

QIC

QIC ANNUAL REPORT
2020-2021



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About QIC

QIC is a leading long-term specialist manager in alternatives offering expertise in infrastructure, real estate, private capital, liquid markets and the management of the Queensland Government's state investments. QIC is one of the largest institutional investment managers in Australia, with \$92.4 billion in funds under management.¹ Headquartered in Brisbane, Australia, QIC also has offices in Sydney, Melbourne, New York, Los Angeles, San Francisco and London.

¹ As at 30 June 2021. All figures in AUD unless otherwise specified.

MESSAGE FROM THE CHAIR

On behalf of the QIC Board, I am pleased to present the QIC Limited Annual Report for the year ended 30 June 2021.

The past 12 months have been unprecedented as COVID-19 has continued to impact so many around the world. This pandemic has tested everyone and like many organisations, QIC has had to continue to adapt to the unexpected, whilst executing our strategy and staying true to our purpose of delivering optimum investment outcomes with and for our clients across our areas of expertise.

In the face of these challenges, I am pleased to report that QIC has delivered strong financial and investment performance this year, whilst continually supporting the needs of our people, our clients and our owner, the Queensland Government.

We have delivered a profit before tax of \$102.8 million, exceeding our target of \$69.7 million for the year, and a dividend of \$45.1 million to the Queensland Government.

Our investment performance for our clients has been strong, with 87% of representative funds having met or exceeded performance objectives, on a Funds Under Management (FUM) weighted basis, during the reporting period.

These results are a testament to the commitment and expertise of our people and demonstrate our focus on being client-led and our ability to be adaptable to change in these uncertain times. It also demonstrates the strength of leadership and depth and breadth of our team and our capabilities across the entire organisation.

After nine years in the role, on 29 June 2021, QIC's Chief Executive Officer, Damien Frawley, confirmed his intention to retire in 2022. Under Damien's leadership, QIC has come to be widely regarded as one of Australia's preeminent investment managers, managing over \$92.4 billion² in assets under management for a range of government, domestic and global institutional investors.

Damien is highly respected across the Queensland, Australian and international investment landscape and has been instrumental in getting QIC to the position that it holds today. I want to acknowledge and thank Damien for his outstanding contribution to QIC and wish him the very best as he transitions to retirement over the next year.

This year QIC has also welcomed a number of new executives to our business; Ravi Sriskandarajah as Executive Director of Client Solutions and Capital, Sam O'Sullivan as Chief Risk Officer, and Andrew Jones as Head of Private Debt. Ravi, Sam and Andrew are accomplished and deeply experienced business leaders who in their short time with us so far, are already making a significant contribution to our business.

As a Government Owned Corporation, QIC continues to have an excellent working relationship with our shareholding Ministers, the Honourable Annastacia Palaszczuk MP, Queensland Premier and Minister for Trade and the Honourable Cameron Dick MP, Treasurer and Minister for Investment. On behalf of the Board, I would like to take this opportunity to express our appreciation for their support and endorsement of our strategy.

I would also like to thank QIC's Executive team and employees for their unwavering commitment to our business and for their adaptability and resilience in a year that continued to be impacted by the pandemic. The results that we have achieved this year is thanks to the extraordinary efforts and expertise of our people.

As we look to the year ahead, we remain cautiously optimistic. Whilst uncertainty remains in relation to the ongoing impacts of COVID-19, QIC will continue to embrace the opportunities in front of us to evolve and transform our business and deliver optimum investment outcomes for our clients and our shareholder, the Queensland Government.



Ian Martin AM
Chair, QIC Limited

² AUM as at 30 June 2021.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Over the years our business has confronted its fair share of challenges and this year has been no different as we continued to operate in an environment that adjust to the impacts of a global pandemic and an ever-evolving competitive landscape.

In our 30th year of operations, this year has also been a year of change and opportunity for QIC as we continued to execute against our strategic priorities to deliver strong investment performance and results for our clients, under what can only be described as unprecedented circumstances.

As a client-led organisation, the past 12 months has seen us work closely with our clients to respond to their changing needs and objectives, with an increased focus on product development and re-design, including close engagement with our shareholder to progress a number of new opportunities.

QIC's relationship with the Queensland Government as our owner and our largest client remains exceptionally strong, with the establishment of the Queensland Future Fund (QFF) a significant achievement for our organisation in 2020-21. This important initiative, delivered in partnership with Queensland Treasury, will see QIC manage four new funds prudently to deliver long term returns for the State of Queensland.

Across our asset classes, there were many notable highlights including the establishment of a new Private Debt capability to meet the strong demand from investors arising out of the current low-yield environment. This is the first new real asset capability QIC has brought to market since offering infrastructure in 2006 and complements the high calibre suite of alternative investment capabilities QIC currently offers institutional and sovereign investors.

During the year, investors in the QIC Global Infrastructure Fund (QGIF), unanimously voted to extend the fund through a second fundraise. There was strong appetite and support for this initiative, with the Fund reaching its target fundraise of \$750 million in July 2021 with support from both existing and new investors.

The amplified focus on Environmental, Social and Governance (ESG) factors continued as the COVID-19 pandemic initiated a re-evaluation of what's important for society and our environment and highlighted the link between sustainability and resilience. We continued to put into practice our belief that ESG factors have a material impact on the long-term outcomes of investment portfolios, by further integrating ESG consideration to support value creation and risk management across our organisation.

From an operations perspective, our people have continued to adapt and be flexible as we implemented a hybrid working model this year. At all times our people's health and wellness has been a priority to ensure they have felt supported and cared for throughout the year. Their resilience and commitment to continuing to deliver outstanding outcomes for our clients is to be commended.

Pleasingly, this year we have made solid progress on delivering our Diversity and Inclusion (D&I) strategy and have gained early traction in the delivery of our second Reconciliation Action Plan (RAP), our Innovate RAP.

It has also been a year of reflection for me as I confirmed my intention to retire in 2022. QIC is an organisation I care deeply about and have had the privilege of leading since 2012.

I am incredibly proud of the achievements that the entire QIC team has delivered for our clients and owner, the Queensland Government, particularly the organisation's strong investment performance and growth in client and shareholder returns, which I believe is testimony to the quality of our highly talented people.

Over the next 12 months, as the Board looks to appoint our next CEO and I commence my transition out of our organisation, I have every confidence that our strategic direction sets us on a continued successful path in the years ahead and our Board and Executive team are well equipped to leading the business in the future.



Damien Frawley
Chief Executive Officer, QIC Limited

2020-21 PERFORMANCE SUMMARY

Statement of Corporate Intent

The following table depicts performance against key financial and non-financial measures from QIC's 2020-21 Statement of Corporate Intent (SCI):

FINANCIAL KEY PERFORMANCE INDICATORS	2020-21 RESULT	SCI TARGET
Cost to income ratio	Overall: 80.7% Normalised: 67.4%	Overall: 85.0% Normalised: 66.0%
Operating profit before tax	Overall: \$102.8 million	Overall: \$69.7 million
Return on Assets	21.3%	13.9%
Return on Equity	44.3%	31.4%

NON-FINANCIAL KEY PERFORMANCE INDICATORS	2020-21 RESULT	SCI TARGET
Deliver investment objectives for clients	87.0% of representative funds met performance objectives, on a FUM weighted basis, including State Investments, as at 30 June 2021. 76.0% of representative funds met performance objectives, on a FUM weighted basis, excluding State Investments, as at 30 June 2021.	75.0% of representative mandates meet or exceed their investment objectives and benchmark performance.

MEASURING OUR PERFORMANCE

Corporate and individual performance at QIC is measured against four themes in a scorecard of key performance indicators (KPIs). These themes focus on the areas of financial performance, investment performance and clients, execution excellence and risk management, and QIC's standards of excellence, the behaviors we hold our people to account against.

A summary of QIC's results for 2020-21 against these four themes is outlined below.

Financial Performance

QIC delivered a profit of \$102.8 million for 2020-21, against a target of \$69.7 million which is \$33.1 million above budget for the year and an increase from our 2019-20 profit of \$79.8 million. Total revenue of \$532.3 million is \$62.9 million above budget, primarily due to investment performance fees and investment management fees improvement as investment outlook improved following the impacts from the pandemic. Assets Under Management (AUM) of \$92.4 billion are above budget by \$15.4 billion, largely due to the strengthening of the AUD against foreign currencies and improving asset valuations. A total of \$175.6 million will be returned to the Queensland Government in relation to 2020-21 including a declared dividend of \$45.1 million. Further information on QIC's financial results for 2020-21 is summarised in the financial performance overview section of this report and the 2020-21 QIC Limited financial statements.

Investment Performance and Clients

As at 30 June 2021, 87% of funds met or exceeded their performance objectives, with 76% of funds outperforming their benchmarks and objectives on a FUM-weighted basis. With more than 100 clients in Australia and abroad, we continued to be client-led in our approach and have worked closely with our clients to actively manage their assets and investments. New product development has had an enhanced focus this year and our partnership with Queensland Treasury to deliver the Queensland Future Fund (QFF) has been one of the most significant achievements across our organisation. QIC has continued to enhance our reputation in responsible investment, building our ESG capability across our asset classes and through the execution of our responsible investment road map. QIC was recognised as a top quartile ESG performer under the United Nations Principles of Responsible Investment (UNPRI) assessment for strategy and governance and performance in our real estate, infrastructure, liquid markets and private capital capabilities.

Execution Excellence and Risk Management

Execution excellence has been demonstrated across the business this year with the delivery of a number of strategic initiatives and improved operational processes and efficiencies, including the ongoing progression of several technology transformation programs and the establishment of our new Private Debt capability. Following Sam O'Sullivan's appointment to Chief Risk Officer in January 2021, QIC continues to be recognised by clients and peers as having an exceptionally strong risk management culture. Pleasingly, we were able to facilitate the return to office working for our Australian-based colleagues, whilst retaining flexibility and ensuring our employees in the U.S., U.K. and Europe were well supported. At all times, the business has adapted quickly and efficiently to lockdown impacts as and when they have occurred and adjusted operations to changing jurisdictional health advice when needed, both increasing/decreasing appropriate workplace health and safety controls as required.

