

Restriction of Publication Claimed**STATEMENT IN SUPPORT OF APPLICATION FOR MERGER AUTHORISATION****SBGH LIMITED**

Target Company

Statement of **Steven Johnston**

Address Level 23, 80 Ann Street, Brisbane QLD 4000

Occupation Chief Executive Officer, Suncorp Group

Date: 17/5/2023

This document contains confidential information which is indicated as follows: **[Confidential to Suncorp]** []

This document is to be treated as wholly confidential.

The lodgement of this document will be followed by the lodgement of a public version.


Restriction of Publication Claimed

Contents

Tab	Details	Paragraph	Page
Confidential Exhibit SJ-5			
1.	[REDACTED]		
2.			

Restriction of Publication Claimed

A. INTRODUCTION

1. I am the Chief Executive Officer (CEO) and Managing Director of Suncorp Group Limited (Suncorp or the Group) and a member of Suncorp's Executive Leadership Team (ELT).
2. This statement has been prepared in support of the application by Australia and New Zealand Banking Group Limited (ANZ) for authorisation of its proposed acquisition of 100% of the issued share capital in SBGH Limited (Suncorp Bank) from Suncorp, either directly or via a related body corporate of ANZ, in accordance with a share sale and purchase agreement (SSPA) between ANZ and Suncorp executed on 18 July 2022 (the Proposed Transaction).
3. This statement is to be read in addition to my statement made on 25 November 2022 (First Statement) and my statement made on 12 May 2023 (Second Statement). Capitalised terms have the same meaning as defined in my First Statement.
4. In preparing this statement, I have reviewed the Australian Competition and Consumer Commission's (ACCC) Statement of Preliminary Views in relation to the application by ANZ and Suncorp for merger authorisation and the public version of the submission made by Bendigo and Adelaide Bank Limited (BEN) (BEN Submission) dated 3 March 2023 and published by the ACCC on 24 March 2023.
5. 
6. The matters set out in this statement are based on my knowledge of the Group's operations, my review of the Group's business records, my involvement with the Group's business, and my understanding of public policy as it applies in Queensland and across Australia.
7. In this statement, I address the public benefits that arise from the Proposed Transaction through the investment and employment commitments that Suncorp will give to Queensland that have been made in connection with the legislative amendments to the *State Financial Institutions and Metway Merger Act 1996* (Qld) (Metway Merger Act) that Suncorp is negotiating with Queensland Treasury.

B. PUBLIC BENEFITS ARISING FROM THE PROPOSED TRANSACTION

Benefits to the State of Queensland

8. In addition to the public benefits outlined above in my First Statement at paragraphs [86]-[107] and in my Second Statement, Suncorp is presently engaged in discussions with the State of Queensland (through Queensland Treasury) on a plan and Implementation Agreement (Implementation Agreement) that will result in Suncorp committing to a range of investment commitments and employment commitments for the people and communities of Queensland. These commitments have been designed by Suncorp and negotiated with Queensland Treasury to support amendments proposed to be made to the Metway Merger Act necessary for the Proposed Transaction to proceed. The passage of these proposed amendments, if approved by the State of Queensland, would not become operative unless and until merger authorisation from the ACCC and approval by the Federal Treasurer under the *Financial Sector (Shareholdings) Act 1998* (Cth) are received.
9. In particular, Suncorp has been keen to ensure that it can demonstrate the benefits of the Proposed Transaction in relation to Suncorp's continued operation and presence in

Restriction of Publication Claimed

Queensland and related economic and employment opportunities. This is achieved through various commitments to the State of Queensland, as described in this statement.

