is also subject to non-market conditions, however these are not taken into account in the grant date fair value measurement of the services received.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

31.1 Long-term incentives (performance rights) (continued)

Inputs into the model include expected volatility which is based on the historic volatility of the Company's share price, dividend yield and a risk-free interest rate based on Australian Government bonds. The inputs for measurement of grant date fair value and the number of unvested performance rights at the financial year end are as follows:

	Inputs for measurement of fair value at grant date						2021	2020
Grant date	Fair value at grant date	Share price	Expected volatility	Vesting period	Risk-free interest rate		Number of shares unvested	Number of shares unvested
1 September 2017	$5.74	$13.06	20%	3 Years	1.98%		-	437,835
21 September 2017	$5.74	$13.06	20%	3 Years	1.98%		-	174,332
1 September 2017	$5.74	$13.06	20%	3 Years	1.98%		-	77,214
1 September 2018	$8.88	$15.49	19%	3 Years	2.00%		**288,165**	325,126
20 September 2018	$7.39	$14.43	19%	3 Years	2.16%		**70,798**	70,798
1 September 2018	$8.88	$15.49	19%	3 Years	2.00%		**64,824**	64,824
1 July 2019	$7.40	$13.47	19%	3 Years	0.94%		**257,082**	339,113
26 September 2019	$7.45	$13.68	18%	3 Years	0.67%		**133,441**	133,441
13 December 2019	$6.02	$13.19	17%	3 Years	0.78%		**49,362**	49,362
1 July 2020	$4.16	$8.85	25%	3 Years	0.30%		**681,951**	-
22 October 2020	$3.91	$8.80	27%	3 Years	0.17%		**192,098**	-
							1,737,721	1,672,045

The number of performance rights granted during the financial year was 949,519 (2020: 682,348).

Accounting policies

The fair value of share-based payments is recognised as an expense on a straight-line basis over the vesting period, with a corresponding increase in equity. The fair value is calculated on grant date as the fair value of each share granted multiplied by the number of shares expected to eventually vest. The fair value of the share-based payments is based on the market price of the shares, dividend entitlements, and market vesting conditions (e.g. share price-related performance criteria) upon which the shares were granted. Non-market vesting conditions (e.g. service conditions) are taken into account by adjusting the number of shares which will eventually vest and are not taken into account in the determination of the grant date fair value. On a cumulative basis, no expense is recognised for shares granted that do not vest due to a non-market vesting condition not being satisfied.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

31.2 Other equity-settled share plans

The Group operates other equity-settled share plans that are not subject to performance conditions. Key features are set out below.

Equity plans	Suncorp employee share plan (tax exempt)	Suncorp equity participation plan	Short-term incentive (STI) deferred plan	Share rights plan
Eligible plan participant	Eligible employees below Executive General Manager (EGM) level	Employees can elect to participate	Group CEO and MD, ELT and EGM level roles	Employees in senior roles below EGM level that satisfy the eligibility criteria and executives as approved by the Board
Basis of share grant/issue	Market value of shares up to $1,000 per employee per year may be granted by the Board based on the Group's overall performance	Employees fund the acquisition of shares to be held under this Plan from their pre-tax remuneration up to a maximum value of $5,000 per year	Total amount of the STI is in the form of share rights approved by the Board, based on Group, function and individual performance and determined prior to the ex-dividend date	Value of the share rights granted is determined by the Board based on the employee's remuneration and individual performance
Vesting	Fully vested, not subject to forfeiture Restricted from sale for a three-year period unless the employee terminates within this period	As the acquisition of shares is funded through the employee's remuneration, the shares are fully vested at the date of acquisition	Group CEO and MD and ELT: 50% of the Group CEO and MD's STI, and 35% of the ELT STI is delivered in share rights, with 50% vesting after one year and 50% vesting after two years. EGMs: 30% of the STI is delivered in share rights, with one third vesting on each of the first, second and third anniversaries	Subject to remaining in employment with the Group over the three-year vesting period and not having given notice of intention to resign
Dividend entitlements	Full entitlement to dividends from when the shares are acquired and held in the Plan	Full entitlement to dividends from when the shares are acquired and held in the Plan	Full entitlement to dividend equivalents paid on vesting, equal to the notional net dividends earned on vested shares over the deferral period	Full entitlement to dividend equivalents paid on vesting, equal to the notional net dividends earned on vested shares over the deferral period
Fair value	Market value of the shares on the date they were acquired	Market value of the shares on the date they were acquired	Discounted cash flow model incorporating the expected share price at vesting date and expected dividend entitlements, discounted from the vesting date to the grant date	Discounted cash flow model incorporating the expected share price at vesting date and expected dividend entitlements, discounted from the vesting date to the grant date

538,013 share rights (2020: 207,262 share rights) at fair value $5,002,823 (2020: $2,761,196) were granted during the financial year.

The total number of shares acquired through the Suncorp Equity Participation Plan was 277,279 (2020: 195,536 shares), with a fair value of $2,712,527 (2020: $2,264,000).

The Board approved a grant to each eligible employee of ordinary shares of the Company to the value of $1,000 (2020: $nil) under the Suncorp Employee Share Plan (tax exempt) for the financial year. These shares will be acquired on-market for allocation to employees by the share plan in December 2021.

Under the STI deferred plan, share rights are offered to eligible employees in August following completion of the performance period. The total number of share rights offered during the financial year was 399,497 (2020: 293,871 shares), at a total fair value of $3,456,000 (2020: $3,900,000). The fair value of the STI deferred plan is expensed from the start of the performance period to the end of the deferral period. Total expense of $4,590,000 (2020: $6,858,000) relating to the STI deferred plan is included in 'Fees, overheads and other expenses' in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements
For the financial year ended 30 June 2021

32. Key management personnel and related party disclosures

32.1 Key management personnel disclosures

Information regarding key management personnel (KMP) remuneration, loans and equity instruments disclosures are included on page 99 of the Remuneration Report.

KMP compensation is included in Employee benefits expense (refer to note 30). Its categorisation is as follows:

	2021 $000	2020 $000
Short-term employee benefits	**15,521**	11,091
Long-term employee benefits	**141**	193
Post-employment benefits	**508**	475
Share-based payments	**5,938**	4,960
Termination benefits	**1,888**	1,693
	23,996	18,412

Loans to KMP and their related parties are secured housing loans and asset lines provided in the ordinary course of business. All loans have normal commercial terms, which may include staff discounts at the same terms available to all employees of the Group. The loans may have offset facilities, in which case the interest charged is after the offset. No amounts have been written down or recorded as SP, as the balances are considered fully collectable.

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to KMP and their related parties are as follows:

	2021		2020	
	Key management personnel $000	Other related parties $000	Key management personnel $000	Other related parties $000
Closing balance	**856**	**404**	1,214	1,222
Interest charged	**11**	**15**	79	26

32.2 Related party transactions with joint venture entities and other related parties

	2021 $000	2020 $000
The aggregate amounts included in the determination of profit before tax that resulted from transactions with related parties are:		
Other income received or due and receivable:		
Joint ventures	**44,933**	40,889
Other expenses paid or due and payable:		
Joint ventures	**-**	6,202
Aggregate amounts receivable from, and payable to, each class of related parties at reporting date:		
Receivables:		
Joint ventures	**18,567**	2,819
Payables:		
Joint ventures	**125**	115

Transactions between the Group and joint venture entities consisted of fees received and paid for information technology services, investment management services, overseas management services, property development finance facilities and reinsurance arrangements. All these transactions were on a normal commercial basis.

Notes to the consolidated financial statements
For the financial year ended 30 June 2021

33. Commitments

33.1 Credit commitments

In the ordinary course of business, various types of contracts are entered into relating to the financing needs of customers. Commitments to extend credit, letters of credit, guarantees, warranties and indemnities are classed as financial instruments and attract fees in line with market prices for similar arrangements and reflect the PD. They are not sold or traded and are not recorded in the consolidated statement of financial position. The Group uses the same credit policies and assessment criteria in making these commitments and conditional obligations as it does for on-balance sheet instruments. These commitments would be classified as loans and advances in the consolidated statement of financial position on the occurrence of the contingent event.