Standards of Excellence

With more than 800 employees located across Australia, the U.S., U.K. and Europe, one of our key areas of focus this year was on ensuring the health and wellness of our workforce. As we transitioned to a hybrid working environment across our organisation, we have maintained a strong and supportive approach to workforce flexibility to ensure our employees continue to benefit from the flexibility and wellness routines that were realized during the first half of 2020, whilst maintaining a culture of high performance and outcomes for our clients. We also know that our people perform at their best when they feel valued, happy, healthy and are encouraged to bring their whole and authentic self to work every day. To support this, we have continued to execute a three-year D&I strategy to further deepen our commitment across our five pillars of diversity and inclusion: Gender, LGBT+, accessibility, cultural and linguistic diversity and our First Nations people.

Building upon QIC's strong culture of giving, our people continue to recognise the importance of giving back and have actively supported and engaged in employee fundraising events, volunteering, pro bono work and community-based initiatives and activities that have made a real difference to some of the most vulnerable members of our communities.

INVESTMENT CAPABILITY HIGHLIGHTS

During 2020-21, across our areas of expertise in infrastructure, real estate, private capital, liquid markets and the management of the Queensland Government's state investments, we continued to deliver against our strategic objectives, working closely with our clients at all times. This year we were also pleased to announce the establishment of a new Private Debt capability to meet the strong demand from investors arising out of the current low-yield environment.

Global Infrastructure

QIC's Global Infrastructure (GI) team actively manages a \$21.4 billion³ portfolio comprising 20 direct infrastructure investments across six countries and diversified across sector, lifecycle and regulatory regime. Our thematic and sector-centric investment strategy, together with our robust approach to portfolio construction and active-core asset management approach, has seen the portfolio continue to deliver strong returns for our clients. Despite experiencing the worst global economic downturn since the Great Depression, our portfolios have delivered an annualised since inception internal rate of return (IRR) of 14.1%.⁴

Throughout this year, GI continued to build its committed, experienced and high calibre global team. The team grew to 58 investment professionals with:

- key additions offshore to enhance our origination, execution and asset management capability;
- new hires in our Australian offices to deepen our asset and portfolio management expertise and further enhance our responsible investment capabilities, and;
- new specialist resources to support the QFF initiatives.

GI was also pleased to welcome highly regarded industry professionals, Paul Moy and Swati Dave, as new independent members of our Investment Committee (IC). Upon his retirement, we sadly bid farewell to Peter Forbes and thank him for his tremendous service to QIC. Peter has been a deeply valued member of the GI IC since its inception, contributing meaningfully across the investments we have made on behalf of our clients throughout his tenure.

During the year, investors in GI's flagship pooled product, the QIC Global Infrastructure Fund (QGIF), unanimously voted to extend the fund through a second fundraise. There has been strong appetite and support

³ As at 30 June 2021.

⁴ Past performance of the entire portfolio managed by QIC GI since inception, net of all fees, carried interest and expenses. This includes the return on assets which are managed by QIC GI for other clients/products, and not on behalf of QGIF. This QIC GI since inception net return is an aggregate of the net hedged return of QGIF and the net unhedged returns for other assets managed by QIC GI.

for the fundraise, reaching our target of \$750 million in July 2021 with support from both existing and new investors. In addition, one of our longstanding Separately Managed Account (SMA) clients has provided a further allocation to invest capital on a global scale and a number of co-investors have continued to support QGIF in its recent investments.

Investment activity

GI had a noteworthy investment year on behalf of our clients further expanding our presence offshore and investing in key thematic areas relating to decarbonisation and decentralisation. In aggregate, transactions representing more than \$9 billion of new assets under management were contracted and executed including the seed asset for the QFF and the first investments for the extension of QGIF.

- As part of the QFF, the Queensland Titles Registry was transferred from the Queensland Department of Resources to a newly established corporate entity 'Titles Queensland' which is to be managed on an ongoing basis by QIC.
- It was announced that QIC, together with consortium partner, Ullico, had won the bid to acquire the U.S. business of North America's largest single district energy platform, Enwave Energy. The business, subsequently rebranded as CenTrio, provides energy solutions to more than 400 buildings across more than 340 clients under a range of long-term contracts and concessions. The transaction successfully closed on 16 July 2021 and represents a diverse platform to continue to grow our presence in the U.S.
- Powering Australian Renewables (PowAR) on behalf of the QGIF and its co-investors (together QGIF), the Future Fund and AGL Energy Limited (AGL), together with consortium partner Mercury NZ, entered into a Scheme Implementation Agreement to acquire a 100% interest in the ASX-listed Tilt Renewables business. The Tilt acquisition will significantly grow the PowAR business, cementing its position as the clear leader for utility-scale renewables in Australia leveraging the strong decarbonisation thematic emerging in Australia. Upon implementation, the platform will represent a well-diversified largely wind portfolio with 1,315MW of operational capacity and over 3,500MW of development capacity.
- On behalf of QGIF and its co-investors and a longstanding SMA client, QIC committed further equity to Generate Capital, a U.S.-based investment platform which finances, owns and manages sustainable distributed infrastructure. The transaction, as part of Generate's 2021 Capital Raise, saw QIC increase its managed stake from 15.2% to 24.9% and retained its position as Lead Investor.

Portfolio Highlights

GI has overseen many highlights across our clients' portfolios during the year. Notable achievements include:

- Continuing to manage and monitor the impacts of COVID-19 across our portfolio companies, most notably our airport, university car parking, and healthcare investments. We continue to balance the delivery of essential services to the community with managing the health and safety of our employees, customers and other stakeholders.
- The completion and official opening in November 2020 of NorthConnex, Sydney's newest tunnel and an asset of our portfolio company, NorthWestern Roads Group. Across its five-year construction period, the project created more than 8,700 jobs in New South Wales (NSW) and received accolades for its sustainable design. We are proud of our role in the project, from the initial development of a tailored funding solution with Government, to oversight of project delivery and transition. The result is a quality infrastructure asset which will continue to benefit the NSW economy into the future.
- After a four-year construction and commissioning period, the Silverton Wind Farm reaching practical completion. Silverton, which is owned and operated by portfolio company PowAR, is a 200MW 58 turbine windfarm located in South Western NSW underpinned by a long-term offtake agreement with AGL. The wind farm is expected to generate 780,000 megawatt hours (MWh) of clean, renewable electricity each year which is capable of meeting the power needs of 136,000 average Australian homes.

GI was active on the financing front during 2021 across its funds and portfolio companies, arranging over \$4.4 billion of debt capital across three new acquisitions. In addition, more than \$2.7 billion of debt was refinanced across the portfolio and GI-managed funds throughout the financial year. GI's portfolio continues to successfully navigate the impacts of COVID-19, reflecting GI's prudent approach to leverage and diversification, and the strong relationships with our lending group.

Highlights across the portfolio have included:

- No rating downgrades of any GI-managed assets despite the impacts of COVID-19.
- A debt package of more than \$2.2 billion was raised through Titles Queensland. The debt was diversified across a 15-lender bank group and across 3, 5, 7, 10 and 12-year tenors.
- Committed acquisition debt for both the CenTrio and Tilt Renewables acquisitions (including over \$1 billion of undrawn facilities to support the future growth of these businesses).
- For both Port of Brisbane and Port of Melbourne A\$ Medium Term Note Programme (AMTN) market issuances of \$500 million and \$350 million, respectively.
- In addition to almost US\$500 million in refinancing at the corporate level, Generate Capital also raised US\$300 million of project finance to support new projects.
- The QGIF refinancing its fund level debt and increasing the size of its facility to \$450 million to support its ongoing operations and investment activity.
- The QIC Infrastructure Portfolio refinancing its existing \$150 million fund facility.

As at 30 June 2021, QIC GI's total portfolio assets⁵ had combined gross debt outstanding of \$24.7 billion with a weighted average tenor of 7.3 years.

ESG approach

Our objective is to build resilient and adaptable portfolios that will deliver value over the long-term. This requires us to balance the interests of all stakeholders, including customers, the environment, community, employees and shareholders. Ensuring our companies are positively contributing to these stakeholders will create opportunities and ensure they have the support of their employees, customers, and broader community to pursue them. We believe this will result in companies that are more likely to deliver superior investment outcomes over the long-term.

Our key Sustainability Pillars remain unchanged from the last reporting period, highlighting our conviction in this area. These pillars – *Climate Resilience, People and Culture, Risk and Governance and Community and Stakeholders* - underpin our approach. Although sustainability is the responsibility of every member of the GI team, GI has created a new role, Principal – Sustainability, to lead and drive the integration of sustainability into everything we do within our business, and to assist our portfolio companies as they formulate and implement their own sustainability strategies.

Further information can be found in the 2021 Global Infrastructure Sustainability Report which is available on www.qic.com.

Origination and Research

A key part of GI's thematic, sector-driven approach to investing is that we undertake research which we share with our clients and publish more broadly. This year, we released eight Investment Insight papers and two Red Papers exploring key risks and opportunities for infrastructure investors. Of note was our research into the hydrogen economy and digital infrastructure. This is informing several of our asset management and origination initiatives across the key themes of decarbonisation, decentralisation and digitalisation. Our research has also explored the immediate and longer-term impacts of COVID-19, including the implications of Government fiscal responses for infrastructure investors.

GI's research including information on the topics outlined above can be found on www.qic.com.au/investment-capabilities/global-infrastructure/thought-leadership.

GI continues to develop a strong global pipeline of investment opportunities across our three core sectors: Transport, Energy and Utilities and Social Infrastructure. With enhanced dedicated investment teams in QIC's Australian, New York and London offices, we are well placed to continue to execute our thematic, sector centric strategies across our target markets to find relative value for our clients.

⁵ All assets where QIC ownership > 10%.

Global Real Estate

QIC Global Real Estate's (GRE) flagship funds, the QIC Property Fund (QPF) and QIC Shopping Centre Fund (QSCF), achieved an annualised since inception return of 8.43% and 7.44%⁶ as at 30 June 2021. GRE's AUM was circa \$16.8 billion (US\$12.6 billion) at 30 June 2021.

While headwinds affecting the broader retail sector and the ongoing impact of the COVID-19 pandemic presented challenges for GRE, the team continued to drive improved investment outcomes for its clients via its active management approach.

During the past year, GRE completed significant developments at two of its core retail assets, Hyperdome in Queensland and Merrifield City in Melbourne's north, with eastern Melbourne's newest commercial building EastCo remaining on track to open in early 2022.

