



## Suncorp-Metway Ltd

### Response to the ASX Principles of Good Corporate Governance (as at 1 July 2003)

#### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

##### ***Recommendation 1.1 Formalise and disclose the functions reserved to the board and those delegated to management.***

**The Company complies with this recommendation.**

The Board has adopted a charter which sets out the principles for the operation of the Board of Directors and provides a description of the functions of the board and the functions delegated to management. The principles and practices referred to in the Board Charter have been developed over many years by the Board, in conjunction with management, and those principles will continue to be refined and updated as the Company and its operations continue to change and develop.

A copy of the Board Charter is available on the Company's website under "Corporate Governance".

#### PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

##### ***Recommendation 2.1: A majority of the board should be independent directors.***

**The Company complies with this recommendation.**

The Company's Constitution states that the Board shall comprise no more than 11 directors and no less than seven and the Board Charter states that a majority of directors must be independent, non-executive directors.

As at the date of this statement, the Board comprised seven **non-executive directors**, and two executive directors, (the Managing Director and the Chief Financial Officer). The names of those directors, including details of their qualifications and experience, are set out in the directors' profile section of the Suncorp 2003 Annual Report.

Also, as at the date of this statement, all non-executive directors of the Company were deemed **independent** as defined under the Board policy on director independence. That policy, which is summarised in the Corporate Governance Statement in the Suncorp 2003 Annual Report, includes all matters listed in the definition of an "independent director" in Box 2.1 of the ASX guidelines.

***Recommendation 2.2: The chairperson should be an independent director.***

**The Company complies with this recommendation.**

The Board Charter states that “the Chairman of the Board shall be elected by directors and shall be independent as defined under the board policy on director independence.”

As at the date of this statement, the Chairman of the Board is Mr John Story, a non-executive director deemed by the board to be independent. (For further details on the assessment of independence made by the board, refer to the “Director Independence” section of the Corporate Governance Statement in the Suncorp 2003 Annual Report.)

***Recommendation 2.3: The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.***

**The Company complies with this recommendation** and has formally adopted the practice of separating the roles in the Board Charter, which states that “the Chairman of the Board shall be a non-executive director.”

As at the date of this statement, the Chairman of the Board is Mr John Story, a non-executive director and the Chief Executive Officer is Mr John Mulcahy.

***Recommendation 2.4: The Board should establish a Nomination Committee.***

**The Company complies with this recommendation.**

The board has established a Nomination & Remuneration Committee which, at the date of this statement, comprises three independent, non-executive directors. The Chairman of the Board is also the Chairman of this committee. Details of the committee membership and a summary of its functions is included in the “Board Committees” section of the Corporate Governance Statement in the Suncorp 2003 Annual Report

The committee operates under a formal charter, a copy of which is available on the Company’s website under “Corporate Governance.” The responsibilities and functions of the committee, as outlined in the charter, are in accordance with the ASX guidelines.

***Recommendation 2.5: Provide the Information indicated in Guide to Reporting on Principle 2.***

**The Company complies with this recommendation.**

The “Guide to Reporting on Principle 2” in the ASX guidelines states that certain information should be included in the corporate governance section of the annual report or be made publicly available, ideally on the Company’s website. The list of suggested information, as contained in the guidelines, is provided below and includes a cross reference to the relevant section of the Suncorp 2003 Annual Report or the Company’s website.

