

Corporate Governance Statement

The Board of Directors of Suncorp-Metway Ltd (the Company) is responsible for the corporate governance of the Company and its subsidiaries (Group). This statement outlines the principal corporate governance practices and policies that the Board has established to ensure the interests of shareholders are protected and the confidence of the investment market in the Company is maintained. These practices and policies were in place throughout the 2010 financial year (unless otherwise stated) and are current as at the date of this Statement, which is 25 August 2010.

In establishing the corporate governance framework, the Board has considered various governance standards, including the *Corporate*

Governance Principles and Recommendations published by the Australian Securities Exchange (ASX) Corporate Governance Council in March 2003 and revised in August 2007 (Recommendations).

The Recommendations articulate core principles and practices that the ASX Corporate Governance Council believes underlie good corporate governance and all listed companies are required to disclose the extent to which they depart from these Recommendations.

The Recommendations, and the relevant sections of this Statement which address each of the Recommendations, are summarised in the table below.

Principles and recommendations	Relevant section(s)	Comply?
Principle 1 – Lay solid foundations for management and oversight		
1.1 Establish and disclose the functions reserved to the Board and those delegated to management.	Parts 1.1 and 3.1	yes
1.2 Disclose the process for evaluating the performance of senior executives.	Part 3.2	yes
1.3 Provide the information indicated in the guide to reporting on Principle 1.	Parts 1.2, 3.1 and 3.2	yes
Principle 2 – Structure the Board to add value		
2.1 A majority of the Board should be independent directors.	Part 1.5	yes
2.2 The chairperson should be an independent director.	Parts 1.3 and 1.5	yes
2.3 The roles of chairperson and Chief Executive Officer should not be exercised by the same individual.	Part 1.3	yes
2.4 The Board should establish a Nomination Committee consisting of a minimum of three members, the majority being independent directors.	Part 2	yes
2.5 Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Parts 1.9 and 1.10	yes
2.6 Provide the information indicated in the guide to reporting on Principle 2.	Parts 1.3, 1.5, 1.8, 1.9, 1.10 and Part 2	yes
Principle 3 – Promote ethical and responsible decision-making		
3.1 Establish a code of conduct to guide the directors, the Chief Executive Officer, the Chief Financial Officer and any other key executives as to:		
3.1.1 the practices necessary to maintain confidence in the Company's integrity		
3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectations of stakeholders; and		
3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Part 5.3	yes
3.2 Disclose the policy concerning trading in Company securities by directors, senior executives and employees.	Part 5.2	yes
3.3 Provide the information indicated in the guide to reporting on Principle 3.	Part 5	yes
Principle 4 – Safeguard integrity in financial reporting		
4.1 The Board should establish an Audit Committee.	Part 2	yes
4.2 Structure the Audit Committee so that it:		
– consists only of non-executive directors		
– consists of a majority of independent directors		
– is chaired by an independent chair, who is not a chair of the Board; and		
– has at least three members.	Part 2	yes
4.3 The Audit Committee should have a formal charter.	Part 2	yes
4.4 Provide the information indicated in the guide to reporting on Principle 4.	Parts 2 and 4.4	yes
Principle 5 – Make timely and balanced disclosure		
5.1 Establish and disclose written policies and procedures designed to ensure accountability at a senior management level for compliance with ASX disclosure requirements.	Part 5.4	yes
5.2 Provide the information indicated in the guide to reporting on Principle 5.	Part 5.4	yes

Corporate Governance Statement (continued)

Principles and recommendations		Relevant section(s)	Comply?
Principle 6 – Respect the rights of shareholders			
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Part 5.4	yes
6.2	Provide the information indicated in the guide to reporting on Principle 6.	Part 5.4	yes
Principle 7 – Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Part 4	yes
7.2	Require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to the Board on whether those risks are being managed effectively.	Parts 3.1; 4.2 and 4.3	yes
7.3	Disclose whether the Board has received assurance from the chief executive officer and the chief financial officer that the declaration provided under s295A of the <i>Corporations Act 2001</i> (Cth) is founded on a sound system of risk management and internal control that is operating effectively in all material respects in relation to financial reporting risks.	Part 4.2	yes
7.4	Provide the information indicated in the guide to reporting on Principle 7.	Part 4	yes
Principle 8 – Remunerate fairly and responsibly			
8.1	The Board should establish a Remuneration Committee.	Part 2	yes
8.2	Distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Part 5.1	yes
8.3	Provide the information indicated in the guide to reporting on Principle 8.	Parts 2 and 5.1	yes

The Group's corporate governance policies, procedures and practices have been developed and implemented by the Board and management over many years and are consistent with the Recommendations. During the 2009/10 financial year there were no departures from the Recommendations which should be disclosed to shareholders.