10. Through its discussions with Queensland Treasury, Suncorp has expanded and extended the commitments it initially proposed at the time the Proposed Transaction was announced, and additionally, has offered new commitments for the benefit of Queensland. [REDACTED]
11. Suncorp and Queensland Treasury have now agreed, in principle, and subject to final approvals, [REDACTED] Suncorp's legal commitments to the State of Queensland, which are new commitments being funded as a direct result of the Proposed Transaction [REDACTED]
12. Suncorp will also provide annual reporting, coinciding with its annual reporting cycle, to track these commitments. [REDACTED]
13. In my view, Suncorp's commitments:
 - (a) help to ensure that the transaction provides demonstrable benefits for the people and financial ecosystem of Queensland as well as more broadly on a national scale;
 - (b) meaningfully demonstrate Suncorp's intention to maintain its core insurance operations in Queensland over the long term; and
 - (c) clearly articulate how Suncorp will add value to Queensland and nationally by growing skilled employment opportunities and contributing to the growth of the finance and insurance industries after completion of the Proposed Transaction.

Context of and discussions with Queensland Treasury

14. As set out in the Authorisation Application dated 2 December 2022, the Proposed Transaction is conditional on the fulfilment of certain conditions including that the Metway Merger Act is either repealed or amended such that it does not apply to any holding company of Suncorp Bank nor to ANZ or any of its related bodies corporate (excluding Suncorp Bank and its subsidiaries).
15. For this purpose, Suncorp has been engaged in discussions with Queensland Treasury since the Proposed Transaction was announced on 17 July 2022, [REDACTED]. These discussions have allowed Suncorp to understand and address the Queensland Government's objectives to ensure an outcome that is in the best interests of Queensland, if the Proposed Transaction proceeds. [REDACTED]

Restriction of Publication Claimed

16. There have been a series of engagements between Suncorp and Queensland Treasury over a number of months. A summary of the commitments that Suncorp has offered to the State of Queensland are as follows.

Corporate Services and Regional Head Office Commitment

17. This commitment includes a number of matters that it is proposed will be supported in the proposed amendments to the Metway Merger Act, including that:
- (a) The Registered Office of Suncorp Group Limited is to remain in Queensland, reflecting Suncorp's commitment to maintain its legal status as a company incorporated in Queensland;
 - (b) the principal operational offices of the CEO and Chairman be located in Queensland, ensuring the headquarters of the Suncorp Group remain in Queensland; and
 - (c) Group Corporate Services Functions supporting the Australian business must be at least in part performed in Queensland.
18. The passage of proposed amendments to the Merger Act, if approved by the State of Queensland, would not become operative unless and until merger authorisation from the ACCC and approval by the Federal Treasurer under the *Financial Sector (Shareholdings) Act 1998* (Cth) are received.

Disaster Recovery Centre Commitment

19. As a major insurer, Suncorp appreciates that the impacts of climate change and ongoing natural disasters require a dedicated focus. Queensland is the most disaster impacted state in Australia. As a demonstration of Suncorp's commitment to the people of Queensland (including our commitment to helping make Queensland the most resilient state in Australia), Suncorp will construct the Disaster Recover Centre of Excellence (**DRC**). The DRC will be the first of its kind in Australia and will provide leadership, best practices, research, support and training for insurance disaster recovery and resilience. This will have public benefits beyond Queensland, positively impacting across all of Australia.
20. The establishment of the DRC in Brisbane is the primary means by which Suncorp is committed to bolstering its capability, infrastructure, talent, technology and advocacy in Queensland further. By leveraging our national and international experience in supporting customers and communities to prepare, respond and recover from all types of extreme weather, the DRC will be the cornerstone of Suncorp's commitment to supporting communities impacted by extreme weather experienced in Queensland and across of all Australia.
21. This commitment includes:
- (a) Suncorp committing to \$19 million over 5 years in respect of the DRC, including: \$2.5 million on the physical DRC based in Brisbane (with 50 new workstations to allow for planned growth); \$3 million for the Disaster Response Team also based in Brisbane and working out of the DRC (including 20 new FTE roles, anticipated to be in Brisbane, working on the Event Control Centre (**ECC**)); \$12 million on the ECC technology platform (described further below); and \$1.5 million on a mobile hub which will provide community and advocacy enhancements to drive greater local support and knowledge at the time of a natural disaster.
 - (b) The latter \$1.5 million investment is Suncorp's commitment to the design and fit-out in Queensland of a new fully functional "mobile hub" in the form of semi-trailer truck/caravans, which will be deployed to impacted Queensland communities that

Restriction of Publication Claimed

have been affected by a natural disaster (**Mobile Hub**). The Mobile Hub will give customers and community members a local presence which will be on site for as long as the community needs Suncorp to be. The intent is to use Queensland suppliers for the design and fit-out, pending a procurement process. This was an investment that was not contemplated or provided for in Suncorp's three year funding plan and is put forward as a result of the Proposed Transaction.