Detailed below are the notional amounts of credit commitments together with their credit equivalent amounts determined in accordance with the capital adequacy guidelines set out by APRA.

	2021 $M	2020 $M
Notional amounts		
Guarantees entered into in the normal course of business	**92**	112
Commitments to provide loans and advances	**10,247**	8,777
	10,339	8,889
Credit equivalent amounts		
Guarantees entered into in the normal course of business	**92**	111
Commitments to provide loans and advances	**2,889**	1,818
	2,981	1,929

33.2 Other commitments

The Group has lease commitments of $316 million (2020: $320 million) which have not been recognised as lease liabilities in the consolidated statement of financial position, as the respective lease commencement dates are after the end of the financial year.

Expenditure for the acquisition of property, plant and equipment and other expenditure contracted for but not provided in the consolidated statement of financial position was $8 million (2020: $13 million).

Notes to the consolidated financial statements

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34. Provisions and employee benefit liabilities

Provisions are recognised for present obligations arising from past events where a payment (or other economic transfer) is probable to be necessary to settle the obligation and can be reliably estimated.

	June 2020 $M	Additions $M	Amounts used $M	Unused amounts reversed $M	Other $M	June 2021 $M
Annual leave and other employee benefits	202	270	(200)	(12)	-	260
Long service leave	104	22	(16)	-	-	110
Pay and leave entitlements review	58	1	(13)	-	-	46
Leaseholds	19	9	(4)	(7)	-	17
Divestments and restructuring	101	28	(58)	(5)	-	66
Compliance and remediation programs	118	48	(77)	(7)	-	82
Other	8	18	(6)	(4)	-	16
Total	**610**	**396**	**(374)**	**(35)**	**-**	**597**
Current	498					490
Non-current	112					107
Total	**610**					**597**

Annual leave, long service leave and other employee benefits

The provision is determined based on expected payments.

Where the payments are expected to be more than one year in the future, these provisions include estimates such as employee service periods, employee turnover rates, future salary increases and mix of leave taken versus paid out. These future obligations are discounted using a market observable rate.

Compliance and remediation

The requirement for anticipated customer remediation has been assessed across the Group, Banking & Wealth, Insurance (Australia) and Suncorp New Zealand businesses. Significant resources have been committed to a comprehensive program of work, to ensure that all issues are identified and addressed.

Key remediation programs have been identified and associated provisions estimated. As at 30 June 2021, the remaining provision includes cost estimates for the following:

- Anticipated investigation, legal and management costs relating to Wealth matters arising from the Royal Commission into Misconduct in the Banking Superannuation and Financial Services Industry (Royal Commission). This includes two matters referred by the Royal Commission to APRA and a class action arising from alleged breaches relating to payment of commissions to financial advisers.
- Estimated remediation for insurance customers relating to discount entitlements on premiums, claims adjustments and no claims bonus payments.
- Coverage of total expected remediation liability for leave and pay entitlements review.
- Coverage of legal costs for MTA Insurance class action matter and other litigation.

Divestments and restructuring

The remaining provision as at 30 June 2021 comprises mainly costs to exit the Australian life insurance business and Capital S.M.A.R.T and ACM Parts businesses. The nature of these costs includes operational and technical separation, other contractual arrangements and warranties.

A restructuring provision is recognised in relation to changes in the Group's operating model primarily for redundancy costs.

Leasehold provisions recognised are management's best estimate of the amount required to discharge the Group's contractual make good obligations.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

34. Provisions and employee benefit liabilities (continued)

Accounting policies

A provision is a liability of uncertain timing or amount which is recognised in the consolidated statement of financial position when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Short-term employee benefits

Liabilities for short-term employee benefits are those expected to be settled wholly before 12 months after the end of the reporting period in which the employees render the related services. They are measured at the amounts expected to be paid when the liabilities are settled. Related on-costs such as superannuation, workers' compensation and payroll tax are also included in the liability.

Long service leave and annual leave

The liabilities for long service leave and annual leave are those not expected to be settled wholly before 12 months after the end of the reporting period. They are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using Australian corporate bond rates with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs such as superannuation, workers' compensation and payroll tax are also included in the liability.

Termination benefits

Termination benefits are recognised as an expense when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructure. Termination benefits for voluntary redundancies are recognised as an expense if the Group can no longer withdraw the offer as an employee has accepted the offer or when a restriction on the Group's ability to withdraw the offer takes effect.

35. Contingent assets and liabilities

35.1 Contingent assets

Contingent assets are not recognised, but are disclosed in the consolidated financial statements when inflows are probable. If inflows become virtually certain, an asset is recognised.

There are claims and possible claims made by the Group against external parties. Where considered appropriate, privileged legal advice has been obtained. The Group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, is likely to have a material effect on its operations or financial position. The Group is of the opinion that receivables are not required in respect of these matters, as the inflow of future economic benefits is probable but not virtually certain.

35.2 Contingent liabilities

Contingent liabilities are not recognised, but are disclosed in the consolidated financial statements, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable and the amount can be reliably estimated, a provision is recognised.

There are contingent liabilities facing the Group in respect of the matters below. To the extent costs can be reliably estimated and an outflow is probable, they have been reflected in the Group's provisions.

Regulatory and internal reviews

Reviews and enquiries from regulators may result in investigation costs, administrative costs, legal costs, system changes and compensation and/or remediation payments (including interest) or fines and penalties. The Group conducts its own internal reviews of its regulatory compliance, which it may disclose to the regulators in Australia and New Zealand, which may result in similar costs.

In recent periods, a number of regulators in Australia and New Zealand including Australian Securities and Investments Commission (ASIC), APRA, Australian Competition and Consumer Commission (ACCC), Australian Transaction Reports and Analysis Centre (AUSTRAC) and the Australian Taxation Office (ATO) and the Reserve Bank of New Zealand and Financial Markets Authority (FMA) in New Zealand conducted reviews and made enquiries with the Group. There were a number of non-compliance instances identified and disclosed by the Group to ASIC, APRA, AUSTRAC and FMA.

Notes to the consolidated financial statements

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35.2 Contingent liabilities (continued)

The Group is currently subject to ASIC's Close and Continuous Monitoring Program, which includes providing documents and data to ASIC and interviews with staff members. The focus of the review relates to Internal Dispute Resolution and Breach and Incident Management processes. ASIC issued its report to the Group on 30 June 2021. The Group is reviewing ASIC's report and an action plan will be put in place. No material financial impact is expected.

In July 2020, SML notified AUSTRAC that it had not reported a limited type of incoming cross-border transactions received through a card scheme platform which, following internal review, SML now considers should have been reported as International Funds Transfer Instructions. SML suspended the receipt of these payments through the card scheme platform and conducted investigations and provided an update to AUSTRAC on 2 November 2020 on its remediation activities. After conducting an internal review and the completion of remediation activities, SML provided correspondence to AUSTRAC detailing remediation work and the internal closure of the matter on 19 May 2021. AUSTRAC is yet to formally respond to SML regarding the breach and any further reporting and/or information AUSTRAC may deem necessary.

An assessment of the likely cost to the Group of these matters has been made on a case by case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated, the amount has been provisioned.

Customer remediation and complaints

The Group is currently undertaking a number of programs of work in both Australia and New Zealand to resolve prior issues that in some cases impact customers. Contingent liabilities may exist in respect of actual or potential claims, compensation payments and/or remediation payments (including interest) identified as part of existing programs of work or as part of future programs responding to regulatory or internal reviews.

The Australian Financial Complaints Authority (AFCA) has the power to award compensation up to certain thresholds on complaints raised by customers. The Group is working through the individual cases that have been reported to AFCA.

An assessment of the likely cost to the Group of reviews and customer complaints has been made on a case by case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated, the amount has been provisioned.