Part 1. Board of Directors

1.1 Role of the Board

The Board is accountable to shareholders for the Group's performance and has overall responsibility for the Group's operations.

The Group conducts a diverse and complex range of business including banking, general insurance, life insurance and funds management, which means an important feature of the Board's work is to monitor compliance with the prudential and solvency requirements of the Australian Prudential Regulation Authority (APRA).

Therefore, directors of the Company also undertake roles as directors of Asteron Life Limited, Australian Associated Motor Insurers Limited, Australian Alliance Insurance Company Limited, Promgroup Limited, Suncorp Metway Insurance Ltd, GIO General Limited, Suncorp Life & Superannuation Limited and Vero Insurance Limited, which are all subject to APRA regulation.

The Group's operations also extend to New Zealand and Mr Geoffrey Ricketts, a director of Suncorp-Metway Ltd, was also a director and Chairman of the Group's major operating entities in New Zealand over the course of the year.

1.2 Responsibilities of the Board

The Board has adopted a Board Charter, which sets out the principles for the operation of the Board of Directors and provides a description of the functions and responsibilities of the Board and the functions delegated to management. A copy of that charter is available on the Company's website under 'Corporate Governance'.

The key functions of the Board are summarised below:

- approve the strategic direction and related objectives for the Group
- approve annual budgets, dividend policy and dividend payments
- monitor financial performance and executive management performance in the implementation and achievement of strategic and business objectives
- monitor the process whereby business risks are identified and approve systems and controls to manage those risks and monitor compliance
- appoint and remove the Managing Director/Chief Executive Officer (the Group CEO) and approve the appointment and removal of executives reporting directly to the Group CEO (Group Executives)
- approve the remuneration arrangements of the Group CEO and Group Executives, including measures of performance, and performance targets, and manage succession plans for the Group CEO
- determine and approve the level of authority to be granted to the Group CEO in respect of operating and capital expenditure and credit facilities
- authorise the further delegation of those authorities to management by the Group CEO; and
- approve major operating and capital expenditure and credit facilities in excess of the limits delegated to management.

1.3 Composition of the Board

The Board Charter contains the following guidelines on Board composition:

- the Board shall comprise no more than 13 directors and no fewer than seven
- a majority of directors must be independent, non-executive directors; and
- the directors shall appoint, as Chairman of the Board, one of the non-executive directors deemed by the Board to be independent.

At the date of this Statement, the Board comprises eight non-executive directors and one executive director (the Group CEO Patrick Snowball). The names of directors, including details of their qualifications and experience, are set out in the Directors' Report.

The composition of the Board is subject to review in a number of ways, as outlined below:

- The Company's Constitution provides that at every Annual General Meeting one third of the directors, excluding the Group CEO, shall retire from office but may stand for re-election.

Directors offering themselves for re-election are subject to a performance assessment, conducted by the Nomination Committee at the end of the financial year immediately preceding the director's retirement date. That assessment is based largely on the outcomes of the annual Board appraisal which includes assessments of individual director performance.

Subject to the outcome of that assessment, the Board then confirms to shareholders whether it supports the re-election of each retiring director in a statement that accompanies the Notice of Meeting.

- Board composition is reviewed periodically by the Nomination Committee, either when a vacancy arises or if it is considered that the Board would benefit from the services of a new director, given the Board's existing mix of skills and experience and the ongoing need to align those skills with the strategic demands of the Group.

It is also considered important to maintain an appropriate mix between long serving directors with first-hand knowledge of the Group's businesses and corporate history, and new directors who bring new perspectives to the role.

The period of office held by each of the directors as at the date of this Statement is as follows:

Director	Term in office
John Story (Chairman)	15 years 7 months
William Bartlett	7 years 2 months
Ian Blackburne	10 years 1 month
Paula Dwyer	3 years 4 months
Stuart Grimshaw	7 months
Ewoud Kulk	3 years 5 months
Geoffrey Ricketts	3 years 5 months
Zygmunt Switkowski	5 years
Patrick Snowball	1 year

- A Board appraisal is conducted annually which includes an assessment of future requirements in relation to Board composition based on the above criteria and overall Board performance. The appraisal process for the Board is set out in greater detail later in this section.

Once it has been determined by the Board that a new director is to be appointed, a search is undertaken for suitable candidates, usually using the services of external consultants. Nominations are subsequently received and reviewed by the Board.

1.4 Meetings of the Board

The Board generally meets monthly to consider matters relevant to the Group's operations and performance; however, additional meetings are also held as required. The Board also meets with senior management at least twice a year to consider matters of strategic importance to the Group.