22. Benefits to Queensland and all of Australia flowing from Suncorp's DRC Commitment will include:

- (a) Suncorp working with existing partners such as the State Emergency Services and potentially other Queensland Government agencies in Queensland and NSW to better plan and help communities recover from natural disasters.
- (b) Suncorp supporting communities when they need help most, with claims operations predominantly based in Queensland enhancing local knowledge and on-the-ground local presence wherever in Australia they are required.
- (c) Access to more targeted and granular customer and community insights to help drive better preparedness for potential natural disasters, smarter claims management and mitigation strategies. This also applies nationally.
- (d) Use of state-of-the-art technology co-designed and led by Queensland-based employees deployed into Suncorp's Heritage Lanes headquarters. This represents market leadership in new technologies that are widely untested in Australia with opportunities to commercialise across other industries. This also applies nationally.
- (e) Data sharing opportunities to assist with understanding the impact of specific disasters on planning and zoning activities, thereby building more resilient communities across Australia. Suncorp is currently in discussions with two Queensland Local Governments to trial data-sharing and providing risk insights, and would look to extend this nationally.
- (f) Retaining, developing and attracting talent to jobs in Queensland including claims operations, weather monitoring, climate change and meteorology, geospatial, data scientists, artificial intelligence, digital transformation and project delivery. This benefits all of Australia.
- (g) Increased disaster management capability based in Queensland with a focus on operations, technology and innovation which will further support the Queensland Government's Strategy for Disaster Resilience 2022-2027.
- (h) The DRC will create 20 new jobs via the ECC, with recruitment for the 20 roles to be completed within the next 12 months.
- (i) The 50 workstations will be occupied in part by the existing claims team already based in Brisbane, but will be supplemented by the 20 new roles working on the technology platform.

ECC Technology Commitment

23. The ECC is a global market leading technology platform which will be developed to drive faster and more targeted response for customers and communities to natural disasters. This technology has been developed (in its prototype form) and will be enhanced to better enable: monitoring of weather events to understand impacts to affected communities; proactive

Restriction of Publication Claimed

communications; and Suncorp's response before, during and after a major weather event including damage analytics through artificial intelligence.

24. One of the first proposed upgrades to be made to the technology platform under the committed investment would be the functionality to analyse data by Local Government Areas (LGAs) nationally. While this is not required for Suncorp to service customers, this key functionality will be critical to ensure that Suncorp can share localised insights with other parties (such as government, partners, academics and other stakeholders), which is a major public benefit
25. As noted above, the ECC will involve the creation of 20 new roles via the ECC.

Regional Hub Commitment

26. Suncorp has committed to establishing a new hybrid employment hub in Townsville (**Regional Hub**). The Regional Hub will strengthen the region's workforce by providing quality and stable employment for 120 people (100 FTE) within two years from the commencement date of the Metway Merger Act amending legislation. While this is not an increase to Suncorp's overall Australian FTE workforce numbers, additional external benefits arise from those jobs being located in Townsville, being a regional centre of national importance given its key defence, academic and research capabilities. The Regional Hub has the potential to expand beyond the initial proposed 120 roles as Suncorp embraces more flexible ways of working. The Regional Hub has the potential to create local jobs during the fit out and construction stage. Subject to the availability of real estate, trades and materials, construction is anticipated to begin in August 2023 with the hub expected to be open in the second half of 2024.
27. Suncorp's total investment cost will be between \$2.1 million and \$3 million. This does not include salary and on-boarding costs of the workforce. Townsville has a higher percentage of First Nations people than the Queensland average, providing an opportunity to improve First Nations employment prospects.
28. In my view, this commitment further affirms that the sale of Suncorp Bank to ANZ will create job opportunities for Queenslanders. As one of the state's largest private sector employers, Suncorp will continue to contribute to the strength of Queensland's employment opportunities.