Royal Commission

The 2019 report of the Royal Commission set out 76 policy recommendations to strengthen protections for consumers, small business and rural and regional communities. A comprehensive program of work is currently underway to implement the reforms that have resulted from the recommendations and to enhance the Group's focus on culture and compliance matters. The Government's program in response to the recommendations of the Royal Commission continues to evolve with the Financial Sector Reform (Hayne Royal Commission Response) Bill 2020 passing both Houses of Parliament on 10 December 2020. The Group is progressing with implementation of these reforms and continues to monitor and respond to any additional legislation and regulatory activity that may arise as a result of this program. The Group is accordingly of the opinion that at this time the outcome and total costs which may arise from regulatory reform remain uncertain.

In addition to policy matters, the report sets out details of various case studies, made observations in respect of each and in some instances referred matters to regulators for further enquiry. The Commissioner referred two specific matters relating to SPSL to regulators being the utilisation of a tax surplus to fund administration costs and the timing of the transfer of Accrued Default Amounts (ADA). Provisions have been recognised for these matters. With regard to the ADA matter, the APRA investigation has concluded and a remediation program is approaching finalisation within the provision. APRA has indicated that any further enquiries relating to the tax surplus referral will be conducted as part of a broader industry review. ASIC may also consider the tax surplus issue. The Group is of the opinion that at this time the total costs which may arise from this referral remains uncertain. It remains uncertain whether any other enquiries or claims may arise following the case studies and observations in the report.

Litigation

As disclosed in an ASX announcement on 15 April 2021 a class action has been filed against AAI Limited and former Suncorp Group entity Suncorp Life & Superannuation Limited (SLSL) on behalf of persons who purchased add-on insurance products sold with the purchase or lease of motor vehicles at car dealerships between 1 May 2006 and 30 June 2018. The Group is defending this matter. The Group has made provisions for legal, investigation and other defence costs. At this stage of the proceedings it is currently not possible to determine the ultimate financial impact of this matter, if any.

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For the financial year ended 30 June 2021

35.2 Contingent liabilities (continued)

Following the onset of the COVID-19 pandemic the construction of various business interruption wordings have been judicially tested and others are still awaiting judicial consideration. The first industry test case determined that insurers cannot generally rely on policy exclusions that reference the '*Quarantine Act* and subsequent Amendments', noting that the Court has yet to determine a discrete aspect relevant to such polices in Victoria. Overall policy response and assessment of claims arising from these policies cannot yet occur as this is dependent on the construction of other clauses that will be canvassed in the second test case. The second industry test case, which is currently before the Federal Court is testing the construction of various aspects of Infectious Disease and Prevention of Access indemnity clauses, and adjustments clauses including the application of government subsidies and trends. It will also consider a limited aspect of a *Biosecurity Act* exclusion, noting however that the Group is confident in the strength of its *Biosecurity Act* wordings following the ruling by the Federal Court of Australia in the matter of Rockment Pty Ltd T/A Vanilla Lounge v AAI Limited T/A Vero which confirmed a broad interpretation of the exclusion clause for losses connected with COVID-19. Other industry participants have discrete litigation on foot considering various aspects of their business interruption wordings response to COVID-19. Class actions have also been commenced against other insurers. Accordingly, there may be further judicial determinations which may be of broader industry application and impact future exposure for the Group.

The potential impact of these matters is uncertain and has been considered in the recognition of additional claims provisions and risk margins in the General Insurance outstanding claims liabilities as set out in note 9.1.

As disclosed to the ASX on 1 July 2019, a class action has been filed against SPSL, being the trustee of the Suncorp Master Trust and two former SPSL executive directors. The class action alleges trustee failures by charging fees and allowing commissions to be paid to Australian Financial Services Licensed companies (financial advisers) between 1 July 2013 to 21 June 2019. The class action has been filed for all persons whose accounts were alleged to have been affected by the payment of conflicted remuneration from 1 July 2013 to 21 June 2019. The Group is defending this matter. The Group has made provisions for legal, investigation and other defence costs. The Group is of the opinion that at this time the outcome and any potential exposures remain uncertain.

There are other outstanding court proceedings, potential fines, claims and possible claims against the Group, the aggregate amount of which cannot be readily quantified. Where considered appropriate, privileged legal advice has been obtained. The Group does not consider the outcome of any such claims known to exist at the date of this report, either individually or in aggregate, likely to have a material effect on its operations or financial position.

An assessment of the likely cost to the Group of these matters has been made on a case by case basis but cannot always be reliably estimated. To the extent that the potential impact can be reliably estimated, the amount has been provisioned.

Sale of businesses

As part of the sale of SLSL, the Group provided warranties and indemnities to SLSL and TAL Dai-ichi Life Australia Pty Ltd (TAL). These included warranties, indemnities and remediation obligations in regard to the provision of services and products in accordance with terms and conditions of the contractual arrangements. On 26 February 2021, TAL lodged a reinsurance warranty claim and a project team has been set up to assess the claim. Whilst provisions have been made where the amounts can be reliably estimated, the outcomes and costs of these potential warranties and indemnities claims remain uncertain.

As part of the sale of Capital S.M.A.R.T and ACM Parts, the Group provided warranties in the respective Share Sale and Purchase Agreements entered into with AMA. On 30 April 2021, AMA lodged a warranty claim under the warranty regime and a project team has been set up to assess the claim. Whilst provisions in relation to the sale have been made where the amounts can be reliably estimated, the outcomes and costs of these warranty claims remain uncertain.

As part of the sale of Resilium, the Group provided certain tax warranties in the Sale and Purchase Agreement entered into with the Resilium management team. Any outflows relating to the warranties remain uncertain.

Other

Under the terms of its contracts with New Zealand advisers, the Group would potentially acquire the entitlement of individual advisers to future income streams from renewal commission should the advisers themselves be unable to find an approved buyer within six months of the date that the agreement ends. The liability for future renewal commission is contained in the Group's policy liabilities, and therefore these potential transactions do not result in any change to the Group's net assets or profit or loss. In practice, these transactions are not frequent, and management do not consider the consequent acceleration of the timing of underlying cash flows to be material.

Certain subsidiaries act as trustee for various trusts. In this capacity, the subsidiaries are liable for the debts of the trusts and are entitled to be indemnified out of the trust assets for all liabilities incurred on behalf of the trusts.

Some companies in the Group, apart from the Company, also provide financial guarantees to external parties and may be exposed to contingent liabilities.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

36. Auditors' remuneration

	2021	2020	2021	2020
	KPMG Australia		Overseas KPMG firms	
	$000	$000	$000	$000
Audit and review services				
Audit and review of financial reports	**3,764**	3,953	**1,335**	1,375
	3,764	3,953	**1,335**	1,375
Assurance services				
Regulatory assurance services	**1,283**	1,269	**373**	375
Other assurance services	**700**	1,029	**98**	43
	1,983	2,298	**471**	418
Other services				
Other non-audit services	**128**	565	**-**	51
Total auditors' remuneration	**5,875**	6,816	**1,806**	1,844

37. New Australian accounting standards

As at the date of this financial report, there are several new or revised accounting standards published by the AASB that will be mandatory in future financial years. The new or revised accounting standards that are expected to have a material impact on the Group's consolidated financial statements are set out below. The Group has not early adopted these accounting standards.

AASB 17 *Insurance Contracts*

AASB 17 *Insurance Contracts* (AASB 17) is a new accounting standard for all types of insurance contracts and replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. AASB 17 was issued in July 2017 and following stakeholder feedback, amendments were approved in July 2020 to address implementation issues identified.

AASB 17 is effective for Suncorp Group's consolidated financial statements for reporting periods beginning on or after 1 January 2023. The new standard requires the application of new measurement models and introduces significant changes to the presentation and disclosure of insurance contracts.

AASB 17 introduces a general model that measures insurance contracts based on the fulfilment cash flows (present value of estimated future cash flows with a provision for risk) and the contractual service margin (the unearned profit that will be recognised over the coverage period). A modified version of the general model (variable fee approach) is applied to insurance contracts with direct participation features, and a simplified measurement model (premium allocation approach) is permitted in certain circumstances. The premium allocation approach is similar to the current measurement model used for general insurance. Based on the current insurance business, the Suncorp Group expects to be eligible to use the premium allocation approach for all its general insurance contracts and to be required to use all measurement models across its life insurance contracts.