Information to be provided in accordance with the ASX Guidelines	Annual Report/Website Reference
The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report.	Board of Directors Profiles – Page 27 of the Suncorp 2003 Annual Report.
The names of directors considered by the board to constitute independent directors and the Company’s materiality thresholds	Corporate Governance Statement – Page 29 of the Suncorp 2003 Annual Report.
A statement as to whether there is a procedure agreed by the Board for the Directors to take independent professional advice at the expense of the Company	Corporate Governance Statement – Page 31 of the Suncorp 2003 Annual Report.
The term of office held by each director in office at the date of the annual report.	Corporate Governance Statement – Page 29 of the Suncorp 2003 Annual Report.
The names of members of the nomination committee and their attendance at meetings of the committee.	Corporate Governance Statement – Page 32 of the Suncorp 2003 Annual Report contains the <b>names of committee members</b> .  Directors Report – Page 36 of the Suncorp 2003 Annual Report contains <b>meeting attendance details</b>
An explanation of any departures from best practice recommendations 2.1, 2.2,2.3, 2.4 or 2.5.	The company believes that at the date of this statement it complied fully with the relevant best practice recommendations, therefore no statement regarding departures from the recommendations has been included in the Suncorp 2003 Annual Report.  Details of the practices and procedures adopted by the company and which were in place at the date of this statement in relation to the relevant recommendations are contained in the Corporate Governance Statement - Pages 28 to 32 of the Suncorp 2003 Annual Report.
A description of the procedure for the selection and appointment of new directors to the board.	Corporate Governance Statement – Page 28 of the Suncorp 2003 Annual Report under “Composition of the Board.”
The charter of the nomination committee or a summary of the role, rights, responsibilities and membership requirements for that committee.	The <b>Charter</b> of the Nomination and Remuneration Committee is available on the company’s website under “Corporate Governance”.  A <b>summary</b> of the roles and responsibilities of that committee is contained on page 32 of the Suncorp 2003 Annual Report
The nomination committee’s policy for the appointment of directors.	The Board Charter, which is available on the company’s website under “Corporate Governance,” contains details of the principles that are applied when the appointment of a director is being considered.  One of the principles considered is of course director independence, and details of the matters considered when assessing director independence are contained in the Corporate Governance Statement - Page 28 of the Suncorp 2003 Annual Report.

## **PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**

***Recommendation 3.1: Establish a Code of Conduct to guide the directors, the Chief Executive Officer (or equivalent), the Chief Financial Officer (or equivalent) 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 responsibility and accountability of individuals for reporting and investigating reports of unethical practices***

The Company complies with these recommendations in the following manner:

**Recommendation 3.1.1** - A Code of Conduct, that applies to all directors, officers and employees of the Suncorp Group, has been adopted.

The Code of Conduct details six core behavioural standards, encompassing;

- Respect
- Compliance
- Integrity and honesty
- Confidentiality
- Professional conduct
- Community.

A copy of the Code of Conduct is available on the company's website under "Corporate Governance".

**Recommendation 3.1.2** – The Code of Conduct does make reference to the individuals responsibility to disclose or report information about situations that do not comply with the law or company's Code of Conduct. However a Whistleblower Policy is also being developed that will provide more detailed procedures and structures for dealing with the reporting and investigation of unethical practices.

***Recommendation 3.2: Disclose the policy concerning trading in company securities by directors, officers and employees.***

The company complies with this recommendation.

A summary of the Company's "Share Dealing Policy for Directors and Officers" is provided on page 30 and 31 of the Corporate Governance Statement in the Suncorp 2003 Annual Report.

A full copy of the policy is available on the Company's website under "Corporate Governance".

***Recommendation 3.3: Provide the Information indicated in Guide to Reporting on Principle 3.***

The "Guide to Reporting on Principle 3" in the ASX guidelines states that certain information should be included in the corporate governance section of the annual report or be made publicly available, ideally on the Company's website. The list of suggested information, as contained in the guidelines, is provided

below and includes a cross reference to the relevant section of the Suncorp 2003 Annual Report or the Company's website.

Information to be provided in accordance with the ASX Guidelines	Annual Report/Website Reference
An explanation of any departures from best practice recommendations 3.1, 3.2 or 3.3	<p>The company believes that at the date of this statement it complied fully with the relevant best practice recommendations, therefore no statement regarding departures from the recommendations has been included in the Suncorp 2003 Annual Report.</p> <p>Details of the practices and procedures adopted by the company and which were in place at the date of this statement in relation to the relevant recommendations are contained in the Corporate Governance Statement - Pages 28 to 32 of the Suncorp 2003 Annual Report</p>
The Code of Conduct adopted by the company or a summary of its main provisions	The <b>Code of Conduct</b> adopted by the company is available on the Company's website under "Corporate Governance".
The Company's Trading Policy or a Summary of it main provisions	The <b>Share Dealing Policy for Directors and Officers</b> of the company is available on the company's website under "Corporate Governance" and a summary is provided on page 30 and 31 of the Corporate Governance Statement in the Suncorp 2003 Annual Report.

#### **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

***Recommendation 4.1 Require the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.***

**The Company complies with this recommendation.**

Procedures developed to provide the board with appropriate representations from management regarding the integrity of the financial statements and the supporting controls and systems have been in place for a number of years.