Vocational Training Commitment

29. Suncorp is also committing to an investment of at least \$3 million within a three year period in community or educational initiatives specified by the Queensland State. This investment will prioritise funding for vocational training for trades to support disaster resilience as well as trades for the construction of housing in Queensland, will support First Nations employment pathways and courses, internships and scholarships relevant to disaster resilience and emergency management. This investment is evidence of Suncorp's commitment to developing and strengthening Queensland's financial ecosystem by assisting the Queensland Government to create a strong and diverse workforce that is ready to adapt to future opportunities. First Nations employment pathways will be a particular focus of this program.
30. Suncorp's Vocational Training Commitment will assist Queensland in growing its financial ecosystem by providing career pathways for graduates in both direct and indirect jobs, both in finance and the sectors necessary to grow vibrant communities. This commitment provides balance to ANZ's commitment to invest in development of a technology hub and a digital/technology workforce by ensuring that the growing financial services workforce, broader ecosystem and community have access to appropriately qualified tradespeople. This benefits all of Australia.

Restriction of Publication Claimed

Employment commitments

31. In addition to the investment commitments outlined above, Suncorp has agreed to certain Employment Commitments that require:
- (a) the aggregate number of persons employed by Suncorp in Queensland to service Suncorp's insurance business to exceed the aggregate number of persons employed in any other Australian State or Territory to service Suncorp's insurance business [REDACTED]; and
 - (b) the aggregate number of persons employed by Suncorp in Queensland to service Suncorp's insurance business by performing Group corporate services activities to exceed the aggregate number of persons employed in any other Australian State or Territory to perform the same activities for Suncorp's insurance business [REDACTED].
32. Suncorp has expanded the employment commitments that previously existed by providing commitments relating to the proportion of employees of the Insurance Business located in Queensland [REDACTED]. These commitments are not commitments that Suncorp would otherwise have made.

Public benefits and the Proposed Transaction

33. As I noted in paragraph 14 above, the Proposed Transaction is conditional on the Metway Merger Act being either repealed or amended so that the headquartering requirements in section 64 of the Metway Merger Act do not apply to ANZ following its acquisition of SBGH and its subsidiaries including SML (clause 2.1(c) of the SSPA).
34. This issue would arise for any non-Queensland headquartered acquirer of Suncorp Bank and the extent of the commitments that Suncorp Group can make will be impacted by the purchase price it receives for the Bank.
35. As set out in my Second Statement, an acquisition by BEN would face M&A structuring challenges. Any BEN proposed transaction structure for the combination of BEN and Suncorp Bank would necessarily involve a significant scrip component in the consideration payable to Suncorp (and ultimately put into the hands of Suncorp's shareholders).
36. In determining whether to make this package of investment and employment commitments, Suncorp had to consider the value of the Proposed Transaction. In my view, the funding of these investment commitments was only possible because of the value arising to Suncorp and its shareholders from the Proposed Transaction. For the reasons set out in my Second Statement, I believe that a transaction with BEN, particularly one that involved scrip, would not be one which would justify Suncorp committing to the package of commitments described in this statement, a number of which go beyond the requirements of the existing Metway Merger Act. As a result, I believe that it would have been incumbent upon BEN to offer significant commitments to the Queensland Government in relation to the operations of the combined entity that would have impacted the ability of the combined entity to achieve synergies. This would in turn negatively impact the value of any transaction with BEN to the detriment of Suncorp and its shareholders, further reinforcing my view that a deal involving a combination of BEN and Suncorp Bank would not be a viable proposition.

Signature of witness

[REDACTED]

Steven Johnston