The Group has established a project team to assess and implement the requirements of AASB 17. A detailed business impact assessment of the standard has been completed, and Suncorp continues the technical interpretation of the requirements to determine new accounting policies and the design of new and revised systems and processes.

The AASB 17 requirements are complex and global interpretation of these requirements is evolving. Regulators are considering their response to the new standard which is likely to result in changes to the capital and reporting prudential standards. The Group continues to closely monitor all these developments and to assess the impacts of the standard on the Group. The financial impact of adopting AASB 17 is not reasonably estimable at the date of this report.

Notes to the consolidated financial statements

For the financial year ended 30 June 2021

37. New Australian accounting standards (continued)

Interest rate benchmark reform

Inter-Bank Offered Rates (IBOR) is currently undergoing reform around the world with rates such as the London Inter-Bank Offered Rates (LIBOR) expected to be discontinued from 1 January 2022. IBOR are interest rate benchmarks that are used in a wide variety of financial instruments. The transition from LIBOR is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, loan modifications, valuation methodologies and financial disclosures.

As a result of the reform the AASB has issued the following amendments:

— *AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform*: These amendments were effective to the Group from 1 July 2020 and did not have a significant impact on the Group.
— *AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2*: The amendments were effective from 1 July 2021 and the adoption is expected to be immaterial to the Group.

In response to the reform and the amendments issued by the AASB, the Group has established a project team to comprehensively assess, manage and operationalise the impacts of the LIBOR transition.

The Group's exposure to LIBOR transition is limited to certain offshore borrowings denominated in USD, as well as associated cross currency swaps which are used to hedge exposures to interest rate and foreign exchange risks on those offshore borrowings. These risk exposures (including USD LIBOR) are designated in hedge accounting relationships (refer to note 16.1). The replacement of USD LIBOR is expected to impact the contractual cash flows, and hence valuation and hedge accounting calculations, on these exposures, and are subject to the accounting amendments outlined above.

38. Subsequent events

On 2 July 2021, the Group entered into a binding agreement to sell its 50% Joint Venture interest in RACT Insurance Pty Ltd (RACTI) to its Joint Venture partner, the Royal Automobile Club of Tasmania Ltd (RACT) for cash consideration of $83.8 million. Completion of the sale is subject to regulatory approval and expected to occur in the financial year ending 30 June 2022. The profit on sale before tax is expected to be in the range of $65 million to $70 million, and be included in the financial year ending 30 June 2022 results.

The strength of the Group's capital position has enabled Suncorp to announce, in conjunction with the final 2021 ordinary dividend, an 8 cents per share fully franked special dividend (refer to note 20), and up to $250 million of excess capital will be returned to shareholders in the form of an on-market buyback, whilst continuing to maintain appropriate capital buffers in the current heightened risk environment.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Company in future financial years. The Group notes the ongoing COVID-19 lockdowns that have been implemented subsequent to reporting date across a number of states. The impact of these lockdowns has been considered in the consolidated financial statements. The impact of COVID-19 on the Group's estimates and judgments is set out in note 2.3.

Directors' Declaration

1. The directors of Suncorp Group Limited (the Company) declare that in their opinion:
   a. The consolidated financial statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 92 to 195, are in accordance with the *Corporations Act 2001* (Corporations Act), including:
      i. giving a true and fair view of the Suncorp Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
   b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by section 295A of the Corporations Act from the Group Chief Executive Officer and Managing Director and the Group Chief Financial Officer for the financial year ended 30 June 2021.
3. The directors draw attention to note 2.1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

CHRISTINE McLOUGHLIN, AM
CHAIRMAN
9 AUGUST 2021

STEVE JOHNSTON
GROUP CEO AND MD
9 AUGUST 2021

Independent Auditor's Report to the shareholders of Suncorp Group Limited

KPMG

Independent Auditor's Report

To the shareholders of Suncorp Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Suncorp Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises the:

- Consolidated statement of financial position as at 30 June 2021
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- outstanding claims liabilities and reinsurance and other recoveries;
- expected credit loss provisions for loans and advances held at amortised cost;
- valuation of goodwill; and
- Information Technology (IT) systems and controls.

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Outstanding claims liabilities and reinsurance and other recoveries (Net outstanding claims liabilities AUD 8,704 million Reinsurance and other recoveries on outstanding claims liabilities AUD 1,923 million)	
Refer to Note 9 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The estimation of outstanding claims liabilities and reinsurance and other recoveries, is a key audit matter as it involves significant judgement by us, given the high degree of uncertainty inherent in estimating the expected future payments for claims incurred. In particular, we focused on the Group's: • Estimation of future payments for claims incurred at the reporting date but which have not yet been reported to the Group as it may take many years to notify a claim, and the ultimate cost may be influenced by factors unknown at 30 June 2021 or outside of the control of the Group. • Application of historical experience of claims development to determine current estimates, including the variability between the original estimation and the ultimate settlement of claims where there is a long time delay between the claim being incurred and the ultimate settlement. This includes assessing key assumptions such as average claim size, future wage and superimposed inflation and risk margins applied. Examples include claims relating to Compulsory Third Party (CTP) and Workers' Compensation. • Estimation of the impact of COVID-19 on future payments for claims where current year claims experience has varied or is expected to vary from historical experience. Examples include motor and home claims, were claims frequency has varied from past experience. • Valuation of outstanding claims liabilities in respect of business interruption is subjective and involves significant judgements including the interpretation of the policy response, identification of businesses impacted and estimation of loss of earnings. Valuation of reinsurance and other recoveries involves a high degree of judgement due to the implicit dependence on the estimate of gross outstanding claims and the complexity of significant contracts (such as coverage for natural hazards and catastrophes).	Working with our actuarial specialists, our procedures included: • assessing the appropriateness of the Group's selection of actuarial methods against the requirements of the accounting standards, actuarial standards and the methods applied in the prior periods and industry. • testing key controls in relation to the claims payments and case estimates processes. This included IT general and application controls, such as system enforced segregation of duties. We involved our IT specialists in testing the IT controls. • testing key actuarial controls including the reconciliations of key data related to claims payments and case estimates and the Group's oversight of the outstanding claims liability valuations. • testing a sample of claims case estimates and claims payments to underlying third party evidence such as invoices, expert reports, legal advice and bank statements. We did this to check the accuracy of the claims information used within the estimation of outstanding claims liabilities. • challenging the Group's actuarial methods and key assumptions for significant classes of business such as CTP and Workers' Compensation, as well as separate consideration of claims relating to business interruptions and other valuations impacted by the COVID-19 pandemic. We have performed an assessment of the: – accuracy of previous estimates including comparison of the prior year valuation against current year experience; – key assumptions used such as average claim size, future wage and superimposed inflation and risk margins applied, by comparing to APRA and other regulatory statistics and actuarial frameworks in place; and – key assumptions used in the business interruption valuation such as frequency, government incentives, rent and risk margin as well as checked the data (of the model). • performing our own re-estimation of outstanding claims liabilities, for a sample of classes of business to compare and challenge the Group's outstanding claims liability valuations against industry accepted actuarial methods.

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As the auditor, challenging the Group's estimation process requires deep understanding of the industry and specialist actuarial knowledge.	• assessing the Group's estimation of risk margins to identify management bias. We evaluated the Group's methodologies for calculating risk margins for consistency with those used in the industry, prior periods and the accounting standards. We also compared the risk margins methods to the framework recommended by the Risk Margin Task Force from the Institute of Actuaries of Australia in the paper titled "*A Framework for Assessing Risk Margins*" (November 2008) and compared the risk margins to external sources of data including published statistics (e.g. APRA published data). • comparing a sample of reinsurance recoveries recognised to the terms of the underlying reinsurance contracts and claims data. In addition, we incorporated the reinsurance and other recoveries into our procedures performed in respect of gross outstanding claims described above. • assessing the recoverability of balances owed by reinsurer counterparties by considering their credit worthiness and capital strength, based on external sources of information and historical experience.