Prior to each meeting of directors, the non-executive directors meet in the absence of executive directors and any other management representatives. Senior management are invited to attend meetings where matters relevant to their respective business unit are to be considered.

The number of meetings of directors held over the course of the year and details of directors' attendance at those meetings are provided in the Directors' Report.

1.5 Director independence

As noted in 1.3 above, the Board must comprise a majority of non-executive directors who are independent. In line with the Recommendations, the Board will consider a director to be independent if he or she is not a member of management and is free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

When assessing whether a director has any relationships that could affect the director's independence, the Board considers a number of factors which are consistent with the Recommendations. The Board takes a qualitative approach to materiality and assesses independence on a case-by-case basis by reference to each director's particular circumstances rather than applying strict quantitative thresholds.

The following factors and relationships are considered by the Board in assessing whether a director is independent:

- being a substantial shareholder of the Company or a company that has a substantial shareholding in the Company or being an officer of or being otherwise associated with, either directly or indirectly, a substantial shareholder
- being employed in an executive capacity by the Group within the last three years
- being a principal of a material professional adviser or a material consultant to the Group, within the last three years
- being, or being associated with, a material supplier or customer of the Group

Part 1. Board of Directors (continued)

1.5 Director independence (continued)

- being in a material contractual relationship with the Suncorp Group other than as a director of the Company; and
- having any other interest or relationship that could materially interfere with the director's ability to act in the best interests of the Company and independently of management.

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

Mr Story was, until 30 June 2006, a partner of Corrs Chambers Westgarth Lawyers, which provided legal services to the Suncorp Group throughout the year. Mr Story remained as the non-executive Chairman of the board of directors of that firm until his resignation on 21 June 2007.

Mr Ricketts is a director of Spotless Group Limited, the parent entity of a company that provided catering services to the Group over the course of the year. The contractual arrangements between the Company and Spotless Services Australia Limited were in place prior to the date Mr Ricketts joined the Suncorp Board.

Mr Ricketts also acted as a consultant for Russell McVeagh, Solicitors (NZ), which provided legal services to the Suncorp Group throughout the year.

The Board does not believe these relationships could affect the directors' independence in relation to any matter other than in the selection of a service provider. However, the selection of a service provider, other than for the provision of audit services or for matters of a strategic nature, is the responsibility of management and such decisions are made in the ordinary course of business, without any reference to any directors or the Board.

Accordingly, the Board has determined that, with respect to the above circumstances, none of the services provided were or are deemed material.

1.6 Conflicts of interest

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

To ensure that any actual or potential conflict of interest is appropriately managed, the following procedures have been adopted by the Board:

- directors are required to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company; and
- where the Board believes a conflict exists, the director concerned is not to take part in any decision associated with the matter, including, as appropriate, not receiving the relevant Board papers, not being present at the meeting when the item is considered and not being informed of the decision taken.

1.7 Induction and education

The Company has an informal induction process for new directors which includes meeting with the Group CEO, members of the Senior Leadership Team and other senior managers about the nature of the business, current issues and the corporate strategy.

These meetings are held soon after a director's appointment to the Board.

Ongoing education for directors is provided through regular management presentations on certain key functions or business activities from across the Group. The external auditors and industry experts also address the Board from time to time on matters relevant to Suncorp's business or its operating environment.

Most of the topics presented to the Board are determined in advance and form part of the annual meeting schedule.

Also, to ensure directors remain equally informed on all material matters impacting on the Group's businesses, copies of the agendas for Board committee meetings are provided to all directors, and non-executive directors may attend meetings of any committee of which they are not a member, or they can choose to receive copies of particular papers or reports listed for discussion at those meetings.

1.8 Access to information and independent advice

Directors have unrestricted access to Company records and receive regular financial and operational reports from senior management for consideration at meetings of directors. Also, each director has entered into a deed with the Company that provides for access to documents, in certain circumstances, following their retirement as a director.

In accordance with the terms of its charter, the Board collectively and each director individually, may take, at the Company's expense, such independent professional advice as is considered necessary to fulfil their relevant duties and responsibilities. A director seeking such advice must obtain the approval of the Chairman and such approval may not be unreasonably withheld. A copy of advice received by a director is made available to all other members of the Board except where the circumstances make that inappropriate.

1.9 Board appraisal

A performance appraisal of the Board is conducted annually. An independent consultant is engaged to facilitate the process, usually every second year, and the Chairman of the Board conducts the appraisal every other year.

However, the same methodology and processes (as summarised below) are followed for both internal and external reviews.