In July 2020, Hyperdome's latest refurbishment and remix project was delivered. This project saw the relocation of Woolworths to a brand-new space next to a freshly refurbished Big W, transforming the precinct into a go-to destination for everyday essentials. The project also created two new entrances, revitalised the building's façade and internal finishes, introduced two new play areas, and installed shade sails and Park Assist in the adjacent car parks.

On 2 December 2020, GRE officially opened the first stage of Merrifield City, a retail town centre for Victoria's largest mixed-use master planned community, Merrifield. Stage One of Merrifield City spans 7,000 square metres and delivered a new Coles and a full suite of specialty retailers. Future stages for the development are expected to see the Centre expand to become the future epicentre of Melbourne's northern suburbs.

Work continues to progress well on EastCo, a commercial building located within Eastland's growing commercial business precinct. EastCo will deliver 14,000sqm and 11 stories of A-grade commercial space (including six levels of office space, four levels of car park and 1 lobby level), boast a 5-star NABERS rating, and have 360-degree views that stretch to the Yarra Valley from the upper levels. EastCo is fully pre-committed to the Victorian Department of Transport, with the Department set to occupy all six levels of office space once construction is complete in early 2022.

Executing on our Town Centre Strategy

GRE is responding to changing consumer preferences shaping the transition from primarily retail centres to retail-anchored mixed-use destinations through its town centre strategy.

This strategy steps beyond retail to focus on incorporating a broader mix of uses within the asset, including residential, commercial, health and education. This approach allows GRE to utilise the landholdings we have acquired adjacent to the centres to strategically introduce mixed-uses that complement the existing retail core and drive the potential for additional uplift in productivity and asset value.

In evolving our retail assets into mixed-use town centres, we are delivering highly productive assets that cater for a variety of community needs, unlock significant embedded value, and secure the assets' long-term position within the communities they serve.

Over the past 12 months, GRE has established mixed-use masterplans for the core assets, and are now well underway in implementing them.

Examples of GRE's town centre strategy in action and active management approach include:

⁶ QPF: The benchmark as at 1 January 2014 is the MSCI/Mercer - Australia Core Wholesale Monthly Property Fund Index, Retail Funds, NAV Weighted, Pre Fees (ex QIC). Performance results reported for periods which incorporate this date employ a weighted blend of this benchmark and from 01/01/2014 to 30/06/2018 the MSCI/Mercer - Australia Core Wholesale Monthly Property Fund Index, Diversified Funds, NAV Weighted, Pre Fees, and from Fund inception to 31/12/2013 the Financial Standard Wholesale Direct Property Index (ex. QIC). Fund inception date is 25 November 1996. QPF is on a Gross of fees TWRR basis.
QSCF: The benchmark from 1 October 2014 is the MSCI/Mercer Australia Monthly Property Fund Index - Core Wholesale, Retail Funds, NAV weighted, Post Base Management fee (ex QIC). Performance results reported for periods which incorporate this date employ a weighted blend of this new benchmark and the average 10-year Commonwealth bond yield during the prior period based on the closing figure for the last business day of each month plus 3%. Fund inception date is 25 September 2002. QSCF is on a net of management fees, TWRR basis.
Past performance is not a reliable indicator of future performance.

- A new office building positioned between REALM (a library and cultural centre) and Sage Hotel at Eastland was completed in July 2020, housing ~300 Maroondah City Council staff.
- An early learning facility at Grand Central was delivered in late 2020, complementing the current essential services offering provided by the Centre.
- Cosmetic upgrade works and the installation of an all-weather proof canopy in Castle Towers' dining and entertainment precinct, the Piazza, enhancing its design, accessibility and ambience, were completed in December 2020.
- Upgrade works are almost finished on a commercial building on Bunda Street adjacent to Canberra Centre, which on completion is expected to occupy ~1000 employees when fully leased.
- A state-of-the-art co-working facility is set to be introduced to Eastland later this year, with Waterman Business Centres transforming Level Three of the Centre's East Mall into a commercial office space. This project responds to changing workplace dynamics and creates a new captive market for the Centre.
- The upgrade of Watergardens' dining and entertainment precinct, Station Street, is underway, and will usher in a range of new-to-market hospitality offers to the Centre. A ~\$7m p.a. uplift in MAT is expected once the project is completed.
- Enabling works have commenced on Canberra Centre's Section 96 Stage 1A project, which will see the precinct undergo a refurbishment to provide a new retail dining offer, referred to as 'Hawker Walk', relocate Fitness First to the basement of the Coles carpark in a new ~2,100sqm offer, and improve the connection from the existing shopping centre to a future development site.
- Work has recently commenced to deliver a new office building adjacent to Robina Town Centre. The Robina office building is a 7,000sqm commercial offer, which is fully pre-committed to a federal government agency and is expected to be delivered in late 2022.

In addition to the above projects, following a review of portfolio holdings, a number of assets in the periphery of GRE retail assets were identified as no longer having a role in the long-term town centre masterplan for the core asset to which they relate. In response, over the last 12 months, GRE has executed several strategic divestments including:

- Watergardens Homeplace, a large-format centre, was sold through an on-market sales campaign for \$97 million in March 2021. This represented a 41% premium to book value.
- Robina Home & Life, a large format centre, was sold through an on-market sales campaign for \$65.3m in April 2021. This asset received 16 bids and represented a 32% premium to book value.

Delivering one of Australia's largest retail solar projects

As part of the pathway to achieve net zero emissions by 2028 for GRE's Core Australian Retail portfolio⁷, QIC has partnered with Yurika on a phased national rollout of onsite solar across its portfolio of shopping centre assets.

In Australia's largest ever onsite solar power agreement to date, this investment includes installation of solar infrastructure and 'behind the meter' solar generation technology, energy management and building automation.

The first phase of the project, spanning four shopping centres in Queensland (Domain Central, Townsville; Robina Town Centre, Robina; Hyperdome, Logan and Grand Central, Toowoomba) and one in Victoria (Watergardens, Melbourne), will deliver approximately 15 megawatts of solar power capacity on completion and reduce CO2 emissions by more than 18,000 metric tonnes per year.

The entire rooftop solar project on completion will leverage GRE's shopping centre assets to reduce grid electricity consumption by almost a third. This in turn will protect GRE's assets from future energy price shocks and by reducing the load on local electricity networks, we are freeing up electricity capacity for the communities surrounding these assets – enabling further growth.

Specifically, Robina Town Centre's solar network, which went live in March this year, is the largest rooftop solar platform in the southern hemisphere, utilising 13,000 solar panels to bring on-demand, reliable and clean energy to the Centre. This solar technology will generate approximately 5.5MW of clean energy, enough to power more than 1,200 homes for a year, reducing the centre's use of grid sourced electricity by more than 7 million kw/h per year, resulting in a decrease in carbon emissions of over 6,000 tonnes of CO2e a year.

⁷ GRE's Australian Core Retail portfolio includes those assets wholly held by QPF and QSCF.

Global Private Capital

This year, QIC's Global Private Capital (GPC) team delivered an exceptional performance outcome for its clients, which at 31.8% IRR⁸ was GPC's strongest annual performance since inception⁹. In a year that continued to be challenged by COVID-19, the private equity portfolio showcased the resilient nature of the asset class and our portfolio design. The overweight positions in the healthcare and technology sectors generated material outperformance over the Public Market Equivalent (PME) indices, producing a record \$1.0 billion of value for clients in the December 2020 quarter alone. The since inception performance rose to 17.4% p.a. representing a 743bps margin over the PME¹⁰. The program now stands at \$7.3 billion AUM with more than \$6.7 billion in value created for our clients.

Strong performance of Technology and Healthcare

For several years the GPC portfolio has been consciously overweight in the global technology sector, determined to capture unabated innovation trends, particularly within the U.S. and China.

The program has benefitted from exposure to many leading, fast-growing companies servicing both consumers and enterprises that have both driven and benefitted from the digitisation of global economies. Government and business responses to the pandemic through 2020 accelerated these trends, propelled by forced changes of consumer patterns, whether that be working from home, consumption of food and other goods, and the consequent challenge to logistical and supply networks.

The GPC team has sought to capture value created by these structural trends by investing in companies that specialise in mission-critical software systems, infrastructure cloud-based platforms and Software as a Service (SaaS) like business models. This evolution of business models coupled with the increasing advent of bad actors, has also led to an increase in demand for new cyber security solutions.

Portfolio returns were underpinned by companies that addressed these circumstances such as CrowdStrike (cybersecurity), Snowflake (cloud based big data), Slack (workplace collaboration), Zoom (video conferencing), Pinduoduo (ecommerce, China) and Doordash (home food delivery).

Whilst a material contributor to 2020-21 value generation, our clients consolidated China gains from exposures such as Meituan (Chinese shopping platform), DiDi (Chinese ride sharing) and Toutiao (a news and information platform).

GPC has positioned the program's healthcare portfolio to address longstanding secular trends, driven by aging populations and the need for efficiencies due to the steady increase in the cost of healthcare in many countries, particularly the U.S. Portfolio companies that address the treatment of critical medical conditions such as oncology, modern therapies such as nuclear medicine, the movement to the home as a low-cost setting and the corporatisation of service providers have featured in the portfolio. The pandemic also gave rise to an increased demand for digitally enabled healthcare in the form of telehealth services. Among the portfolio gains were Pharmalogic (U.S. nuclear pharmacies), BayMark (addiction treatment), Icon (oncology treatment), Curium (nuclear medicine) and Matrix Medical Network (home-based medical assessments and essential healthcare services).

Investment activity and execution

The GPC team experienced a very strong finish to the year. We have seen COVID-stalled mergers and acquisitions (M&A) activities resume, buoyed by historically low interest rates and revitalised fundraisings.

On behalf of its clients, GPC has closed many attractive opportunities, including 10 co-investments. The GPC co-investment IRR stands at 27.0% p.a. since inception¹¹ with three times money multiple on realised investments.¹² The majority of such exposures are general partner fee free, materially diluting our clients' management expense ratio.

⁸ Platform returns at spot rates for the calendar year to 31 December 2020. The notionally hedged IRR for the calendar year was 40.5%.

⁹ Since inception at September 2005.

¹⁰ Returns at spot rates to 31 December 2020. The since inception notionally hedged IRR is 18.5% p.a.

¹¹ Co-investment return at spot rates as at 31 December 2020. The notionally hedged return equates to 25.8% p.a.

¹² Realised investments as at 31 December at constant A\$ currency, holding FX at entry point. Excludes QIC fees.