Expected credit loss provisions for loans and advances held at amortised cost (AUD 239 million)	
Refer to Note 11, 12 to the Financial Report	
The key audit matter	**How the matter was addressed in our audits**
Expected credit loss (ECL) provisions for loans and advances held at amortised cost are a key audit matter due to the significance of the balance of loans and advances held at amortised cost to the financial statements and the inherent complexity of the Group's ECL models. AASB 9 Financial Instruments (AASB 9) requires significant judgement to estimate expected credit losses. AASB 9 requires the Group to measure ECLs on a forward-looking basis reflecting a range of future economic conditions, including key forward-looking assumptions such as forecast Real-Gross Domestic Product (GDP), residential house price index and unemployment levels. The impacts of COVID-19 and associated economic uncertainty remain as at balance date, which has resulted in a disparate recovery across sectors of the economy. Given the range of potential economic outcomes and impacts, significant judgement continues to be exercised by the Group in developing forward-looking macro-economic scenarios to estimate future credit losses. The Group calculates the ECL utilising a distribution model which estimates	Our procedures for the ECL provisions for loans and advances held at amortised cost and disclosures included: Testing key controls relating to: • reconciliation of relevant data used in the ECL model and specific provisioning assessments to source systems; • the onboarding of new lending facilities, including quality assurance over key loan information (such as borrower type and security details) used in the measurement of ECL allowances; • assessment of the credit quality of business lending counterparties; • for retail loans, testing controls over the systems which record lending arrears; • the Group's monitoring mechanisms to identify loans experiencing signs of stress, including a Significant Increase in Credit Risk (SICR) or default event; • the Group's ECL model governance and validation processes; and • the Group's assessment and approval of the ECL

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economic outcomes around weighted underlying forward-looking macro-economic scenarios.

Post-model adjustments to the ECL results are also made by the Group to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgemental overlays the Group applied to the ECL results.

For credit-impaired loans, it is policy to identify specific ECLs based on the Group's judgement. This focuses on estimating when an impairment event has occurred and the present value of expected future cash flows, which have high estimation uncertainty. We focused on the high degree of estimation uncertainty related to the business and agribusiness loans as the forecast cash flows are dependent on future and uncertain events, for example, the timing and proceeds from the future sale of collateral.

These features resulted in significant audit effort to address the risks around loan recoverability and the determination of related ECLs, hence considering this to be a key audit matter.

Expected credit loss (ECL) provisions for loans and advances held at amortised cost are a key audit matter due to the significance of the balance of loans and advances held at amortised cost to the financial statements and the inherent complexity of the Group's ECL models. AASB 9 Financial Instruments (AASB 9) requires significant judgement to estimate expected credit losses.

AASB 9 requires the Group to measure ECLs on a forward-looking basis reflecting a range of future economic conditions, including key forward-looking assumptions such as forecast Real-Gross Domestic Product (GDP), residential house price index and unemployment levels. The Group has exercised judgement in defining indicators of what represents a SICR as these criteria determine if a forward-looking 12 month or lifetime allowance is recorded.

The impacts of COVID-19 and associated economic uncertainty remain as at balance date, which has resulted in a disparate recovery across sectors of the economy. Given the range of potential economic outcomes and impacts, significant judgement continues to be exercised by the Group in developing forward-looking macro-economic scenarios to estimate future credit losses. The Group calculates the ECL utilising a distribution model which estimates economic outcomes around weighted underlying forward-looking macro-economic scenarios.

estimate, application of forward-looking macroeconomic assumptions and post-model adjustments.

In addition to controls testing, our procedures included:

- testing the completeness and accuracy of a sample of critical data elements used within ECL models, such as checking year end balances, repayment history and risk ratings to source systems;
- working with our credit risk specialists, we assessed the results of model monitoring processes performed over key ECL models. This included the results of back-testing over model assumptions;
- working with our credit risk specialists to re-perform the ECL calculation for a sample of ECL models using the Group's provisioning methodology and relevant data used within the ECL models. We compared our results to the amount recorded by the Group;
- working with our KPMG Economic specialists, we challenged the Group's forward-looking macro-economic data and scenarios incorporated into the ECLs;
- assessing the post-model adjustments applied by the Group to the ECL estimates. We considered the basis for the adjustments and compared the loan portfolios' underlying performance and characteristics to current market conditions, emerging risks and trends, using our knowledge of the industry and public views of commentators;
- performing credit assessments of a sample of loans controlled by the Group's specialist workout and recovery team assessed as of higher risk or impaired. We challenged the Group's risk grading of the loan, assessment of loan recoverability, valuation of security, including assessing whether these estimates had incorporated the impact of COVID-19. Exercising our judgement, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing data and assumptions used by the Group in recoverability assessments to the Group's externally sourced evidence for valuations of collateral held;
- Assessing the appropriateness of the Group's disclosures against the requirements of the Accounting Standards.

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Post-model adjustments to the ECL results are also made by the Group to address known ECL model limitations or emerging trends in the loan portfolios. We exercise significant judgement in challenging the economic scenarios used and the judgemental overlays the Group applied to the ECL results.

For credit-impaired loans, it is policy to identify specific ECLs based on the Group's judgement. This focuses on estimating when an impairment event has occurred and the present value of expected future cash flows, which have high estimation uncertainty. We focused on the high degree of estimation uncertainty related to the business and agribusiness loans as the forecast cash flows are dependent on future and uncertain events, for example, the timing and proceeds from the future sale of collateral.

These features resulted in significant audit effort to address the risks around loan recoverability and the determination of related ECLs, hence considering this to be a key audit matter.

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Valuation of Goodwill (AUD 4,724 million)	
Refer to Note 28 of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's annual testing of goodwill for impairment, given the high level of judgement required by us in assessing the significant forward-looking assumptions the Group applied in their valuation models, including: • Forecast cash flows, growth rates, price-to-earnings (PE) multiples and terminal growth rates. These conditions increase the inherent uncertainty of the forecasts, the probability of a wider range of possible outcomes and the possibility of goodwill being impaired. The Group engaged an external expert to assist in determining the PE multiples. • Discount rates. These are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group engaged an external expert to assist in determining the discount rates. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Working with our valuation specialists, our procedures included: • considering the appropriateness of the valuation methods applied by the Group to each CGU to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models. • checking the consistency of the growth rates to the Group's stated plan and strategy, past performance of the Group, and our experience regarding the feasibility of these in the industry and/or economic environment in which they operate. • challenging the Group's forecast cash flow and growth assumptions in light of the known and anticipated COVID-19 impacts. We compared the forecast cash flows to the Board approved plan. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience. • we independently developed a discount rate range and a range of PE multiples considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the CGUs, Group and the industry it operates in. • assessing the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates, discount rates and PE multiples, within a reasonably possible range. We did this to identify those CGUs at higher risk of impairment and those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. This included the impact of various COVID-19 scenarios. • assessing the scope, competency and objectivity of the Group's external expert. assessing the disclosures in the financial report using our understanding of the issue obtained from our testing and against the requirements of the accounting standards.

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Information Technology (IT) systems and controls	
Refer to the basis of preparation in Note 2 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group's businesses utilise a number of interdependent IT systems to process and record a high volume of transactions. Controls for access and changes to IT systems are critical to the recording of financial information and the preparation of a financial report which provides a true and fair view of the Group's financial position and performance. The IT systems and controls, as they impact the financial recording and reporting of transactions, is a key audit matter and our audit approach could significantly differ depending on the effective operation of the Group's IT controls. KPMG IT specialists were used throughout the engagement as a core part of our audit team.	Working with our IT specialists, we tested the control environment for key IT applications (systems) used in processing significant transactions and recording balances in the general ledger. We also tested automated controls embedded within these systems. Our procedures included: • evaluating and testing the design and operating effectiveness of certain governance controls for the operational integrity of core systems relevant to financial reporting. • testing controls for the access rights given to employees, including privileged user access rights, by checking them to approved records, and inspecting the reports regarding the granting and removal of access rights. We also tested controls related to monitoring of access rights. • testing controls used to request, document, develop, test and authorise changes to the functionality and configuration of core systems relevant to financial reporting. We also tested controls related to the appropriateness of users with access to request, authorise, and release changes into the production environment of core systems relevant to financial reporting. • testing the operating effectiveness of automated controls key to our audit testing in relation to system calculations, the generation of reports, and operation of system enforced access controls. Where we noted design or operating effectiveness matters relating to IT system or application controls relevant to our audit, we performed alternative audit procedures. We also identified and tested mitigating controls in order to respond to the impact on our overall audit approach.