The appraisal includes completion of a questionnaire by, and/or interviews with each director, the main objectives being to:

- assess the effectiveness of the Board as a whole in meeting the requirements of its charter
- assess the performance and contributions of individual directors, including the Chairman, in assisting the Board to fulfil its role; and
- identify aspects of Board or director performance that require improvement.

The questionnaire results (if applicable) and a summary of the views expressed during the interviews in relation to each of the above matters, or any other matters that directors believe are relevant, are provided to directors in a report prepared by the consultants or the Chairman. The Board as a whole discusses the report and any recommendations for change or improvement are agreed.

Progress against each of the recommendations is assessed in subsequent Board reviews. In the years when the questionnaire is completed by the independent consultant, the results are also benchmarked against other companies.

Following the interview process, the Chairman may also meet with individual directors to discuss any issues that may have arisen during the interview stage in relation to that director's performance.

A review, facilitated by the Chairman, was conducted in accordance with the above process for the 2009/10 financial year.

1.10 Board committee appraisals

The performance of the Audit, Risk and Remuneration committees are subject to an annual assessment of their effectiveness in meeting the requirements of their charters. The assessment is based on the results of a questionnaire completed by each committee. The results are collated and a report submitted to the Board for consideration. On the basis of that assessment, committee membership and structure is confirmed or amended.

Assessments of the Audit, Risk and Remuneration committees were conducted in accordance with the above process for the 2009/10 financial year. The performance of the Nomination Committee is reviewed as part of the Board appraisal, on the basis that all non-executive directors are members of the Nomination Committee.

Part 2. Board committees and New Zealand subsidiaries

2.1 Board committees

In order to provide adequate time for the Board to concentrate on strategy, planning and performance enhancement, the Board has delegated certain specific duties to Board committees. To this end, four Board committees have been established to assist and support the Board in the conduct of its duties and obligations.

The committees form an important part of the Group's overall governance structure and therefore non-executive directors may attend meetings of any committee of which they are not a member or they can choose to receive copies of particular papers or reports listed for discussion at those meetings. Each committee has its own charter, which is approved by the Board and which defines the relevant committee's roles and responsibilities. Copies of the charters are available on the Company's website under 'Corporate Governance'.

The number of committee meetings held over the year and details of directors' attendance at those meetings are provided in the Directors' Report.

2.2 New Zealand subsidiaries

The Group's major operating entities in New Zealand include Vero Insurance New Zealand Limited (Vero NZ), Asteron Life Limited, Tyndall Investment Management Limited and The New Zealand Guardian Trust Company Limited (NZGT).

Governance oversight of these companies is provided through the respective board of directors, which in the case of Vero NZ and NZGT, comprise independent non-executive directors, including Mr Geoff Ricketts, a director of Suncorp-Metway Ltd. Mr Ricketts is Chairman of the Board of each of the above companies other than NZGT.

Part 2. Board committees and New Zealand subsidiaries (continued)