Whilst the platform continues to evolve, partnering and building relationships with the best managers globally remains core. GPC's platform generates enormous scale out of such expertise via primary funds which in turn provides us with exposure to exclusive co-investment opportunities, particularly in mid-market buyout and growth sectors.

The pipeline of opportunities has been met with a heightened level of awareness and governance. This year the GPC Investment Committee welcomed its first Independent Chair, Natasha Nankivell, who has deep experience and global relationships in private equity and venture capital.

The emphasis and advancement of independent ESG and Operational Due Diligence continues. The QIC Private Markets Risk team is involved in each GPC investment, queries informed in part by the annual Operational Due Diligence Survey sent to all GPC fund managers.

With over 50 General Partner relationships globally, the Responsible Investment team have been reaching out and establishing direct peer relationships. This not only assists QIC and the respective GPs in terms of their ESG journey but allows for a thorough, independent funds and co-investments due diligence process.

Queensland Government Initiatives

QIC is a strong supporter of the Queensland founder and investor ecosystem. Since 2016, QIC have been administrators of the \$80 million Business Development Fund (BDF) which coinvests with innovative entrepreneurs and their capital partners. The BDF invested over \$70 million into 59 Queensland based businesses, providing a source of early-stage capital as well as creating more than 400 new jobs. On the back of this success, the Queensland Government established the Backing Queensland Business Investment Fund (BQBIF) which includes the \$100 million Business Investment Fund to support small and medium sized businesses by providing much needed growth capital. QIC continues to contribute toward the objectives of the fund by delivering support and access to its global relationships to promote commercial returns and support job creation.

People

GPC has 16 professionals based in Brisbane, San Francisco, London and Copenhagen. Whilst the pandemic has only recently allowed those based overseas to return to their offices, the team's connectivity and collaboration has never been stronger. Supported by QIC's best-in-class infrastructure, our due diligence, execution and monitoring has adapted to the new working environment. Such a platform has allowed Brisbane-based investment professionals to partner and assist with the high deal volumes experienced in the Northern Hemisphere.

This year GPC was a proud recipient of the 2020 Australian Investment Council (AIC) 'Leadership in Diversity and Inclusion Award'. This award signifies the team's ability to continuously embrace change and evolve as a team that embodies diversity and inclusion.

Liquid Markets Group

While the COVID-19 pandemic remained the dominant theme for 2020-21, financial markets, including equities and credit, delivered robust returns supported by accommodative central bank monetary policy, government fiscal stimulus, the 'V' shaped recovery in the global economy, strong corporate earnings and ongoing vaccine rollout. Credit demand continues to be driven by the reach for yield, given the build-up in excess cash earning next to nothing and driving healthy flows into Investment Grade (IG) credit funds. U.S. IG credit spreads finished the financial year at 80 basis points, the tightest spread over risk free bonds since March 2005; U.S. High Yield (HY) spreads finished at 268 basis points, their tightest level since June 2007.

Fixed Income and Absolute Return

With client demand abundant for higher yielding strategies, we have seen continuing flows into the QIC Global Credit Income Fund (GCIF), which was launched in 2017 and has grown to nearly \$3 billion in FUM. GCIF returned +3.51% in 2020-21, +0.48% above its benchmark for the financial year. Strong performance reflects the robust risk management, experience and the strong due diligence of the Liquid Markets Group (LMG) Credit team in terms of issuer selection. LMG managed fixed income funds and mandates were positioning defensively in credit going into the COVID-19 pandemic early in 2020 and subsequently were able to take advantage of the

panic selling of credit early in the crisis. With portfolios well positioned, LMG research and analysis supported rotation into the more beaten up and cyclical credits at wider spreads during market volatility, including buying bank subordinated debt, infrastructure, autos and corporate hybrids.

The solid performance from credit markets was a positive driver for fixed interest returns, while a rise in long end interest rates over the course of the year detracted from fixed income returns. While cash rates held close to zero in Australia and many countries around the world due to the accommodative policies of central banks, long end yields rose as the global recovery took hold and inflation pushed higher. The U.S. 10-year Treasury yield rose from near 0.67% in June 2020, to close out the financial year at 1.47%; the Australian 10-year yield rose from 1.10% to 1.53%, after briefly touching 2.0% at the end of February 2021. The LMG team navigated market conditions to deliver very strong absolute and active returns for our funds and invested clients, achieving top quartile outcomes amongst peers. The QIC Australian Fixed Interest Fund (AFI) was actively managed to deliver a positive return for the year at +0.54%, which is 1.38% above the benchmark which recorded a negative return of -0.84%. The QIC Diversified Fixed Interest (DFI) Fund returned 2.23%, outperforming its benchmark by 1.78% reflecting multiple drivers of active return across rates, credit and inflation across the broad global markets opportunity set. Reflecting this strong outperformance, both the QIC AFI and DFI Funds were nominated in the latest Investment Leadership Awards for the Fixed Income – Aggregate category judged by Financial Standard and Rainmaker.

For those investors with both liquidity and income needs we continue to see demand for ‘cash plus’ strategies, such as Cash Enhanced (CEF) and Short-term Income Fund (STIF), in a world where cash returns are near zero. The QIC STIF returned +4.94% for the financial year, compared to the Australian Bank Bill Index return of 0.06% and ranks number one in its peer group over the past one, three and five-year periods. The QIC Absolute Return Bond (ARB) Fund returned +9.10% over the financial year underpinned by credit, industry and issuer selection as well as active interest rate positioning and long inflation exposures. As a diversifying strategy, ARB and other LMG funds were positioned to benefit from an expected rise in longer term inflation expectations from its lows early in the COVID-19 crisis when recession and deflation fears were an initial reaction; market expectations of U.S. 10-year inflation expectations rose from 1.36% at the end of June 2020 to 2.34% by the end of June 2021.

As the economic recovery continues, inflation has been a hotly debated thematic, and one which is likely to continue to heavily influence both central bank and investor reactions. With realised inflation outturns in many developed markets continuing to surprise to the upside, there remains meaningful debate about the outlook for inflation, with the ‘transitory’ camp viewing deflationary factors such as technology, demographics and debt as a template for the current cycle. Those that view the recent uptick in inflation as being more sustainable point to a shift in fiscal policy settings remaining more stimulatory (even as economic cycles mature), the shift towards more labour-intensive services consumption, and more persistent supply chain and labour market constraints. We fall in the latter camp and continue to view inflation as having upside risks.

Furthermore, the extrication of central banks from ultra-accommodative policy settings is expected to become a dominant market narrative, becoming more evident by a more-hawkish-than-expected Federal Open Market Committee (FOMC) meeting in June 2021. The June FOMC meeting surprised the market with a more upbeat assessment of the labour market and the Federal Reserve (Fed) dots implying two rate hikes in 2023. Hence, expectations continue that global yields will potentially need to increase in the year ahead if growth remains strong underpinned by pent-up consumer spending, positive progress on vaccination supply, and the potential for the further stimulus in the U.S. and back-loaded spending in Europe. At the same time, technical influences on bond market supply and demand dynamics have countered an otherwise sharper rise in yields in 2020-21 given the growth bounce-back. Nevertheless, we do expect that historically low nominal bond market volatility will begin to rise and provide interest rate and yield curve trading opportunities, as central banks begin to contemplate the unwind of extremely accommodative policy settings.

Overlays and Trading

Through market volatility of the ‘V’ shaped recovery, the Overlays capability continues to support investor objectives ensuring the asset allocation of portfolios was maintained as risk markets continued their surge exceeding pre-pandemic levels. Utilising a broad suite of over the counter and exchange-traded liquid market derivatives, the team facilitated a flexible approach to rebalance liquid markets, preserve portfolio liquidity, facilitate tail protection strategies and assist in market timing through providing timely analysis to assist our clients’ investment decision making processes.

The hedging philosophy underpinning our currency overlay capability continues to deliver strong outcomes, generating excess returns through superior implementation methodologies ranging from instrument selection to market timing. This is coupled with advanced risk-mitigation techniques and has a competitive execution strategy to minimise trading costs as its foundation. LMG also plays a prominent role in enhancing industry standards through active engagement in both the Australian and Global FX Committees. Alongside our hedging philosophy sits an investor-centred approach which ensures strong alignment between LMG's investment teams and clients. All aspects of our investment process are modelled around producing superior outcomes for investors, with flexibility to adapt to unique client circumstances and high levels of communication.

Our 24-hour multi-asset trading desk has been built out to support LMG capabilities in delivering more value-add for our clients. Increased engagement by our traders with clients in real-time provides opportunity for further support to our clients' decision-making processes. The multi-asset trading team transacts across all time zones in an expanding list of exchange traded and over the counter derivatives across 25 jurisdictions, encompassing 20 instrument types and 131 individual markets in sovereign, credit and inflation bonds, global equity, FX, commodities, and carbon-linked derivatives.

ESG approach

ESG remains at the forefront of LMG thinking and is integrated within our research, portfolio management and trading processes. Our focus on Responsible and Sustainable Investment has also been further heightened during the pandemic. We incorporate real-time ESG data in our portfolio risk system and relative value tools to facilitate integration. To enhance ESG integration, our process includes:

- ESG practices reviewed as part of bottom-up credit analysis to understand the ESG credentials of our financing
- Focus on ESG themes that could drive demand and stranded asset risk, resulting in portfolio positioning to avoid the risk. Likewise, we look for themes that could present responsible investment opportunities such as investing in labelled bonds that finance positive green and social impacts
- ESG is a factor within our Developed Market Sovereign Bond model
- ESG engagement meetings with issuers which influence portfolio positioning
- Dynamic Exclusions so portfolios can avoid transitory ESG risks
- Regular ESG training for investment staff
- Tailored fund and mandate level ESG reporting showcasing portfolio implementation of ESG views using proprietary and third party tools such as UN Sustainable Development Goals (SDG) alignment mapping, PRI reporting, carbon emissions measurement using QIC's proprietary modelling, shadow carbon pricing analysis, MSCI ESG data and physical and transition climate mapping, SASB Materiality Map (QIC licenses and applies the SASB Materiality Map® in our work), IIGCC net zero framework, Fair Supply risk assessment for Modern Slavery and RepRisk AI ESG risk monitoring.

LMG plays a prominent role in enhancing industry standards and market thought leadership with membership and participation in ESG and diversity focused committees such as PRI Sovereign Debt Advisory Committee, FX market governance committees, ASFI technical working group, AFMA and S&P ESG groups, Bloomberg Women's Buyside Network and various roundtables.

