

21 September 2017

Chairman's address

Suncorp Group Limited 2017 Annual General Meeting



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Dr Ziggy Switkowski AO, Chairman

Introduction

I'd like to begin by acknowledging the Traditional Owners of the land - the Turrbal (turri-bal) People and pay my respects to elders - past, present and emerging.

For this past year, Suncorp delivered good results with pleasing revenue growth and solid net profit after tax of \$1,075 million which is up 3.6 per cent on the previous year.

The Board has declared a final ordinary dividend of 40 cents per share bringing this year's total dividend to 73 cents per share, fully franked. This is at the top end of the Group's dividend payout ratio and contributes to a total shareholder return of 28 per cent for the 2016-17 year and takes the total five-year return to 151 per cent.

While the company has delivered significant value over the past five years, it has also faced many challenges.

We've experienced:

- The highs and lows of volatile financial markets.
- The personal and economic impacts of catastrophic natural hazard events – many of which are etched in our memories and reinforced by recent examples like hurricanes Harvey and Irma in the northern hemisphere, typhoons in Asia and the lingering aftermath of cyclone Debbie here in Australia and the Kaikoura earthquake in New Zealand.
- Continued competition from large incumbents and more recently the emergence of fintechs who are introducing new ways to meet customer needs. Platforms such as Uber and Airbnb show us how quickly some industries are being disrupted.

- The rapid pace at which technology, robotics and artificial intelligence are influencing businesses, workplaces and importantly, customer expectations.
- And an unprecedented level of public and regulatory scrutiny particularly in the area of culture and conduct.

It's clear that while we can't control these external factors, we can control how we respond to them.

Today I will speak to some of these challenges and how they are shaping Suncorp and the industry. I will leave the financial and operational highlights, and strategic update to your CEO, Michael Cameron.

Culture and Conduct

Upfront, I would like to address culture and conduct.

Recent events in financial services have once again reminded us of the importance of maintaining a strong culture – one that has integrity and transparency at its foundation and a strong sense of individual accountability.

A culture that is uncompromising in acknowledging errors, fixing process failures and addressing poor conduct, and one which encourages and rewards behaviour that delivers exceptional customer outcomes.

Culture is the glue that binds the organisation together and guides our people in their decision making.

Australia's world-class financial system is built on trust and confidence, and, quite rightly, companies are held to the highest standards of accountability. Suncorp is no exception.

This expectation is set by the Board, cultivated through the management team and supported by strong governance, high standards, and a fair and appropriate remuneration system. These factors underpin a company's reputation and social licence to operate.

While we have a long and proud history of delivering good customer outcomes, we must continue to challenge ourselves to do more.

We are working with industry, government and regulators to drive positive change as we continue to build a culture where doing the right thing every time is synonymous with how we operate.

Corporate Responsibility

Doing the right thing means having a sharp focus on creating value for our customers, while striking the balance between financial, social and environmental outcomes.

This year we are pleased to launch our new Corporate Responsibility Framework which brings a holistic approach to managing our material risks and opportunities. This is not just about how we spend our money but, more importantly, how we make our money.

It will take our corporate responsibility commitment to another level.

Our goal is to build trust by communicating honestly, being transparent, and offering responsible financial products and services, while also supporting our people and communities to become more resilient.

Already we are making solid progress:

- Suncorp is leading the way in achieving gender balance across our leadership teams.
- We are one of 12 'trailblazing' companies that are implementing a Financial Inclusion Action Plan, which takes positive action to assist vulnerable Australians who are excluded from having access to affordable financial services products. Our award-winning insurance product Essentials by AAI has been designed with this very need in mind.
- We have also created the Office of the Customer Advocate to identify areas for improvement, ensure business decisions are informed by customer insights, and make it easier for customers when things go wrong.