Board Committees

Committee	Members and composition	Role
Audit	<p>The members of the Audit Committee are:</p> <ul style="list-style-type: none"> – Mr Bartlett (Chairman until 31 August 2010) – Ms Dwyer (Chairman from 1 September 2010) – Mr Grimshaw (appointed 16 April 2010) <p>Mr Story is an ex-officio member of the Audit Committee. Mr Tutt retired on 28 October 2009; Mr Kriewaldt retired on 16 April 2010.</p> <p>At the date of this Statement, the qualifications of the members of the committee satisfy the requirements of the ASX guidelines. Details of those qualifications are provided in the Directors' Report.</p> <p>At all times throughout the reporting period, the members of the Audit Committee were all non-executive directors. However, the Group CEO, Group CFO, and the internal and external auditor are invited to meetings at the Audit Committee's discretion.</p> <p>The Audit Committee also holds discussions with the auditors in the absence of management on a regular basis.</p>	<p>The primary role of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities with respect to oversight of the Group's financial and operational control environment. Specific issues addressed by the Audit Committee throughout the year, in accordance with its charter, included:</p> <ul style="list-style-type: none"> – reviewing statutory reports and returns for lodgement with APRA – reviewing half-year and annual financial statements and reports prior to consideration by the Board – reviewing and assessing reports from management, the Appointed Actuary (general insurance), the Appointed Actuary (life insurance), the Reviewing Actuary and the external auditor in relation to matters impacting on the half-year and annual financial statements – audit planning – reviewing and approving audit plans as submitted by both internal and external auditors and agreeing areas of audit emphasis and audit approach – reviewing the provision of non-audit services by the external auditor to assess whether there is any potential impact on the auditor's independence; and – reviewing internal and external audit reports and where weaknesses in controls or procedures have been identified, assessing whether remedial action taken by management is adequate and appropriate.
Risk	<p>The members of the Risk Committee are:</p> <ul style="list-style-type: none"> – Dr Blackburne (Chairman until 31 August 2010) – Mr Grimshaw (appointed 27 January 2010) – Mr Kulk (Chairman from 1 September 2010) – Dr Switkowski <p>Mr Story is an ex-officio member of the Risk Committee. Dr Hirst retired on 16 April 2010.</p>	<p>The role of the Risk Committee is to provide the Board with oversight across the Group for all categories of risk, through the identification, assessment and management of risk and monitoring adherence to internal risk management policies and procedures.</p> <p>Specific issues addressed and activities undertaken by the Risk Committee throughout the year, in accordance with its charter, included:</p> <ul style="list-style-type: none"> – review and approve the Group's Risk Management Framework – review and confirm the Group's Risk Appetite – review Line of Business Risk Reports and assess performance against Risk Appetite – review and approve stress test scenarios – oversight of the risk appetite, business planning and capital management development process – review and approve Group Policy Framework and Policy suite; and – review and approve risk management strategies and reinsurance management strategies as required by APRA.
Remuneration	<p>The members of the Remuneration Committee are:</p> <ul style="list-style-type: none"> – Dr Switkowski (Chairman) – Mr Bartlett (appointed 16 April 2010) – Mr Kulk (appointed 28 October 2009) <p>Mr Story is an ex-officio member of the Remuneration Committee. Dr Hirst retired on 16 April 2010; Mr Tutt retired on 28 October 2009.</p>	<p>The Remuneration Committee is responsible for making recommendations to the Board on:</p> <ul style="list-style-type: none"> – the individual remuneration arrangements of the Group CEO and executives and person(s) or category of persons that may be specified by APRA – the size of the annual bonus/incentive pools – the remuneration of non-executive directors; and – the remuneration structure of the categories of persons covered by the Company's remuneration policy. <p>During the year, the Remuneration Committee conducted a review of the Group's remuneration framework, processes and policies, to identify and monitor implementation of any changes that may be required to comply with new prudential requirements on remuneration, issued by APRA on 30 November 2009, and which became effective 1 April 2010.</p>
Nomination	<p>The Nomination Committee comprises all the non-executive directors. Mr Story is the Chairman of the Nomination Committee.</p>	<p>The Nomination Committee is responsible for:</p> <ul style="list-style-type: none"> – reviewing Board composition – recommending the appointment of directors – approving appointments to Board committees – planning Board succession; and – approving the Board performance evaluation process.

Part 3. Senior executives

3.1 Functions delegated to management

The Board has delegated the following functions to management:

- development of corporate strategies and business plans in consultation with directors and implementing the corporate strategies approved by the Board
- making recommendations to the Board on significant strategic and business initiatives
- making recommendations to the Board or relevant Board committee on appointments to senior management roles
- development and maintenance of succession plans for senior management roles
- development of an annual budget for consideration by the Board and then to conduct the Group's business activities within the approved budget limits
- development and maintenance of risk management systems and frameworks as approved by the Board or relevant Board committee; and
- managing the business in accordance with regulatory and legislative requirements and within the Group's approved policy and procedures framework.

3.2 Senior executive performance assessment

A system of **balanced scorecards** is used to establish performance measures and to monitor the performance of senior executives (including the Group CEO, Group Executives and their direct reports) against those measures.

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

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

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

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

The senior executive performance assessments for year ended 30 June 2010 were conducted in accordance with the arrangements described above.

3.3 Senior executive induction and education processes

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

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

Under the APRA *Fit and Proper Prudential Standard*, the Group must maintain a Fitness and Propriety Policy, designed to assist in managing risks associated with the appointment of persons to roles that have a significant impact on the sound and prudent management of the Group.

Under the Group's Fitness and Propriety Policy, all senior executives and directors are subject to a formal assessment process at the time of appointment and on an annual basis thereafter, to confirm they possess and have maintained the necessary skills, knowledge and expertise to undertake and fulfil the particular duties and responsibilities of the position they hold within the APRA-regulated entity.

The Group supports senior executives and other employees in maintaining and enhancing their industry and business knowledge and expertise and associated professional qualifications.

Part 4. Risk management

Risk within the Group is defined as any threat to the achievement of the Group's objectives.

The Group has a structured risk management framework in place in respect of all key risks and that framework was enhanced during the year through:

- the permanent appointments to the positions of Group Chief Risk Officer, General Insurance Chief Risk Officer and Group Chief Investment Officer
- the continued evolution of elements of the Risk Management Framework, including the setting of risk appetite and stress testing; and
- policy alignment at the Group level.