The process leading to the adoption by the Board of the Group's most recent financial statements, for year ended 30 June 2003, included written representations from the Chief Executive Officer and the Chief Financial Officer made in accordance with the ASX guidelines.

***Recommendation 4.2: The board should establish an Audit Committee***

**The Company complies with this recommendation.**

The Company has an established Audit Business Risk & Compliance Committee (ABR&CC).

**Recommendation 4.3: Structure the Audit Committee so that it consists of:**

- **Only non-executive directors**
- **A majority of independent directors**
- **An independent Chairperson, who is not chairperson of the board**
- **At least three members**

**The Company complies with this recommendation.**

At the date of this statement, the ABR&CC is comprised of four independent, non-executive directors. The Chairman of the Board is not the Chairman of the ABR&CC. Details of the committee's membership is included in the "Board Committees" section of the Corporate Governance Statement in the Suncorp 2003 Annual Report.

**Recommendation 4.4: The Audit Committee should have a formal operating charter.**

**The Company complies with this recommendation.**

The ABR&CC operates under a formal charter, a copy of which is available on the Company's website under "Corporate Governance." A summary of the committees responsibilities and functions are also outlined in the "Board Committees" section of the Corporate Governance Statement in the Suncorp 2003 Annual Report

**Recommendation 4.5: Provide the Information indicated in Guide to Reporting on Principle 4.**

The "Guide to Reporting on Principle 4" in the ASX guidelines states that certain information should be included in the corporate governance section of the annual report or be made publicly available, ideally on the Company's website. The list of suggested information, as contained in the guidelines, is provided below and includes a cross reference to the relevant section of the Suncorp 2003 annual report or the company's website

<b>Information to be provided in accordance with the ASX Guidelines</b>	<b>Annual Report/Website Reference</b>
Details of the names and qualifications of those appointed to the audit committee, or, where an audit committee has not been formed, those who fulfil the functions of an audit committee;	Corporate Governance Statement – Page 31 of the 2003 Annual Report contains the <b>names</b> of committee members.  Directors Profile section - Page 27 of the Suncorp Annual Report contains the <b>qualifications</b> of committee members.
the number of meetings of the audit committee and the names of the attendees	Directors Report – Page 36 of the Suncorp 2003 Annual Report contains <b>meeting attendance details</b>
An explanation of any departures from best practice recommendations, 4.1, 4.2, 4.3, 4.4 or 4.5.	The company believes that at the date of this statement it complied fully with the relevant best practice recommendations, therefore no statement regarding departures from the recommendations has been included in the Suncorp 2003 Annual Report.  Details of the practices and procedures adopted by the company and which were in place at the date of this statement in relation to the relevant recommendations are

	contained in the Corporate Governance Statement - Pages 28 to 32 of the Suncorp 2003 Annual Report
The Audit Committee Charter	The <b>Charter</b> of the Audit, Business Risk & Compliance Committee is available on the company's website under "Corporate Governance".
Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners	<p>The Audit, Business Risk &amp; Compliance Committee (ABR&amp;CC) is responsible for recommending to the Board the appointment and removal of the external auditors and for determining the terms of engagement. As reported in the company's 2002 Corporate Governance Statement, the Group's external audit engagements were put out to tender in April 2002 and the ABR&amp;CC was responsible for oversight and administration of the tender process including;</p> <ul style="list-style-type: none"> <li>▪ Determining the tender/selection process to be followed and identification of key issues to be addressed.</li> <li>▪ Selecting the firms invited to tender.</li> <li>▪ Making presentations to the tendering firms.</li> <li>▪ Receiving and assessing presentations from the tendering firms.</li> <li>▪ Making a recommendation to the Board</li> </ul> <p>KPMG were appointed external auditors for the Suncorp Group of companies following that tender process.</p> <p>KPMG have a partner rotation policy that requires the engagement partner to change every seven years in accordance with the recommendations of the Ramsay Report. That policy has been accepted by the company's Board of directors, however it is recognised that a five-year rotation period is proposed as part of the Clerp 9 reforms.</p>

## **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

***Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.***

**The Company complies with this recommendation.**

The Company has in place policies and procedures 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 and ASX Listing Rules.

The Manager Investor Relations has primary responsibility for all communications with the ASX and all company announcements are placed on the Company's website following release to the ASX. A copy of the Company's disclosure policy is available on that website under "Corporate Governance."