- Significantly, we have developed, and are now implementing, a Responsible Investment Policy, which ensures the long-term sustainability of investment returns. This will also guide our management of environmental, social and governance risk and opportunity across our investment portfolios.
- We are also working on a Climate Change Action Plan, which will build on the leadership role we have in driving greater natural hazard resilience, particularly in cyclone prone north Queensland. With the right adaptation strategy, we will not only have more resilient communities but we will also improve insurance affordability for homeowners by reducing risk. Our award-winning Cyclone Resilience Benefit, which rewards customers for strengthening their homes against natural hazards is one such example.

Here is a short video to give you an idea of how we are building more resilient people and communities, “especially for the moments that matter”.

Technology / Marketplace

Under Michael's stewardship, Suncorp is transforming. Together with his leadership team, Michael is implementing a plan so that we may continue to prosper in this dynamic, digital and connected world.

Building a resilient organisation requires us to embrace change, keep step with rapid advances in technology, and continue to meet evolving customer expectations.

While recent years have felt like a whirlwind, as I have emphasised before, the pace of change will never be this slow again – and for this very reason we have taken the decision to move faster.

This means embracing the opportunities that digitisation, robotics, artificial intelligence, data analytics and blockchain offer. These are exciting, and necessary if we want to meet customer expectations and keep pace in this new competitive landscape.

Wherever we look, technology is changing how people live, work and play.

Smartphones and social networking apps have transformed how people keep in touch with family and friends, how they shop, and pay bills.

For example, if a customer is shopping online at night and has a query, Chatbots are now on hand to help. These computer programs, designed to simulate conversations with humans, allow businesses to meet customer needs 24 hours a day, 7 days a week.

We are also looking at how Smart devices are connecting homes – from smart fridges, to smart thermostats and interactive appliances. These products make the home safer, more energy efficient and intelligent, and are becoming mainstream.

Our future will be much more than home loans and insurance. We will play an active role in helping customers on their journey to buy, protect, connect and maintain their home.

And then there's driverless cars, which will fundamentally change motor insurance. Suncorp has been actively participating in and leading industry discussions regarding new insurance models to support our customers through this transition over the coming decade.

Suncorp's transition includes embracing new technologies, new partnerships, and new business models. This, together with meeting customers' needs where, when and how they want, will provide a significant competitive advantage.

The Board is encouraged by the progress being made and we have supported Michael and his team to accelerate the delivery of this strategy. In the year ahead, up to \$100 million after tax will be invested to bring forward the benefits of the strategy and enable the organisation to differentiate itself, improve margins, and deliver superior returns and dividends over time.

This additional investment to accelerate the implementation of the marketplace is seen by some as controversial given the money could be used differently. However, we are confident the initiative will deliver real value for shareholders relatively quickly and Michael will address this in his comments. And we will keep shareholders informed as we progress along this path.

Wrap up

This year we farewelled Geoff Ricketts from the Suncorp Group Board, however we are pleased to see Geoff, who is Auckland-based, continue to serve as the Chairman of Vero Insurance New Zealand Limited and Asteron Life Limited.

I would especially like to acknowledge the contribution of fellow Board directors William Bartlett and Ewoud Kulk who will retire at the end of this AGM. Both have been long serving members since 2003 and 2007 respectively, and I thank them for their dedication, service and wise counsel.

Happily, Ewoud will continue as chair of our AA Insurance joint venture in New Zealand, and of our Suncorp Insurance Ventures such as our smart repair shops and spare parts operations.

In April, we welcomed Simon Machell to our Board. Simon brings more than 30 years of executive experience in the insurance industry throughout Europe and Asia, and he will address this meeting shortly.

I would also like to thank my fellow Board members for their support, expertise and insights over the past year, as well as CEO and Managing Director Michael Cameron for his leadership and partnership.

My gratitude extends to the executive team and our people for their diligence, hard work and dedication to this great company. Their achievements continue to be recognised through high levels of customer satisfaction, as well as many industry awards including – General Insurance Company of the Year 2016, Intermediated Insurance Company of the Year for Vero Insurance, and Best Shared Value Project for Essentials by AAI.

And importantly, to our loyal shareholders and customers - thank you for the trust you place in us as we continue this journey to create a resilient, sustainable and successful organisation for the future.

I would now like to invite Michael Cameron to address the meeting.

Ends

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