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Other Information

Other Information is financial and non-financial information in Suncorp Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Suncorp Group Limited for the year ended 30 June 2021, complies with Section 300A of the Corporations Act 2001.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001.

Our responsibilities

We have audited the Remuneration Report included in pages 96 to 119 of the Directors' report for the year ended 30 June 2021.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

KPMG

David Kells
Partner

Tanya Gilerman
Partner

Sydney
9 August 2021

Performance summary

Shareholder

Performance		FY21	FY20	FY19	FY18	FY17
Cash return on average shareholders' equity	(%)	**8.1**	5.9	8.4	8.0	8.4
Return on average shareholders' equity	(%)	**7.9**	7.2	1.3	7.7	7.9
Return on average total assets	(%)	**1.07**	0.95	0.18	1.08	1.11
Basic cash earnings per share	(cents)	**83.29**	59.01	86.24	85.20	89.30
Basic earnings per share	(cents)	**80.86**	71.93	13.54	82.17	83.84
Net profit after tax attributable to shareholders	($m)	**1,033**	913[1]	175[1]	1,059	1,075
General insurance Gross Written Premium	($m)	**10,531**	9,952	9,811	9,559	9,456
Reported insurance trading result	(%)	**9.6**	8.9	11.6	12.1	11.8
Underlying insurance trading result	(%)	**7.9**	11.1	12.3	10.6	11.5
Bank total lending[2]	($m)	**57,563**	58,024	59,296	58,728	55,337
Bank net interest margin	(%)	**2.07**	1.94	1.90	1.94	1.93
Bank cost-to-income ratio	(%)	**57.1**	57.3	56.2	54.7	52.7
Effective income tax rate	(%)	**30.6**	32.1	29.8	32.0	32.5
Financial strength						
Total assets	($m)	**96,857**	95,747	96,235	99,333	97,109
Net assets	($m)	**13,448**	12,784	13,133	13,973	13,790
Net tangible assets backing per share	($)	**6.40**	5.89	5.93	6.39	6.20
Group excess to Common Equity Tier 1 capital target	($m)	**773**	823	989	448	377
General insurance group total capital ratio	(times PCA[3])	**1.70**	1.68	1.85	1.84	1.77
Bank Common Equity Tier 1 capital ratio	(% RWA[4])	**10.07**	9.34	9.27	9.07	9.23
Shareholder summary						
Ordinary share price at end of year[5]	($)	**11.11**	9.23	13.47	14.59	14.82
Number of ordinary shares at end of period[6]	(million)	**1,280**	1,276	1,293	1,292	1,285
Ordinary dividend per ordinary share, fully franked	(cents)	**66**	36	70	73	73
Special dividend per ordinary share, fully franked	(cents)	**8**	-	8	8	-
Dividend payout ratio (excluding special dividend)	(%)	**79.3**	60.7	81.2	85.8	81.9
Dividend payout ratio (including special dividend)	(%)	**88.9**	60.7	90.5	95.2	81.9
Market capitalisation[7]	($m)	**14,254**	11,811	17,491	18,945	19,158

1 FY20 impacted by the sale of Capital S.M.A.R.T and ACM Parts, which resulted in a $285 million gain. FY19 Impacted by the sale of the Australian Life business, which resulted in a $910 million loss.
2 Bank Total Lending balances for all periods have been restated to include 'Other Lending'.
3 Prescribed Capital Amount.
4 Risk-weighted assets.
5 The Group structure has altered over the performance period as a result the divestment of the Australian Life business, Capital S.M.A.R.T. and ACM Parts, and other corporate activity.
6 Excluding treasury shares.
7 Market capitalisation calculated using total shares which includes Treasury shares. This also reflects capital management initiatives completed during the performance period.

Customer

Net promoter score		FY21	FY20	FY19	FY18	FY17
- Suncorp Bank MFI[1]		**+14.6**	+5.8	+5.1	+14.4	+15.4
- AAMI[1]		**+3.8**	+1.7	+1.4	+3.1	+2.3
- New Zealand[2]		**52**	Results history using previous methodology can be viewed in previous reports			
Customer complaints and dispute resolution						
Level 1 complaints resolved in 5 days[3,4]	(%)	**96**	95	95	92	-
Level 2 complaints resolved in 30 days[3,5]	(%)	**79**	71	73	-	-
Financial inclusion and resilience						
Customers assisted during times of financial hardship[3]		**65,955**	117,329	4,257	3,812	-
Accessibility						
Digital users[6]	(million)	**4.04**	3.83	3.37	-	-

People[7]

Employees		FY21	FY20	FY19	FY18	FY17
Full-time equivalent (FTE) employees		**13,505**	13,562	13,040	13,309	13,374
Safety and wellbeing						
Employee-initiated turnover	(%)	**15.5**	12.6	14.2	14.4	12.1
Lost-time injury frequency rate		**1.0**	1.2	1.3	0.9	1.6
Diversity and inclusion						
Women in leadership roles	(%)	**52**	51	51	51	49
Employees aged 55 years or over	(%)	**12.5**	11.9	11.4	11.1	10.6
Employees that identify as Aboriginal and Torres Strait Islander	(%)	**1.3**	1.2	1.1	-	-
Learning and development						
Code of Conduct training completion rate	(%)	**99**	99	99	99	-
High performer retention	(%)	**92**	93	92	-	-

Community

Community investment[8]		FY21	FY20	FY19	FY18	FY17
Total community investment	($000)	**9,003[9]**	10,317	9,160	10,109	9,835

Environment

Greenhouse gas emissions		FY21	FY20	FY19	FY18	FY17
Total Scope 1 and Scope 2 greenhouse gas emissions[10]	(CO_2-e tonnes)	**19,452**	24,570	26,459	28,732	29,999

Our Value Chain

Suppliers[3,11]		FY21	FY20	FY19	FY18	FY17
Invoices paid within 30 days[12]	(%)	**98**	98	98	93	-
Acceptance of Supplier Code of Practice						
- New suppliers onboarded	(%)	**100**	98	100	-	-
- Material suppliers	(%)	**100**	100	100	-	-
Responsible investment						
Low-carbon investment[13]	($m)	**321**	236	310	36	-

1 Measured as at June each FY on a six-month rolling average amongst personal customers. Historical figures updated to align with new methodology.
2 New methodology measures across General Insurance Claims.
3 Excludes New Zealand.
4 Handled by frontline teams
5 Managed by Internal Customer Relations team
6 Visitors that have logged into Suncorp's authenticated assets like internet banking, mobile banking app, insurance policy self-service web and mobile applications.
7 Excludes Suncorp Insurance Ventures.
8 Investment in local communities: Includes cash contributions, management costs, volunteering time and in-kind.
9 FY21 reflects reduced participation in volunteering due to impacts of COVID-19.
10 Our Total Scope 1 and Scope 2 environmental metrics for Australia and New Zealand corporate operations in FY21 are prepared on a 10+2 basis. To align with our Science Based Targets and to account for our renewable energy purchases in FY21, we have adopted a market-based greenhouse gas emissions accounting methodology for FY21 and have excluded Suncorp Insurance Ventures. Our market-based approach is consistent with the GHG Protocol's Scope 2 guidance.
11 Excludes Suncorp Joint Ventures.
12 From receipt of a valid invoice. Excludes suppliers with payment terms beyond 30 days.
13 Based on Global Investor Coalition definition.

Shareholder information

Suncorp Group Limited is a publicly-listed company limited by shares and incorporated in Australia.

Suncorp Group Limited shares are listed on the Australian Securities Exchange (ASX).

The number of securities as at 30 June 2021 and the respective codes for all securities are set out below.