Key areas of focus which have been identified for the year ahead include:

- enhancement of the Group's risk adjusted capital model, resulting in improved decision-making aligned to the Group's risk appetite
- a strategic, forward looking portfolio view of the Group's risk profile; and
- further embedding an effective risk culture to support key decisions and transparency of risk issues.

4.1 Enterprise Risk Management Framework

The Group has adopted a Risk Management Framework, incorporating the risk governance frameworks, policies, processes and practices which govern the monitoring, management, control and reporting of risks inherent within the business operations. The Risk Management Framework is approved by the Risk Committee, and reviewed and updated on an annual basis.

4.1.1 Regulators

The Group is a diversified financial services conglomerate, operating within the banking, general insurance and wealth management sectors and is therefore subject to APRA's prudential regulation framework. Accordingly, prudential requirements such as maintaining Board approved Risk Management Strategies and Reinsurance Management Strategies form part of the Risk Management Framework. Also, many of the Group's legal entities hold an Australian Financial Services Licence regulated by the Australian Securities & Investments Commission as part of the authorisation required for the provision of financial service products.

4.1.2 Risk appetite

Risk appetite represents the nature and level of risk that the Board is willing to accept in the pursuit of strategic objectives.

Critically linked to capital management, risk appetite is set at both the Group and Line of Business levels, with risk articulated in the form of:

- quantitative measures: such as appetite and tolerance for volatility in capital and earnings, which are measures that relate directly to business plans, risk limits and stress test scenarios
- qualitative considerations: which underpin the way risk is managed across the Group; and
- zero tolerance: areas where the Board has no appetite for risk.

When approving Group risk appetite, the Board considers:

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

Each Line of Business has an articulated risk appetite statement relevant to their business, but which is aligned with the parameters set at the Group level. In conjunction with capital plans and business plans, Line of Business Risk Appetite Statements and the Group Risk Appetite Statement are reviewed and evaluated by the Group CFO, Group CRO and Risk Committee and approved by the Board.

Part 4. Risk management (continued)

4.1.4 Risk Committee structures

Within the Enterprise Risk Management Framework, an accountabilities model clearly establishes roles and responsibilities for managing risk. The Management Risk Committees are an important part of the accountabilities model with a number of committees in place. These committees comprise executive representation from both Group and Line of Business as appropriate. A subset of these committees operate with Board Risk Committee approved charters, delegations and limits. Current key management committees include:

- Bank Credit Risk Committee
- Bank Asset & Liability Committee
- Bank Operational Risk Committee
- Life Asset & Liability Committee
- Life Operational Risk Committee
- General Insurance Asset & Liability Committee
- General Insurance Risk Committee
- General Insurance Reinsurance Committee
- Crisis Management Committee

4.2 Internal control framework

As part of the Risk Management Framework, internal controls have been implemented across the Group to ensure appropriate risk identification, assessment, control, management, monitoring and reporting. This section outlines some of the key elements of those internal controls.

4.2.1 Compliance

The Group Compliance Policy mandates the Group will conduct its business in compliance with all laws, rules, regulations, standards and codes, internal policies and procedures. To ensure this occurs, senior management completes a monthly automated due diligence questionnaire to report the Group's regulatory and operational compliance status, including both actual and potential breaches. All matters identified within the due diligence report are retained on each subsequent monthly report until the matter is resolved to the satisfaction of management, a Board committee, or the Board itself, depending on the circumstances.

Policies and procedures have been developed to also ensure open communications occur between the Group and its primary regulators in a timely manner, namely:

- that all material correspondence between the Group and regulators is referred to the Board or relevant Board committee; and
- that the Group notify ASIC and APRA of any reportable breaches.

4.2.2 Risk Committee reporting

The Risk Committee engages in a quarterly conversation with management to assess current and emerging risks, identified through the Line of Business and Group risk reporting process. Each Line of Business also reports to the Risk Committee on the performance of its business against target dimensions, as contained in risk appetite statements, and updated stress testing scenario results are provided to the Risk Committee on a six-monthly basis. Matters are referred to the Board by the Risk Committee from time to time for consideration and approval in accordance with delegated authorities and regulatory requirements.

4.2.3 Financial reporting

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

When the Board considers the statutory financial statements and reports for the Group in February and August each year, written certifications regarding the integrity of those financial statements and the Group's risk management and internal compliance and control systems are provided by the Group CEO, Group CFO and Group CRO.