Reflecting LMG's ESG capabilities and strong peer acknowledgment by debt market participants (investors, issuers, and other debt market participants), QIC's LMG team was awarded the 'Sustainability Fund Manager of the Year' for 2020-21 by Kanga News, for the second year running.

State Investments

QIC's State Investments (SI) team continues to provide multi-asset class investment solutions tailored to meet clients' investment objectives. SI also provides thought leadership across a wide-range of topics, including financial markets, economic themes, asset-class investing, portfolio construction and risk management.

The SI team delivered performance outcomes in excess of objectives for all whole of fund clients over the course of the financial year. Additionally, SI oversaw the establishment of the new QFF portfolio and the National Injury Insurance Scheme Queensland (NIISQ) Fund, which saw the team establish new portfolios and exposures on NIISQ's behalf as part of their final investment strategy.

Equity markets rallied at the start of the financial year, supported by accommodative monetary policy and fiscal stimulus from central banks and governments, as well as positive COVID-19 vaccine developments. Strong returns continued over calendar year end despite the uncertainty of the U.S. elections and renewed lockdown measures across the world. Positive vaccine trial outcomes published in November saw a record month for equity markets, with the calendar year capped by further gains as the vaccine mobilisation began, with approvals in the U.K. and U.S. Further fiscal stimulus in the U.S. and the approval of several COVID-19 vaccines for use internationally throughout the first quarter 2021 saw a continued rally in risk assets as the economic outlook improved. Countries continue to progress vaccine rollouts and make strides in achieving herd immunity. The vaccine rollouts and continued fiscal and monetary stimulus pushed the MSCI ACWI ex Australia (AUD Hedged) strongly higher, finishing the financial year up 34.17%. For a large part of the financial year bond yields remained subdued, only materially rising post positive vaccine trial results in the U.S. Larger movements in bond yields began early in the new calendar year as the U.S. continued its large fiscal stimulus campaign and the global economic outlook improved.

Most asset classes contributed strongly to a well-diversified portfolio as the global economy began its recovery from the COVID-19 shock. The SI's flagship QIC Long Term Diversified Fund delivered a return of 18.3% (gross of management fees) for clients over the 2020-21 financial year.¹³ The Fund decreased its FUM from \$4.9 billion to \$4.2 billion over the financial year. This was due the NIISQ transferring from the Long Term Diversified Fund to an individual mandate. Excluding this effect, the FUM increased by \$1.5 billion from both additional investments from new and existing clients as well as exceptionally strong performance.

ESG Approach

QIC's SI team have established asset class specific ESG considerations, guided by our Responsible Investment Policy and ESG framework. We review and assess integration of ESG issues into our investment processes and monitor this regularly. As part of this process, we enhanced our approach in the equities sector by limiting active exposures to risks associated with carbon price transition risk. SI delegates the exercising of proxy voting rights to external investment managers, each of whom currently use independent advice from Institutional Shareholder Services to guide votes on ESG matters. SI continually monitors upcoming votes relating to ESG and retains the ability to override an external manager's voting intentions as appropriate.

Private Debt

In February 2021, QIC established its Private Debt capability to meet the strong demand from investors arising out of the current low-yield environment. Appointing Andrew Jones as Head of Private Debt, the focus this year has been on building the team responsible for the origination, analysis and management of the team, initially in infrastructure assets. The launch of the Private Debt capability is the first new capability QIC has brought to market since the establishment of our infrastructure offering in 2006.

RESPONSIBLE INVESTMENT

The amplified focus on ESG continued in 2020-21 as the pandemic initiated a re-evaluation of what's important for society and our environment and highlighted the link between sustainability and resilience.

Over the year, QIC continued to put into practice its belief that ESG factors have a material impact on the long-term outcomes of investment portfolios, by further integrating ESG consideration to support value creation and risk management across our organisation.

In response to increasing levels of investor ESG ambition, an objective of QIC's ESG strategy is to ensure we position QIC to meet foreseeable, client led ESG demand in the short term and prepare for the trend of increasingly intentional, sustainable investing in the future. Key pillars of the strategy include addressing both

¹³ Source: QIC, as at 30 June 2021. Fund returns are net of all underlying Fund expenses but gross of QIC management fees which are charged outside the Fund. Inception date was 5 March 2002. Past performance is not a reliable indicator of future performance.

the risks and opportunities posed by climate change. As well as exploring a pathway to achieve net zero emissions (NZE) outcomes across investment portfolios, we seek to define the sustainability opportunity set for QIC on behalf of its clients.

Following an internal governance review, QIC’s ESG Advisory Committee was restructured to form the QIC Sustainability Advisory Committee. This Committee is chaired by our CEO, with membership comprising of key decision-makers from across the business. The Committee bolsters QIC’s ESG governance and will be responsible for recommending QIC’s long-term sustainability vision.

Key Initiatives

Over 2020-21, key initiatives included completion of a physical climate change risk assessment of all of QIC’s real assets, extending our ESG materiality analysis to include the Sustainability Accounting Standards Board (SASB) framework and enhancing our ESG analytical capability through the onboarding of new data sets and platforms.

We continue to embed a practical approach to address material ESG issues such as climate risk and modern slavery across all investment processes. QIC is an active participant in the ESG conversation, becoming a founding sponsor of the Investor Group on Climate Change’s Climate League 2030.

In 2021 the QIC Office Fund committed to a NZE target by 2028. Like the QPF and QSCF, this will be achieved through simultaneously driving material reductions in energy consumption through a range of initiatives and increasing the uptake of renewable energy.

In December we published QIC’s first Modern Slavery Statement. This was a requirement under Australia’s *Modern Slavery Act 2018* (Cth) and outlines the steps QIC is taking to assess and address the risk of modern slavery across our operations, supply chains and investment portfolios. Our ongoing efforts to build an effective response to this risk included an assessment of all QIC’s suppliers and investment holdings for potential risk exposure and all QIC employees undertook modern slavery awareness training.

In 2020 QIC was awarded A+, the highest possible score, for real estate, infrastructure, fixed income and private equity under the UN PRI annual assessment.¹⁴ QIC was also named a leading ESG manager within Australia by the Responsible Investment Association of Australasia (RIAA).

From a corporate sustainability perspective, QIC committed to achieving a NZE outcome in 2021-22 across its corporate operations. To deliver this outcome, we are developing a strategy to reduce corporate emissions and identify impactful opportunities to generate carbon offsets.

Figure 1: QIC’s ESG Focus Areas

ENVIRONMENTAL		SOCIAL		GOVERNANCE	
Climate Change	Environmental Sustainability	Social Capital	Human Capital	Business Model & Innovation	Leadership & Governance
<ul style="list-style-type: none"> GHG emissions Product carbon footprint Energy management Just Transition Physical impacts of climate change Opportunities in green buildings, clean tech, renewable energy 	<ul style="list-style-type: none"> Air quality Water stress Biodiversity & land use Pollution & waste Circular economy solutions 	<ul style="list-style-type: none"> Community relations Customer welfare Product quality & safety Privacy & data security Access & affordability 	<ul style="list-style-type: none"> Labour management Health & safety Modern slavery/ human rights in supply chains Diversity, equity & inclusion 	<ul style="list-style-type: none"> Product design & lifecycle management Business model resilience Supply chain management Material sourcing & efficiency 	<ul style="list-style-type: none"> Business ethics Competitive behaviour Management of the legal & regulatory environment Critical incident risk management Systemic risk management Tax management

¹⁴ For the full PRI Transparency Report see the Responsible Investment section of QIC’s website

DIVERSITY, INCLUSION AND WELLNESS

At QIC, we know that our people perform at their best when they feel valued, happy, healthy and encouraged to bring their whole and authentic self to work every day. To support this ethos, QIC launched a refreshed three-year D&I strategy in 2020 to reinforce our commitment across our five pillars of diversity and inclusion: Gender, LGBT+, accessibility, cultural and linguistic diversity (CALD) and First Nations people. Our Diversity, Inclusion and Wellness commitment and progress is monitored by the QIC Limited Board and continues to be a KPI for the organisation.

Over the past year, as COVID-19 continued to impact our business, we maintained a strong and supportive approach to workplace flexibility to ensure our employees continued to benefit from the flexibility and wellness routines that were realised during the first half of 2020, while maintaining a culture of high performance and outcomes for our clients. In addition, we provided proactive support to our employees along with their families as they navigated the changing environment.

We have furthered our investment in building our inclusion capability through an organisational wide Inclusive Leadership Workshop which focuses on our five pillars of diversity and provides employees with real life examples and practical actions to build on our inclusive culture in every interaction and conversation. Practical and tangible, the workshop has now been completed by over 350 QIC employees.

We have also continued to embrace and share in the success of our employee-led networks and working groups; Balance, QPride, Young Professionals and RAP, adding a new network to our business in July 2020, 'QLife' which focuses on employee health and wellbeing. In conjunction with QLife, QIC has had a strong emphasis on mental health in the workplace, holding several successful online webinars during the year, which focused on signs, symptoms and management techniques alongside the upskilling of our leaders to equip them to lead mentally healthy teams.

The importance of the strategies and resulting initiatives continue to be a focus, as we sustain our energy and momentum across the broad spectrum of Diversity, Inclusion and Wellness at QIC.

Balance

The QIC Balance Network was launched in 2019 with a focus on achieving gender equality, balance in gender representation and work life balance across QIC and for all our employees.

The Network aims to achieve this by:

- highlighting and celebrating days of significance, including International Women's Day, International Men's Day, Equal Pay Day and International Day of the Girl Child
- focussing on motivating, supporting and educating our colleagues
- fostering an inclusive culture
- introducing and encouraging numerous flexible working policies and support systems
- building a pipeline of future women leaders
- creating stronger external networks, and
- encouraging and fostering personal and professional growth for our people.

Over the past few years, QIC has made strong progress on achieving a gender-balanced organisation, with 46% of our colleagues identifying as female and 54% as male at 30 June 2021. However, we recognise that there is still more to do in continuing to empower women, encouraging young women into the investment management industry, and supporting and encouraging our employees to work flexibly. We believe that this will contribute to stronger corporate performance for our shareholder and stronger investment performance for our clients. The Balance Network plays a key role in continuing to drive change across our organisation and industry in relation gender equality and work life balance.