Stock exchange information

Suncorp Group Limited

ASX Security code	Number of securities
SUN	1,282,966,675 ordinary shares
SUNPF	3,750,000 capital notes
SUNPG	3,750,000 capital notes
SUNPH	3,890,000 capital notes

American depository receipts (ADR) program

ADRs are securities issued in the United States which replicate locally issued ordinary shares that are denominated and pay dividends in US dollars.

Suncorp Group Limited ADRs are negotiable certificates issued by Deutsche Bank AG, with one ADR representing one Suncorp Group Limited ordinary share. They are traded under the symbol SNMCY and are classified as sponsored Level 1.

Five-year summary statistics

		FY21	FY20	FY19	FY18	FY17
Ordinary share price at end of year[1]	($)	**11.11**	9.23	13.47	14.59	14.82
Number ordinary shares on issue at end of period	(million)	**1,283**	1,280	1,299	1,299	1,293
Market capitalisation[2]	($million)	**14,254**	11,811	17,491	18,945	19,158
Dividend per ordinary share, fully franked	(cents)	**74**	36	78	81	73
Interim	(cents)	**26**	26	26	33	33
Final	(cents)	**40**	10	44	40	40
Special	(cents)	**8**	-	8	8	-

Note: the information above is as at 30 June.

1 The Group structure has altered over the performance period as a result the divestment of the Australian Life business, Capital S.M.A.R.T. and ACM Parts, and other corporate activity.
2 Market capitalisation calculated using total shares which includes Treasury shares. This also reflects capital management initiatives completed during the performance period.

Holdings analysis by security

SUNCORP GROUP LIMITED ORDINARY SHARES (ASX: SUN)

The table below shows the top 20 Suncorp ordinary shareholders, including shareholders that may hold shares for the benefit of third parties. This information is current as at 30 June 2021.

Top 20 holders

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	396,970,929	30.94
J P Morgan Nominees Australia Pty Ltd	211,336,932	16.47
Citicorp Nominees Pty Limited	129,623,846	10.10
National Nominees Limited	53,527,429	4.17
BNP Paribas Nominees Pty Ltd (Agency Lending DRP a/c)	29,338,910	2.29
BNP Paribas NOMs Pty Ltd (DRP)	19,612,629	1.53
BNP Paribas Nominees Pty Ltd Six Sis Ltd (DRP a/c)	7,705,798	0.60
Argo Investments Limited	7,496,097	0.58
HSBC Custody Nominees (Australia) Limited (NT Commonwealth Super Corp a/c)	7,284,124	0.57
Citicorp Nominees Pty Limited (Colonial First State Inv a/c)	6,035,403	0.47
Pacific Custodians Pty Limited (EPS Ctrl a/c)	5,701,511	0.44
Milton Corporation Limited	3,218,120	0.25
Pacific Custodians Pty Limited (EIP TST a/c)	3,124,241	0.24
Netwealth Investments Limited (Wrap Services a/c)	2,259,139	0.18
UBS Nominees Pty Ltd	2,193,786	0.17
BNP Paribas Nominees Pty Ltd (HUB24 Custodial Serv Ltd DRP a/c)	1,883,238	0.15
AMP Life Limited	1,644,651	0.13
Navigator Australia Ltd (SMA Antares Inv DV Build a/c)	1,355,036	0.11
Avanteos Investments Limited (Encircle IMA a/c)	1,140,227	0.09
BNP Paribas Noms (NZ) Ltd (DRP)	1,115,599	0.09

Distribution/analysis by range of holdings

Range	Number of investors	Number of securities	% issued capital
1 to 1000	84,676	38,533,413	3.00
1001 to 5000	64,561	142,719,498	11.12
5001 to 10000	9,868	69,294,277	5.40
10001 to 100000	5,437	111,407,158	8.68
100001 and over	129	921,012,329	71.79

The number of investors holding less than a marketable parcel of 46 securities (less than $500 based on a market price of $11.11 on 30 June 2021) is 5,090 and they hold a total of 97,888 securities.

Voting rights

Fully paid ordinary shareholders are entitled to vote at any meeting of members of the Company in person or by proxy and their voting rights are:

- on a show of hands – one vote per shareholder
- on a poll – one vote per fully paid ordinary share.

Substantial shareholders

A person has a 'substantial holding' of a company's shares within the meaning of the *Corporations Act* if the total votes attached to their voting shares (in which they or their associates have relevant interests) is 5% or more of any class of voting shares. As at 30 June 2021 the following substantial shareholdings were recorded in the Company's register of substantial shareholdings:

Substantial shareholder	Number of ordinary shares	% issued capital
BlackRock Group[1]	74,234,287	5.8
The Vanguard Group, Inc.[2]	69,401,175	5.4

Dividend Reinvestment Plan

Suncorp's Dividend Reinvestment Plan (DRP) allows eligible shareholders to reinvest all or part of their ordinary dividends in the Company's shares, with no brokerage or transaction costs.

Shareholders wishing to join the DRP for future dividends should advise our share registry, Link Market Services, by updating their preferences online or contacting the registry via phone by no later than 5pm on the business day following the record date for each dividend payment.

Shareholders may vary their participation or withdraw from the DRP at any time. Further information is available on our website or by contacting Link Market Services (contact details available on page 215).

See more[3]

1 Substantial shareholder notice dated 25 July 2017
2 Substantial shareholder notice dated 2 April 2020
3 suncorpgroup.com.au/investors/securities

SUNCORP GROUP LIMITED CAPITAL NOTES (SUNPF)

Top 20 holders

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	334,869	8.93
J P Morgan Nominees Australia Pty Limited	112,034	2.99
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP a/c)	106,614	2.84
Tandom Pty Ltd	83,500	2.23
Mutual Trust Pty Ltd	70,260	1.87
Dimbulu Pty Ltd	50,000	1.33
BNP Paribas Nominees Pty Ltd (Pitcher Partners DRP)	47,622	1.27
Navigator Australia Ltd (JB Were List Fix Int SMA a/c)	43,450	1.16
National Nominees Limited	37,523	1.00
Netwealth Investments Limited (Wrap Services a/c)	35,214	0.94
Citicorp Nominees Pty Limited	33,751	0.90
Federation University Australia	33,370	0.89
Navigator Australia Ltd (MLC Investment Sett a/c)	27,714	0.74
Pacific Development Corporation Pty Ltd	22,290	0.59
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	19,087	0.51
G C F Investments Pty Ltd	18,000	0.48
Sky Blue Property Pty Ltd (The Ross Family a/c)	17,100	0.46
JDB Services Pty Ltd (RAC & JD Brice Invest a/c)	15,975	0.43
BNP Paribas Noms Pty Ltd (DRP)	15,173	0.40
Invia Custodian Pty Limited (Baptistcare Short Term a/c)	15,000	0.40

Distribution/analysis by range of holdings

Range	Number of investors	Number of securities	% issued capital
1 to 1000	4,657	1,497,335	39.93
1001 to 5000	417	869,743	23.19
5001 to 10000	18	125,483	3.35
10001 to 100000	27	703,922	18.77
100001 and over	3	553,517	14.76

The number of investors holding less than a marketable parcel of five securities (less than $500 based on a market price of $102.490 on 30 June 2021) is three and they hold a total of six securities.

Voting rights

Capital note holders have no voting rights at general meetings of members of the Company.