For the financial year ended 30 June 2010, the Group CEO, Group CFO and Group CRO have provided:

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

These certifications meet the requirements of s 295A of the *Corporations Act 2001*.

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

4.2.4 APRA declarations

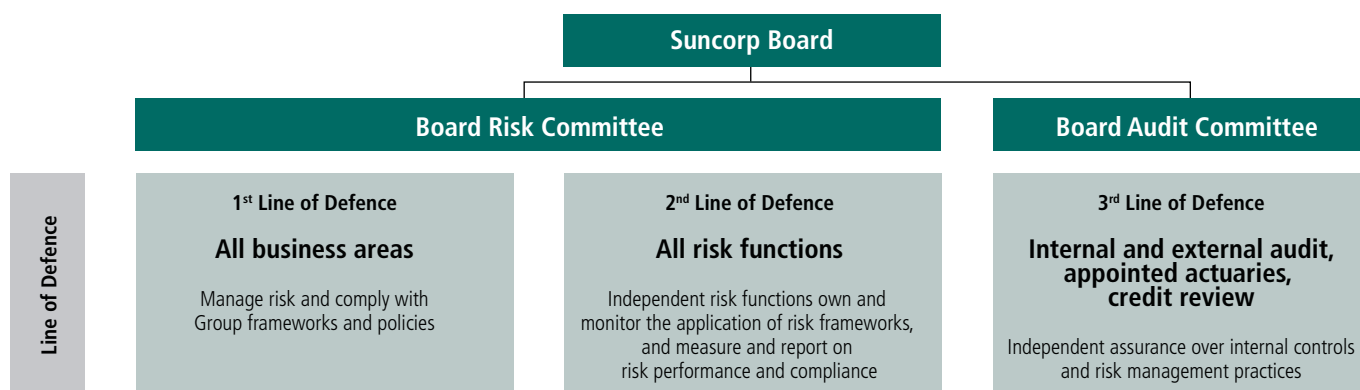
In accordance with APRA regulations, each regulated entity is required to submit to APRA on an annual basis a Risk Management Declaration, confirming the adequacy of the regulated entity's risk management systems.

The Risk Management Declarations, approved by the Board, are based on reports considered and reviews conducted by the Risk Committee during the course of the year and on the representations provided to the Board by management in regard to the adequacy of the Group's risk management systems for each category of risk.

4.3 Risk Management Accountabilities

4.3.1 Three Lines of Defence

Accountabilities for risk management within the Group are based upon the Three Lines of Defence model.



4.3.2 Specific accountabilities

The role of the **Risk Committee** is to oversight the adequacy and effectiveness of the risk management frameworks and processes within Suncorp. The Risk Committee has delegated authority from the Board to approve and oversee the processes used to identify, evaluate and manage risk. At its discretion, the Risk Committee may make recommendations to the Board, including recommendations on the Group's risk appetite.

The **Senior Leadership Team**, consisting of the Group CEO and all Group Executives, provides executive oversight and direction-setting across the Group's internal control environment and the Group's Risk Management Framework.

The **Group Chief Risk Officer (Group CRO)** provides the 'voice of risk' within the Senior Leadership Team. Within risk parameters set by the Board, the Senior Leadership Team approves principles, policies, limits, frameworks and processes used by the Group to identify, assess, monitor and control/mitigate risk.

Management within each Business Unit has the primary responsibility and accountability for embedding the risk management framework within their business operations and also reports on risk and control effectiveness to executive management or the Risk Committee. **Chief Risk Officers**, with formal lines of accountability to both their Line of Business CEO and the Group CRO, have been appointed for the Bank, General Insurance and Life Insurance Businesses, in order to create greater ownership, understanding and awareness of risk.

Internal Audit provides independent testing and verification of the efficacy of corporate standards and business unit compliance, validates the overall risk framework and provides assurance that the risk management process is functioning as designed. Internal Audit provides reports to both the Audit Committee and Risk Committee and under the Internal Audit Charter adopted by the Audit Committee, members of the internal audit department have full, free and unrestricted access to all Group activities, records, property and personnel. The internal audit function is independent of the external auditor.

4.4 External audit

External auditor engagement

The Audit Committee is responsible for recommending to the Board the appointment and removal of the external auditor and for determining the terms of engagement. The Group's external audit engagements were last put to tender in April 2002 and the Audit, Business Risk & Compliance Committee (as the Audit Committee was called at the time) was responsible for the oversight and administration of the tender process including:

- determining the tender/selection process to be followed and identifying key issues to be addressed
- selecting the firms invited to tender
- making presentations to the tendering firms
- receiving and assessing presentations from the tendering firms; and
- making a recommendation to the Board.