QPride

QIC's QPride network was established in 2019 as an employee network and committee that brings together employees who are allies of, or who identify as members of the Lesbian, Gay, Bisexual, Transgender and all other gender and sexual diversities (LGBT+) community. QPride aims to provide a voice for QIC's LGBT+ colleagues and allies, champion an inclusive work environment, create a safe space and working environment for LGBT+ employees and allies who may require support or have friends and family that need support, and raise awareness of and educate the broader business on LGBT+ related issues.

After a successful first year in 2020, QPride made its second submission the Australian Workplace Equality Index (AWEI)¹⁵, and proudly, QIC's 2020 score increased by 47 points, achieving 88 out of 200, equating to a 114% increase on the 2019 score.

QPride has continued to focus on strategic deliverables and initiatives to increase awareness and educate our people across QIC including:

- Targeted campaigns focused on LGBT+ days of significance;
- Proactively modifying QIC policies to raise the standard of support, inclusivity and protection for LGBT+ colleagues, their families and our allies;
- Facilitate LGBT+ training opportunities for employees and people leaders, and;
- Working to introduce gender neutral bathroom facilities for QIC offices.

The QPride Committee continues to support the work of the QIC D&I Committee, who are responsible for shaping QIC's LGBT+ agenda and driving the network's activities through decision making and referrals to other committees within QIC.

Young Professionals

QIC's Young Professionals (YPs) network aims to facilitate the career growth of YPs by providing access to networking, professional development and other learning opportunities that are shaped *by* young professionals *for* young professionals.

This year the YP Network continued on creating a support network and maintaining a sense of community amongst the YP's during the uncertainty of COVID-19. This has been delivered through:

- Facilitating social events to reconnect YPs
- Surveying YPs on Working as a Young Professional at QIC in 2021. This survey has helped to shape future YP programs and initiatives as well as inform QIC's senior leaders on the challenges and opportunities that influence YP's in the workplace
- Sponsoring a QIC Mythbusters video – One year on from COVID-19: How the world has changed, from the perspective QIC YPs.

The committee continues to focus on the key pillars of network building and professional development for YPs through deliver of the YP Mentoring Program, Networking Nights and Career Development Workshops.

QLife

QIC launched the QLife initiative in July 2020. At the time of inception, QLife was an online wellness portal that focussed on providing resources for physical and mental health, nutrition and peer support. In the last 12 months, QLife has evolved into QIC's health and wellness strategy that promotes and supports a healthy and wellness way of living at QIC. The strategy is based on latest research highlighting that real benefit can be achieved through integration of health and wellbeing programs throughout the organisation, including embedding them in culture, leadership and people management processes.

QIC takes a holistic approach to health and wellbeing, including the following five pillars:

¹⁵ <https://www.pid-awei.com.au/>

1. Values and principles - includes a health and wellbeing strategy aligned to our standards of excellence, ethical standards (e.g., community focus and sustainability), and D&I.
2. Healthy lifestyle - QIC supports and actively encourages a healthy lifestyle encompassing physical health, workplace safety, mental health and flexibility.
3. Personal and professional growth - QIC fosters a culture of personal and professional growth by providing development opportunities supported by values-based leadership.
4. Financial wellbeing - being a financial institution, QIC uses its areas of expertise to provide financial awareness and support.
5. Engagement and fulfilment - Providing an open and inclusive culture, effective job design, strong people management practices, autonomy, change management and pay/reward.

The bi-annual QIC pulse survey in November 2020 showed that 95% of employees responded positively to the statement, *"I believe QIC is committed to the health, safety and wellbeing of employees"* which is a testament to QIC's efforts in the area.

QIC's Reconciliation Action Plan

At QIC our vision for reconciliation is that of an Australia that embraces equal, fair and just opportunities for Aboriginal and Torres Strait Islander peoples and actively supports reconciliation in our political, business and community structures. We recognise the importance of building a better future for all Australians, which must pay respect to and build trust with Australia's First Nations Peoples.

Across Australia there has never been more support and goodwill for Indigenous people and communities which makes it the perfect time to prioritise our actions to play our part on this journey.

During the past year, QIC continued our commitment to our reconciliation journey and to Australia's national reconciliation movement. Our focus has been on the launch of our second 'Innovate' RAP and the appointment of QIC's inaugural Indigenous Partnership Manager.

Building on the momentum we have created some of the key initiatives delivered during the past year have included:

- Awarding the QIC Indigenous Tertiary Scholarship to two worthy recipients in March 2021
- Purchased licenses to the Australian Institute of Aboriginal and Torres Strait Islander Studies Core Cultural Learning online training program for QIC Board, Executive Committee, RAP Committee and HR Business Managers
- Donation of used QIC laptops to an Indigenous-owned business to support their staff as well as support the Torres Strait Island communities
- Active involvement in the Committee for Brisbane to ensure that we play a part in the Indigenous-related objectives that this committee is working towards
- Continued to proudly celebrate key events on the Indigenous calendar - National Reconciliation Week and NAIDOC Week
- Participated in RIAA working group for Indigenous economic empowerment through the Responsible Investment sector
- Working with the QIC's Healthcare strategy to link in the Aboriginal Community Controlled Healthcare Sector
- Continue to work closely with the Queensland Government's Deadly Innovation team to identify opportunities for investment, procurement and employment
- Establishment of QIC's Indigenous Procurement strategy, which has seen us increase our procurement spend with Indigenous businesses and onboard several new Indigenous suppliers
- Renewed our Supply Nation membership and had QIC employees continuing to attend Supply Nation training
- Continue to support Indigenous university students through the CareerTrackers program and through creating our own direct opportunities through casual undergraduate positions.

We are proud of what we have achieved so far but acknowledge that there is still a lot of progress to be made. We are encouraged by the potential impact we can create for Indigenous people and communities if we continue strategic progress towards true reconciliation.

COMMUNITY ENGAGEMENT

The health and economic impacts of COVID-19 have pulled into sharp focus the critical role business has to play in society. Despite the many challenges of COVID-19, in 2020-21 our Community Strategy continued to focus on building our strong culture of giving, and saw our people continue to actively support and participate in employee fundraising events, volunteering, pro bono work, targeted sponsorship and the delivery of community-based initiatives and activities.

At QIC, we have a proud history of working with our community partners and charitable organisations in Australia and abroad and this has continued throughout 2020-21.

QIC Community Day

Every year our people can utilise their annual QIC community day to donate their time to assist a charity or community group they wish to support through volunteering.

Over the past year, 279 employees participated in virtual charitable initiatives and challenges supporting causes related to homelessness, medical and health related research, Aboriginal and Torres Strait Islander communities, men's health, domestic and family violence and disadvantaged youth. Across our corporate offices, our QIC employees have fundraised over \$46,000 for these cause areas.

QIC's charitable partnership with Orange Sky Australia

Since 2018, as our employee charity of choice, QIC has supported Orange Sky Australia in their efforts to provide free laundry and shower services to some of our most vulnerable members of our society. This year, thanks to the fundraising efforts and the generosity of our people, more than \$17,000 has been raised to enable Orange Sky Australia to continue to deliver such an important service to people in need.

QIC Charitable Foundation

As part of QIC's 30th anniversary this year, we were proud to launch QIC's Charitable Foundation. This Foundation has been established in partnership with the Queensland Community Foundation (QCF). The Fund has been set up as a perpetual fund that will continue to grow over time and continue to build upon our existing workplace giving culture. As the funds in the Foundation grow, it is our intention to make meaningful donations and contributions to cause within areas that are impacting our communities.

Our support for the Queensland Community Foundation

QIC has been a founding sponsor of QCF since 1997, providing both financial and in-kind support to the organisation. Since then, QCF have distributed over \$30 million to over 900 charities across Queensland. This year, QIC's partnership with QCF has strengthened through our support and involvement across many areas. QIC has several employees who work closely with QCF in their capacity as members of the Board of Governors, members of the QCF management committee, or who provide pro bono advice and support across multiple areas as needed such as HR, Legal and sustainability.

In 2021 QCF was pleased to award 16 General Fund grants totalling \$254,189 to mid-tier Queensland charities impacted by COVID-19 particularly in the areas of homelessness, domestic violence and mental health. These grants were part of the overall \$1.5 million distributed to Queensland charities in 2021. QIC is a strong supporter of QCF and will continue to support the Foundation to enable them to continue the good work that they do throughout the state of Queensland.

CORPORATE GOVERNANCE

QIC's performance is supported by a robust and contemporary approach to governance that permeates the entire organisation. The roles, processes, and practices in place at QIC are in place to respond to our dynamic operating environment and ensure that shareholders, clients, employees and other stakeholders' interests are at the forefront of decision making. QIC's Board and Committee structures and its tailored policies and standards, provide an effective framework that ensures efficiency is optimised and integrity is paramount.

QIC seeks to comply with best practice corporate governance principles including the ASX 'Corporate Governance Principles and Recommendations' and the Queensland Government's 'Corporate Governance Guidelines for Government-owned corporations.

Included here is a summary of the roles, processes and practices in place at QIC to ensure the effective management of corporate governance processes.

Corporate governance during 2020-2021

QIC's growing client base, evolving investment capabilities and challenges brought on by the COVID-19 pandemic have seen the Board continue to strengthen QIC's governance arrangements.

QIC continued to strengthen its solid corporate and investment governance foundations by:

- Proactively reviewing our corporate governance frameworks to ensure a contemporary, efficient and fit-for-purpose approach.
- Bolstering our ESG and our Responsible Investment strategies and approach.
- Enhancing our Investment Valuations policy, our annual Valuations workshop, and our Valuations framework for ensuring independence and assurance to our stakeholders on the independent valuations of our private markets assets.
- Reviewing our delegations of authority systems (including investment delegations) how those delegations are exercised, and their use monitored and reported appropriately.
- Ensuring that our strategy is interwoven with the Board's risk appetite.
- Further strengthening Work Health and Safety (WHS) accountabilities and WHS compliance frameworks with the appointment of two dedicated, highly experienced and qualified WHS professionals into the Risk Management Group (RMG).
- Ensuring QIC's business activities are carried out in a way that fully satisfies our regulatory, risk management, legal, fiduciary and corporate social responsibility obligations.
- Ensuring that governance frameworks continue to suitably operate during a transition to the working from home environment.