SUNCORP GROUP LIMITED CAPITAL NOTES 2 (SUNPG)

Top 20 holders

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	259,001	6.91
Citicorp Nominees Pty Limited	107,273	2.86
Navigator Australia Ltd (JB Were List Fix Int SMA a/c)	88,000	2.35
Mutual Trust Pty Ltd	85,543	2.28
National Nominees Limited	84,057	2.24
Eastcote Pty Ltd (Van Lieshout Family a/c)	80,000	2.13
Dimbulu Pty Ltd	60,000	1.60
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP a/c)	51,040	1.36
J P Morgan Nominees Australia Pty Limited	36,607	0.98
Australian Executor Trustees Limited (IPS Super a/c)	34,638	0.92
BNP Paribas Nominees Pty Ltd (Pitcher Partners DRP)	33,228	0.89
Netwealth Investments Limited (Wrap Services a/c)	32,043	0.85
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett a/c)	25,475	0.68
Navigator Australia Ltd (MLC Investment Sett a/c)	21,447	0.57
Invia Custodian Limited (Income Pool a/c)	20,000	0.53
Invia Custodian Pty Limited (Baptistcare Short Term a/c)	20,000	0.53
HSBC Custody Nominees (Australia) Limited (a/c 2)	17,897	0.48
First Samuel Ltd ACN 086243567 (ANF ITS MDA Clients a/c)	16,335	0.44
Australian Executor Trustees Limited (No 1 account)	15,274	0.41
T G B Holdings Pty Ltd	15,000	0.40

Distribution/analysis by range of holdings

Range	Number of investors	Number of securities	% issued capital
1 to 1000	4,649	1,497,853	39.94
1001 to 5000	396	840,932	22.43
5001 to 10000	31	232,763	6.21
10001 to 100000	24	812,178	21.66
100001 and over	2	366,274	9.77

The number of investors holding less than a marketable parcel of five securities (less than $500 based on a market price of $103.690 on 30 June 2021) is two and they hold a total of five securities.

Voting rights

Capital note holders have no voting rights at general meetings of members of the Company.

SUNCORP GROUP LIMITED CAPITAL NOTES 3 (SUNPH)

Top 20 holders

Name	Number of securities	% issued capital
HSBC Custody Nominees (Australia) Limited	246,454	6.34
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP a/c)	108,186	2.78
BNP Paribas Nominees Pty Ltd (Pitcher Partners DRP)	92,323	2.37
Diocese Development Fund - Catholic Diocese of Paramatta	71,410	1.84
Mutual Trust Pty Ltd	56,965	1.46
J P Morgan Nominees Australia Pty Limited	56,587	1.45
National Nominees Limited	47,167	1.21
John E Gill Trading Pty Ltd	44,992	1.16
Eastcote Pty Ltd (Van Lieshout Family a/c)	39,000	1.00
Netwealth Investments Limited (Wrap Services a/c)	37,041	0.95
Federation University Australia	30,051	0.77
Berne No 132 Nominees Pty Ltd (2853115 a/c)	30,000	0.77
Berne No 132 Nominees Pty Ltd (684168 a/c)	30,000	0.77
Fopar Nominees Pty Ltd	25,000	0.64
Invia Custodian Pty Limited (A/M Unit a/c)	21,150	0.54
Invia Custodian Pty Limited (Baptistcare Short Term a/c)	20,000	0.51
GCF Investments Pty Ltd	19,500	0.50
GCF Investments Pty Ltd	16,509	0.42
Corp of the Tstees of the Roman Cath Arc	15,000	0.39
Cavillwood Investments Pty Ltd	14,670	0.38

Distribution/analysis by range of holdings

Range	Number of investors	Number of securities	% issued capital
1 to 1000	4,619	1,494,070	38.41
1001 to 5000	453	941,939	24.21
5001 to 10000	38	280,277	7.21
10001 to 100000	31	819,074	21.06
100001 and over	2	354,640	9.12

The number of investors holding less than a marketable parcel of five securities (less than $500 based on a market price of $101.751 on 30 June 2021) is four and they hold a total of four securities.

Voting rights

Capital note holders have no voting rights at general meetings of members of the Company.

UNQUOTED SECURITIES

The number of unquoted securities as at 30 June 2021 and the respective codes for these securities are set out below.

ASX Security code	Number of securities	Number of holders
SUNAB	1,406,810 share rights	224
SUNAC	1,737,721 performance rights	18

Voting rights

Unquoted security holders have no voting rights at general meetings of members of the Company.

Financial calendar and key payment dates

The financial calendar below may be updated throughout the year. Please refer to our website for up-to-date details. Dividend and distribution dates set out below may be subject to change.

Learn more[1]

Suncorp considers the payment of ordinary dividends as part of the process of preparing half and full year accounts, taking into consideration the Company's capital position, the outlook for the operating environment and guidance from regulators. Suncorp generally pays a dividend on its ordinary shares twice a year following the interim and final results announcements and the proposed dates for the next 12 months are set out below.

Suncorp Group Limited (SUN)	
Full year results and final dividend announcement	**9 August 2021**
Final ordinary dividend ex-dividend date	13 August 2021
Final ordinary dividend record date	16 August 2021
Final ordinary dividend payment date	22 September 2021
Annual General Meeting	**23 September 2021**
Half year results and interim dividend announcement	**8 February 2022**
Interim ordinary dividend ex-dividend date	14 February 2022
Interim ordinary dividend record date	15 February 2022
Interim ordinary dividend payment date	1 April 2022

Suncorp Group Limited Capital Notes (SUNPF)	
Ex-distribution date	2 September 2021
Distribution payment date	17 September 2021
Ex-distribution date	2 December 2021
Distribution payment date	17 December 2021
Ex-distribution date	2 March 2022
Distribution payment date	17 March 2022
Ex-distribution date	1 June 2022
Distribution payment date	17 June 2022

Suncorp Group Limited Capital Notes 2 (SUNPG)	
Ex-distribution date	2 September 2021
Distribution payment date	17 September 2021
Ex-distribution date	2 December 2021
Distribution payment date	17 December 2021
Ex-distribution date	2 March 2022
Distribution payment date	17 March 2022
Ex-distribution date	1 June 2022
Distribution payment date	17 June 2022

Suncorp Group Limited Capital Notes (SUNPH)	
Ex-distribution date	2 September 2021
Distribution payment date	17 September 2021
Ex-distribution date	2 December 2021
Distribution payment date	17 December 2021
Ex-distribution date	2 March 2022
Distribution payment date	17 March 2022
Ex-distribution date	1 June 2022
Distribution payment date	17 June 2022

1 suncorpgroup.com.au/investors/key-dates

How to contact us

Registered office

Level 28
Brisbane Square
266 George Street
Brisbane, Qld 4000

Company Secretary

Mr Darren Solomon

Auditors

KPMG
Level 16, Riparian Plaza
71 Eagle Street
Brisbane, Qld 4000

Share registry contact details

Link Market Services Limited
PO Box A50
Sydney South, NSW 1235
Australia

suncorp@linkmarketservices.com.au
linkmarketservices.com.au

1300 882 012 (inside Australia) or
+61 2 8767 1219 (outside Australia)

Managing your shareholding

Shareholders can go to the Link Market Services Investor Centre website to:

- update personal details
- view details of holding(s) such as your holding balance
- view notices of shareholder meetings, financial reports and other registry communications such as dividend statements
- register an email address for payment advices and registry communications
- obtain and complete forms to have payments made directly to their Australian or New Zealand bank, building society or credit union account.
- elect to participate in, vary or withdraw from the DRP.

For assistance with the above or any other administrative questions regarding your holding please contact Link Market Services using the contact details provided above.

In all communications with the Share Registry, please ensure you quote your Securityholder Reference Number (SRN), or in case of broker sponsored shareholders, your Holder Identification Number (HIN).

Learn more[1]

Suncorp Investor Centre

The Suncorp Group website has a dedicated section for investors.

Learn more[2]

Investors can access current and historic Company announcements, results announcement materials, the full suite of Suncorp reports, including the documents that support this report and our latest financial calendar and key payment dates for all securities.

Investors can also subscribe to receive regular email updates on the latest Suncorp news and announcements via our website.

For any other investor queries please contact the Suncorp Investor Relations team by emailing investor.relations@suncorp.com.au.

Customer Relations

If you have a complaint, compliment or suggestion, please contact our Customer Relations Team via one of the options set out below:

By email customer.relations@suncorp.com.au

By phone 1800 689 762 (Mon–Fri 9am–5pm AEST)

In writing
Suncorp
Customer Relations – RE058
Reply Paid 1453
BRISBANE QLD 4001

In person: Visit your nearest branch

For other enquires

For any other customer or general queries please visit suncorpgroup.com.au/contact

1 investorcentre.linkmarketservices.com.au
2 suncorpgroup.com.au/investors

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suncorpgroup.com.au

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SUNCORP

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ABN 66 145 290 124