At the date of this report, the Group's auditor is KPMG. KPMG have a partner rotation policy that requires the signing and engagement partner to change every five years in accordance with the requirements of the *Corporations Act 2001*. The Board has endorsed that rotation policy.

External auditor independence

The external auditor provides a written report to each Audit Committee meeting, on audit and non-audit services provided to the Group over the period since the last report to the committee and the fees charged for those services.

These reports also confirm that the auditor has maintained independence in relation to the Group having regard to relevant policies, professional rules and statutory requirements.

Part 4. Risk management (continued)

Attendance at Annual General Meetings

The Group's external auditor is required to attend the Company's Annual General Meetings (AGMs) and shareholders are made aware at each AGM that the auditor is available to address questions relevant to the conduct of the audit and the preparation and content of the auditor's report.

Part 5. Policies

Governance policies of general application throughout the Group

5.1 Remuneration

The remuneration policies and structures in place for employees, management and directors over the reporting period, including full details of directors' and executives' benefits and interests, are explained in the Remuneration Report (part of the Directors' Report).

5.2 Dealings in Company securities

The Suncorp Constitution permits directors to acquire securities in the Company; however, the Board has adopted a share dealing policy that prohibits directors and senior management from dealing in the Company's securities at any time whilst in possession of price-sensitive information and for a 30-day period prior to:

- the release of the Company's half-year and annual results to the ASX
- the AGM; and
- any major announcements.

The following approvals must also be obtained before a director or officer may deal in the Company's securities:

- all directors (including the executive directors) must advise the Chairman of the Board
- the Chairman must advise the Chairman of the Audit Committee; and
- senior managers must advise the Group CEO.

The share dealing policy also extends to dealing in a financial product which operates to limit the economic risk of a holding in the Company's securities. Dealing in such type of securities is prohibited unless the security is fully vested and the transaction has been approved by either the Chairman (for directors) or the CEO (for senior executives).

The granting of approval to deal in the Company's securities is coordinated by the company secretary who is also responsible for reporting all transactions by directors and senior executives to the Board.

In accordance with the provisions of the *Corporations Act 2001* and the ASX Listing Rules, the Company advises the ASX of any transaction conducted by directors in the securities of the Company.

The share dealing policy is made available to employees through the Company's internal compliance and governance intranet sites and a formal advice on the terms of that policy is issued to all senior managers at least twice a year, usually in the month prior to the release of the Company's annual and half-year financial results.

Full details of the share dealing policy are also available on the Company's website under 'Corporate Governance'.

5.3 Code of conduct

A code of conduct has been adopted by the Group and is available on the Company's website under 'Corporate Governance'.

The *Suncorp Code of Conduct* outlines the standards of behaviour that are expected of all directors, executives, management and employees and describes the values that underpin the way we conduct our business.

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

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

- Conflicts of Interest Policy
- Whistleblower Policy; and
- Share Dealing Policy.

The Company monitors compliance with the Code and its various other policies using an internal due diligence system, as described earlier in this Statement under 'Internal Control Framework'.

5.4 Continuous disclosure and shareholder communication

Continuous disclosure – the Company has policies and procedures in place to ensure all shareholders and investors have equal access to the Company's information, and that all price-sensitive information in relation to the Company's listed securities is disclosed to the ASX in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules.

The EGM Group Corporate Affairs & Investor Relations has primary responsibility for all communications with the ASX and all Company announcements are available via the Company's website following release to the ASX. A copy of the Company's disclosure policy is available on the Company's website under 'Corporate Governance'.

Shareholder communication – Suncorp is committed to:

- keeping its shareholders and the investment market fully informed on all matters that are relevant or material to its financial performance; and
- avoiding the disclosure of material information to anyone on a selective basis.

Information is disseminated primarily through timely announcements to the ASX. Those announcements are published on our website immediately following release by the ASX, enabling access to the broader investment community.

Direct communication with shareholders regarding the Group's performance also occurs on a regular basis through the distribution of annual reports (on request) in September each year and also through letters from the Chairman and Group CEO following the release of the full year and half-year results in August and February respectively, and following the AGM.

Shareholders can elect to receive all such communications through the post or in electronic format and can also lodge direct votes and proxy votes online through the website of the Company's share registrars, Link Market Services Limited. Details are in the AGM documents issued to shareholders.

The AGM, which is usually held in October each year and is webcast live, allows shareholders to address the Board and management directly on matters regarding the Group's performance.

Full details of the Suncorp Disclosure Policy and the Shareholder Communications Strategy, which govern how we communicate with our shareholders, are available on the Company's website (www.suncorpgroup.com.au).