## **PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**

***Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.***

**The Company complies with this recommendation.**

The Company's shareholder communications strategy is available on the Company's website under "Corporate Governance."

That strategy is based on the fundamental principles of keeping shareholders and the wider investment market fully informed on the Company's strategy and financial performance and providing equal access to all investors of information released by the Company.

***Recommendation 6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.***

**The Company complies with this recommendation.**

The Engagement Partner of the Company's external auditor attends the Company's annual general meetings. The Chairman advises shareholders of the auditor's attendance at the commencement of the meeting.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

***Recommendation 7.1: The board or appropriate board committee should establish policies on risk oversight and management.***

**The Company complies with this recommendation.**

The Company has well established policies, procedures and structures in place to identify and manage the risks associated with the conduct of its businesses. Further information on those policies, procedures and structures is available in the 2003 Annual Report or on the Company's website, as described below:

- Details of the Group's risk management framework are provided in the Suncorp 2003 Annual Report (pages 103 –108)
- A summary of the Group's internal control framework is provided in the Corporate Governance Statement in the Suncorp 2003 Annual Report (page 32).
- The roles of the various board committees in relation to the group's risk management and control framework is described in the Suncorp 2003 Annual Report (page 31).
- The responsibilities of the Audit Business Risk & Compliance Committee in relation to the group's risk management and control framework are explained in full in the charter for that committee which is available on the Company's website under "Corporate Governance."

**Recommendation 7.2: The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) should state to the board in writing that:**

**7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board**

**7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.**

**The Company complies with these recommendations.**

Procedures developed to provide the board with appropriate representations from management regarding the integrity of the financial statements and the supporting controls and systems have been in place for a number of years.

The process leading to the adoption by the board of the Group's most recent financial statements, for year ended 30 June 2003, included written representations from the Managing director (Chief Executive Officer) and the Chief Financial Officer made in accordance with recommendation 7.2.

**Recommendation 7.3: Provide the Information indicated in Guide to Reporting on Principle 7.**

The "Guide to reporting on Principle 7" in the ASX guidelines states that certain information should be included in the corporate governance section of the annual report or be made publicly available, ideally on the Company's website. The list of suggested information, as contained in the guidelines, is provided below and includes a cross reference to the relevant section of the Suncorp 2003 Annual Report or the Company's website.

<b>Information to be provided in accordance with the ASX Guidelines</b>	<b>Annual Report/Website Reference</b>
An explanation of any departures from best practice recommendations, 7.1, 7.2 or 7.3	The Company believes that at the date of this statement it complied fully with the relevant best practice recommendations, therefore no statement regarding departures from the recommendations has been included in the Suncorp 2003 Annual Report.  Details of the practices and procedures adopted by the company and which were in place at the date of this statement in relation to the relevant recommendations are provided in the responses to Principle 7 above.
A description of the Company's risk management policy and internal compliance and control system.	Corporate Governance Statement – Page 32 of the Suncorp 2003 Annual Report under "Risk Management and Internal Controls."

## **PRINCIPLE 8: ENCOURAGE ENHANCED PERFORMANCE**

***Recommendation 8.1: Disclose the process for performance evaluation of the board, its committees and individual directors and key executives.***

**The Company complies with this recommendation.**

**Board and Board Committee Appraisal** - The process adopted for reviewing and evaluating the performance of the board is explained in the Corporate Governance Statement under “Board Appraisal.” That review, conducted by means of a survey of directors, has previously been undertaken by the Chairman of the Board on an annual basis.

The structure and membership of the various board committees is reviewed by the Nomination & Remuneration Committee on an annual basis and recommendations are then made to the board.

For 2003/2004, it is proposed that the review and assessment of board, board committee and director performance be conducted by an external, independent consultant and co-ordinated by the Nomination & Remuneration Committee, in accordance with its charter.

**Executive Performance Appraisal** – The Nomination & Remuneration Committee is responsible for reviewing the performance of the Managing Director and executives reporting to the Managing Director. Those reviews are conducted annually and are based on the achievement of performance objectives set at the beginning of the year and which are aligned with the group’s business objectives.