Our regulatory environment

QIC Limited is a Government owned corporation (GOC) constituted under the *Queensland Investment Corporation Act 1991* (Qld) (QIC Act). Queensland State Government legislation relating to GOCs, the *Government Owned Corporations Act 1993* (Qld) (GOC Act), applies to QIC, in addition to parts of the *Corporations Act 2001* (Cth) (Corporations Act).

QIC Limited does not hold an Australian Financial Services (AFS) licence and certain provisions (including the financial product disclosure provisions) of the Corporations Act do not apply to QIC. A subsidiary of QIC Limited, QIC Private Capital Pty Ltd (QPC), has been issued with an AFS licence and certain other wholly owned subsidiaries of QIC Limited are authorised representatives of QPC.

QIC is also an Irish Central Bank-approved investment manager, promoter and distributor of Undertakings for Collective Investment in Transferable Securities (UCITS) products.

Two wholly owned subsidiaries of QIC Limited are registered as investment advisers with the U.S. Securities and Exchange Commission, while another QIC subsidiary is authorised with the U.K. Financial Conduct Authority. One subsidiary is also authorised by the Korean Financial Supervisory Service.

Our shareholders

As a Queensland GOC, QIC's shareholding Ministers are the Honourable Anastacia Palaszczuk MP, Premier and Minister for Trade and the Honourable Cameron Dick, Treasurer and Minister for Investment. QIC reports to the shareholding Ministers and regularly liaises with the GOC Performance and Governance Division of Queensland Treasury to inform our shareholding Ministers on various matters as required by the QIC Act, the GOC Act and other Government guidelines. QIC aims to provide its shareholding Ministers with the information they need to make informed assessments of the operations, financial performance and the financial position of QIC and its subsidiaries.

QIC's accountability requirements include the preparation of an annual SCI for our shareholding Ministers' approval. The SCI, together with our Corporate Plan, are based on comprehensive strategic planning, risk management and budgeting processes. The SCI is a formal performance contract between QIC and our shareholding Ministers, detailing our proposed undertakings and target performance for the year ahead. The SCI is tabled in Parliament as an accompaniment to the Annual Report.

Our Corporate Plan is a review of current and future operational strategies and QIC is responsible for meeting forecast profits as detailed in the plan. Corporate performance against planned outcomes is regularly monitored and reported to the Board, and quarterly status reports are provided to our shareholding Ministers.

Foundations of management and oversight

The Board oversees QIC's activities and QIC's management report to the Board. QIC's Board is appointed by the Governor-in-Council under the GOC Act. The key roles and responsibilities of the Board include:

- Setting performance targets and ensuring targets are met.
- Overseeing the processes for appointment of the Chief Executive Officer (CEO) (with approval of the shareholding Ministers) and Senior Executives.
- Establishing and monitoring the implementation of the remuneration and incentive policies.
- Considering significant issues which impact corporate and investment performance.
- Ensuring there are sound systems of risk oversight and management and internal control.
- Reviewing and monitoring policy development, including those that promote ethical and responsible decision-making.
- Actively participating in the strategic planning process, including approval of the Corporate Plan, SCI and Employment and Industrial Relations Plan.
- Effectively communicating on an ongoing basis with shareholding Ministers, including providing them with key reports and information.
- Approving key financial and non-financial matters, including annual accounts and Director's reports, internal audit plans and annual internal control report (GS007 Report).

Board Independence

The Board is comprised of nine independent Non-Executive Directors (NED). It is the Board's view that no directors hold any positions that materially affect their ability to exercise independent judgement in the interests of QIC and its shareholding Ministers. Independence is measured generally against the ASX Corporate Governance Principles and Recommendations, and specifically considers whether:

1. In the last three years, the Director has been employed in an executive capacity by QIC.
2. In the last three years, the Director has been a principal of a material professional adviser, or a material consultant to QIC or an employee materially associated with a service provided to QIC.
3. The Director is a material supplier, a customer of QIC or associated with a material supplier or customer.
4. A material contractual relationship exists between QIC and the Director, other than in their capacity as a Director.

5. The Director has any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of QIC.

Family ties and cross-directorships may be relevant in considering interests and relationships that may compromise independence and directors must disclose these to the Board. The Board determines materiality thresholds relevant for the purposes of assessing independence on a case-by-case basis. In supporting this view, but not in isolation, the Board refers to generally accepted accounting principles for materiality. In line with these principles, a relationship may generally be considered material when, over a 12-month period, it represents more than 10% of fee revenue or more than 10% of costs (excluding salary expenses) of either QIC or the entity/person being considered.

When applying this test, less than 5% is presumed not to be material unless there is evidence or a convincing argument to the contrary. When the quantum represents between 5-10%, the Board will judge materiality based on the facts and circumstances associated with the relationship. The independence of each Director is reviewed on each occasion a new disclosure of interest is given.

Board Oversight

QIC's Board is responsible for overseeing QIC's activities. The Board operates in accordance with the principles set out in its Charter and QIC's Constitution. These documents outline the key governance principles adopted by the Board, including:

- Role and responsibilities of the Board
- Delegation of certain responsibilities to management
- Directors' duties and interests
- Board structure
- Remuneration
- Meeting procedures
- Board committees and subsidiaries
- External communication guidelines
- Access to independent advice
- Professional conduct, including conflicts of interest and independence
- Performance assessment

The Boards of QIC's subsidiaries are made up of either executive directors or a combination of executive and independent NEDs.¹⁶ The exception is the Board of QIC Private Capital Pty Ltd, which comprises of only independent non-executive directors.

Directors, the CEO and any other person who takes part in the management of QIC (each an 'officer') are also bound under the provisions of the GOC Act that relate to the duties and liabilities as officers of a company GOC. Officers also have duties under the Corporations Act which they must adhere to.

In addition to attending Board and committee meetings, the Directors are required to allocate sufficient time to prepare for meetings and consult with management as required.

The Chair commits further time and meets with the CEO and his direct reports on a regular basis.

Board Delegations

The responsibility for the day-to-day operation and administration of QIC is delegated (in accordance with Board direction and policies such as Corporate Delegations and Investment Delegations) by the Board to the CEO and the senior executives. The CEO is appointed by the QIC Board with the prior written approval of the shareholding Ministers. The appointments of senior executives are approved by the QIC Board in accordance with the Policy for GOC Chief and Senior Executive Employment Arrangements.

An extensive independent probity review, insolvency check and criminal history check are also undertaken. The Board ensures this team is appropriately qualified and experienced to discharge its responsibilities and has

¹⁶ QIC Director Jane Perry became sole director of QIC Investments No.1 Pty Ltd due to the potential for conflicts of interest to occur with some senior executives appointed to the Board of QIC Investments No.1 Pty Ltd.

procedures in place to assess the performance of the CEO and the senior executives, which are outlined below in the 'Alignment of performance with remuneration' section of this report.

Employee Code of Conduct

QIC has established policies and procedures designed to ensure that directors, management and employees meet high standards of professionalism and integrity and adhere to relevant industry standards and legal requirements. QIC's expectations are clearly articulated and documented in our Code of Conduct and Ethics. This code is supported by specific procedures outlined in more detailed policies, including the:

- Conflict of Interest Policy (including procedures governing the receipt of gifts and benefits, the making of personal investments, the holding of nominee roles and the holding of outside business interests by QIC employees and contractors)
- Fraud, Bribery and Corruption Risk Policy
- Escalation Policy
- Sensitive Information Standard
- Entertainment Policy.

Employees confirm that they understand and will comply with these policies at the start of their employment and annually thereafter via electronic confirmation and e-testing. The Code of Conduct and Ethics is further supported by a Grievance Standard and a Workplace Behaviour Policy. Training on specific policies is also provided as required. The policies apply to directors and employees of QIC and its subsidiary companies and contractors.

All employees must disclose and obtain prior approval for personal investments in property (excluding their private residences unless the transaction may affect any asset in QIC's property portfolio), shares, fixed interest securities, and derivatives of shares, fixed interest securities and currencies and outside activities (including appointments to boards and committees, whether paid or unpaid) to ensure there is no actual, potential or perceived conflict of interest.

Board committees

Board committees operate to assist the Board to oversee and monitor certain policies and controls within QIC's Enterprise Risk Management Framework.

For the purposes of s190(2) of the Corporations Act, the Board believes each existing Board committee is reliable and competent to exercise the power delegated to it by the Board.

Committee membership is determined based on individual skill and experience. Each committee has a formal charter and generally meets at least quarterly. The CEO and Company Secretary attend all QIC Board and committee meetings, while the senior executives attend all QIC Board meetings and those committee meetings that fall within the scope of their role and/or responsibilities. Upon request, other executives and employees are also invited to attend Board and committee meetings. For further information on the meetings held and attendees to each meeting, please see the Financial Report.

Audit Committee

The primary responsibility of the Audit Committee is to support the Board by overseeing and monitoring:

- The controls that safeguard the integrity of QIC's financial reporting (except for matters relating to debt covenants) and compliance with tax and accounting obligations;
- QIC's management of tax risk;
- The processes employed by QIC to undertake valuations across all investment teams,
- The policies relevant to the Committee's responsibility within the QIC's Enterprise Risk Management Framework, and;
- External audit processes generally.

Through its regular reporting cycle, the Committee receives assurance from senior management about QIC's compliance with its financial and tax obligations.

The Committee receives advice from the management Financial Reporting Committee, which provides subject matter expertise and challenge to the financial statements review process. The Committee also receives advice from the management Valuations Oversight Committee in relation to valuations matters.

In addition, an annual valuations workshop is held to oversee QIC's asset valuation practices. The purpose of the annual valuations workshop is not to re-interrogate the metrics of applicable valuations, but rather to ensure the processes applied in the course of asset valuations are sound and appropriate.

The Auditor-General of Queensland is the external auditor of QIC and its controlled entities in accordance with the *Auditor-General Act 2009* (Qld) (Auditor General Act). The Auditor-General of Queensland has also been appointed as the external auditor for several QIC's investment trusts on a by-arrangement basis or in accordance with the Auditor General Act where that trust meets the definition of a public-sector entity. KPMG has been appointed as external auditor for a number of companies and trusts within the QIC Private Capital investment structure. The Audit Committee considers external audit reports and management letters and monitors action by management in respect of these reports. The Audit Committee periodically also meets separately with QIC's external auditors who are also regular invitees to Audit Committee meetings.