## **PRINCIPLE 9: REMUNERATE FAIRLY AND RESPONSIBLY**

***Recommendation 9.1: Provide disclosure in relation to the company’s remuneration policies to enable investors to understand:***

- (i) the costs and benefits of those policies and***
- (ii) the link between remuneration paid to directors and key executives and corporate performance***

**The Company complies with this recommendation.**

Details of the director’s and senior executive’s remuneration structure and emoluments received over the year, are provided in the Suncorp 2003 Annual Report, in the Directors’ Report section and in the “Remuneration of directors and executive officers” note to the financial statements.

***Recommendation 9.2: The board should establish a Remuneration Committee***

**The Company complies with this recommendation.**

The Board has established a Nomination & Remuneration Committee. Details of the committee’s membership and a summary of its functions is included in the “Board Committees” section of the Corporate Governance Statement in the Suncorp 2003 Annual Report

The committee operates under a formal charter, a copy of which is available on the company’s website under “Corporate Governance.”

**Recommendation 9.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executives**

**The Company complies with this recommendation.**

The structure of non-executive director remuneration and executive remuneration is fully disclosed in the notes to the financial statements, as contained in the Suncorp 2003 Annual Report. This includes details of the nature and amount of each major element of emolument for each director and for each Group executive of the company.

**Recommendation 9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders**

The company operates three employee share plans and a non-executive directors share plan. Details of all share plans are provided in the notes to the financial statements, as contained in the Suncorp 2003 annual report.

All share plans, other than the Executive Performance Share Plan (EPSP) have been approved by shareholders.

The Nomination and Remuneration committee is responsible for approving offers of shares under all of the above share plans and shares issued under those share plans are acquired on market from funds provided by either the employee or director (salary sacrifice) or the Company. Details of amounts paid by employees and the Company to acquire shares over the year are disclosed in Note 44 to the financial statements, as contained in the Suncorp 2003 annual report.

**Recommendation 9.5: Provide the Information indicated in Guide to Reporting on Principle 9.**

The "Guide to Reporting on Principle 9" in the ASX guidelines states that certain information should be included in the corporate governance section of the annual report or be made publicly available, ideally on the Company's website. The list of suggested information, as contained in the guidelines, is provided below and includes a cross reference to the relevant section of the Suncorp 2003 Annual Report or the Company's website.

Information to be provided in accordance with the ASX Guidelines	Annual Report/Website Reference
Disclosure of the company's remuneration policies referred to in best practice recommendation 9.1 and in Box 9.1	Directors' Report - Page 35 of the Suncorp 2003 Annual Report under "Directors and Senior Executives Emoluments."  Notes to the Financial Statements – Note 39 "Remuneration of directors and executive officers" on Pages 121 to 124 of the Company's 2003 Annual Report.
The names of the members of the remuneration committee and their attendance at meetings of the committee	Corporate Governance Statement – Page 32 of the Suncorp 2003 Annual Report contains the <b>names of the Nomination &amp; Remuneration Committee members.</b>  Directors' Report – Page 36 of the Suncorp 2003 Annual Report contains <b>meeting attendance details.</b>
The existence and terms of any schemes for retirement benefits, other than statutory superannuation for non-executive directors	Corporate Governance Statement – Page 32 of the Suncorp 2003 Annual Report under "Director Remuneration".  Directors' Report – Page 35 of the Suncorp 2003 Annual

<p>An explanation of any departures from best practice recommendations 9.1, 9.2, 9.3, 9.4 or 9.5</p>	<p>Report under “Directors and Senior Executives Emoluments.”</p> <p>The Company believes that at the date of this statement it complied fully with the relevant best practice recommendations, therefore no statement regarding departures from the recommendations has been included in the Suncorp 2003 Annual Report.</p> <p>Details of the practices and procedures adopted by the company and which were in place at the date of this statement in relation to the relevant recommendations are provided in the responses to Principle 9 above.</p>
<p>The charter of the remuneration committee or a summary of the role, rights, responsibilities and membership requirements for that committee.</p>	<p>The <b>Charter</b> of the Nomination and Remuneration Committee is available on the Company’s website under “Corporate Governance” and a summary of the role and responsibilities of that committee is provided in the Corporate Governance Statement on Page 32 of the Suncorp 2003 Annual Report.</p>

**PRINCIPLE 10: RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS**

***Recommendation 10.1: Establish and disclose a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders.***

**The Company complies with this recommendation.**

Refer to recommendation 3.1.