Risk Committee

The primary responsibility of the Risk Committee is to oversee QIC-wide risk management practices to assist the Board in overseeing:

- QIC's Enterprise Risk Management Framework, ensuring the executive team has identified and assessed all the risks the organisation faces and to ensure there is alignment between risk management and the company's strategy, business plans and financial objectives.
- Mitigation of risks, including conduct, financial, legal, operational, client, investment, work health and safety, people, strategy execution, external and ownership, in conjunction with other Board-level committees or the full Board, if applicable.
- The division of risk-related responsibilities to each Board committee or sub-committee as clearly as possible and performing a gap analysis to determine that the oversight of any risks is not missed.
- QIC's compliance with its regulatory and contractual obligations, except for financial and tax related regulatory and contractual obligations for which the Audit Committee is responsible.

Through its regular reporting cycle, the Committee receives assurance from senior management that QIC's Enterprise Risk Management Framework is operating as designed and is effective.

The Committee works in parallel with the Board's Human Resources & Remuneration Committee in relation to any staff non-compliance with the Code of Conduct and Ethics, as well as any other issues relating to employee conduct.

In January 2021, QIC reinitiated its internal and external audit tender process, which was placed on hold due to disruptions caused by COVID-19. The process was completed via a competitive request for proposal, with a number of consulting firms participating. PwC was appointed QIC's internal auditor replacing Deloitte from 1 July 2021. QIC provides PwC with direct, unfettered access to the Board and with a reporting line direct to the Risk Committee. The Board, in consultation with the Risk Committee, approves the annual internal audit program, which adopts a risk-based approach to provide assurance over risk management and control activities across QIC. The results of internal audit reviews are reported to both the Risk Committee and management, who are held accountable for ensuring recommendations made by our internal auditors are actioned. QIC's policies and procedures are supplemented by the internal audit program, which provides assurance over the design and implementation of key controls, including controls that have been established to monitor risks and compliance obligations. The internal auditor is independent and acknowledges this independence annually as required by the QIC Auditor Independence Policy.

Human Resources & Remuneration Committee

The Human Resources & Remuneration Committee considers matters relating to human resource management policies and practices, including employee remuneration, performance management, organisational structure and design and succession planning at the senior executive level and for other business-critical roles.

The Audit Committee, Risk Committee and HR & Remuneration Committee Charters are located on QIC's website at: <http://www.qic.com/about-qic/corporate-information/corporate-governance/committees>.

Other committees

The CEO has formed a Corporate Management Group (CMG) which includes senior executives and key management personnel. The role of CMG is to assist the CEO in fulfilling their management responsibilities. CMG is the key management decision-making body and accountable for the overall performance of QIC.

In addition, the CEO has formed an Executive Committee (ExCo), which comprises of CMG plus the heads of QIC's investment business units. The role of ExCo is to assist in the development of corporate strategy and assist with corporate prioritisation.

CMG has further established management committees to assist it to discharge governance and management responsibilities. The Charter of each Committee and its membership is determined by CMG.

Decision-making Committees

CMG has delegated authority to the following management Committees to make decisions in accordance with their respective Charters:

- Corporate Management Committee (CMC), which is chaired by Claire Blake, Chief Financial Officer. CMC's remit is to:
 - Approve new standards and guidance notes and endorse new policies.
 - Approve specific projects and other change management initiatives.
 - Identify operational opportunities and decisions regarding proposed changes to existing operational platforms and workflows.
- Clients and Products Committee (CPC), which is chaired by Ravi Sriskandarajah, Executive Director of Client Solutions and Capital. CPC is responsible for:
 - Approving the establishment and variation of QIC products and mandates.
 - Governance and monitoring of existing QIC products.
 - Consideration of strategic issues relevant to the funds management industry.
- Valuations Oversight Committee (VOC), which is chaired by Sam O'Sullivan, Chief Risk Officer. VOC is responsible for:
 - Overseeing the investment valuations framework and processes.
 - Adopting independent valuations for inclusion in the relevant unit price.
 - Approving the appointment of independent valuers.

Advisory Committees

- Financial Reporting Committee (FRC), which is chaired by Claire Blake, Chief Financial Officer. FRC is responsible for:
 - reviewing financial statements.
 - escalating matters to the Audit Committee as required.
 - providing assurance to the Audit Committee and relevant Boards regarding effective governance practices in relation to financial reporting.
- The ESG Advisory Committee, chaired by QIC Board Director Stephen Dunne until February 2021, with the CEO taking over as Chair of the new Sustainability Advisory Committee in May 2021.¹⁷ This committee is focussed on QIC's ESG strategy to enhance its footprint as a responsible investor and to integrate ESG strategies on an enterprise-wide basis.
- The D&I chaired by Glenn Jackson, Executive Director, Human Resources. D&I focusses on diversity and inclusion initiatives and strategy at QIC.

Risk management

¹⁷ Mr Stephen Dunne, QIC Director, resigned from his role as Chair of the ESG Advisory Committee effective 10 February 2021. During May 2021, the ESG Committee was repurposed as the Sustainability Advisory Committee with CEO Damien Frawley appointed Chair. These changes take effect from the Committee's first meeting on 29 July 2021.

Commensurate with the QIC Board and management’s prioritisation of effective risk management, QIC has adopted a framework designed to proactively identify, assess and manage risks.

The QIC Board has ultimate accountability for risk management, approves QIC’s corporate strategy and sets its risk appetite. These responsibilities include identifying and monitoring risks that may affect QIC’s ability to achieve strategic objectives and ensures the CEO and the senior executives are appropriately monitored and incentivised to effectively manage the business.

Considerable importance is placed on maintaining a strong control environment. QIC has a corporate structure with clear lines of accountability and delegations of authority. Adherence to QIC’s policies and standards, including the Code of Conduct and Ethics, is mandatory and the Board actively promotes a culture of risk awareness, quality and integrity. QIC employees are required to observe a high level of professional conduct when undertaking their business activities. The CEO, Chief Financial Officer and Chief Risk Officer have declared to the Board in writing, that QIC’s risk management and control system is operating efficiently and effectively in all material respects, based on representations by management.

In January 2021 Sam O’Sullivan was appointed QIC’s Chief Risk Officer, reporting to the CEO, and replacing David Clarke who departed the business during the year.

Risk management framework

QIC adopts a ‘three lines of accountability’ approach to managing risks and compliance obligations.

EXPECTATIONS OF	QIC CLIENTS	SHAREHOLDING MINISTERS	LEGISLATION	REGULATORS		
OVERSIGHT	QIC Limited and Subsidiary Boards					
	QIC BOARD COMMITTEES		QIC INTERNAL COMMITTEES			
	Audit Committee	Risk Committee	HR & Remuneration Committee	Corporate Management Group		
	QIC SUB-COMMITTEE	INVESTMENT COMMITTEES		Executive Committee		
	Valuations Oversight Committee	Global Private Investment Committee		Clients & Product Committee	Corporate Management Committee	Sustainability Advisory Committee
		Global Infrastructure Investment Committee				
	Financial Reporting Committee	Global Real Estate Investment Committee		Diversity & Inclusion Committee	Work Health & Safety Committee	Regulatory Change Working Groups
	Liquid Markets Group Investment Committee					
1ST LINE OF ACCOUNTABILITY <i>Manage</i>	QIC Executives, Management and Staff (Risk Management and Execution Excellence KPIs)					
2ND LINE OF ACCOUNTABILITY <i>Challenge</i>	QIC Risk Management, Compliance, WHS and Regulatory teams					
3RD LINE OF ACCOUNTABILITY <i>Assurance</i>	Internal Audit (PwC) External Audit (Queensland Audit Office, KPMG)					

First line of accountability: Executives and employees within our investment teams and supporting business units are accountable for identifying risks within their area of responsibility and for establishing effective controls to manage these risks. All employees are required to escalate breaches and incidents to the RMG. Management is required, as part of the monthly management reporting process, to report any breaches of our policies, standards, laws, regulations and client mandates. All employees have KPIs associated with risk and compliance outcomes which are linked to remuneration.

Second line of accountability: The Chief Risk Officer reports directly to the CEO. The RMG division provides investment teams and supporting business units with tools, training and advice to assist them to effectively manage their risks and compliance obligations. It also monitors and challenges the business, where appropriate, to provide the CEO and the Board with assurance that risks are being managed effectively and in accordance with QIC policies and standards, laws, regulations and client commitments. RMG also produces regular risk reports for the ExCo, the Board's sub-committees and the Boards of QIC Limited and key operating subsidiaries.

Third line of accountability: QIC has appointed PwC to provide internal audit services. The internal audit function has direct, unfettered access to the Board and reports directly to the Risk Committee. The Board, in consultation with the Risk Committee, approves the annual internal audit program, which adopts a risk-based approach to provide assurance over risk management and control activities across QIC. The results of internal audit reviews are reported to both the Risk Committee and management, who are held accountable for ensuring recommendations made by our internal auditors are actioned. QIC's policies and procedures are supplemented by the internal audit program, which provides assurance over the design and implementation of key controls, including controls that have been established to monitor risks and compliance obligations. The internal auditor is independent and acknowledges this independence annually as required by the QIC Auditor Independence Policy. The Auditor-General of Queensland is the external auditor of QIC and its controlled entities in accordance with the *Auditor-General Act 2009 (Qld)* (Auditor General Act). KPMG has also been appointed as the external auditor of QIC's non-Australian subsidiary companies and for a number of trusts within the QPC investment business.

Alignment of performance with remuneration

QIC relies on the efforts of its people to achieve results. Managing the contribution of our people and measuring their performance are key strategies for ensuring QIC's success.

QIC's remuneration practices must be competitive within the funds management industry to attract and retain the high-quality employees we need to provide our clients with market-leading investment services. This imperative is balanced with QIC's accountability as a GOC and to ensure QIC's culture aligns with the Board's conduct and ethical requirements.

Remuneration policies and practices

QIC's remuneration policies and practices:

- Align with the business strategy, management of risk, and QIC's Standards of Excellence
- Are fair, equitable and sustainable
- Are competitive against industry benchmarks while not seeking to be a market leader
- Are regularly assessed against these benchmarks to ensure remuneration remains appropriate within the markets and industries in which we operate
- Discriminate between high and low performance
- Comply with relevant legislation and GOC guidelines
- Take account of client expectations
- Show clear methods of performance measurement, enabling employees to track their performance against targets

Performance and reward

The key feature of QIC's performance-based reward framework is that performance payments are linked to investment outcomes as well as to the individual's contribution to defined KPIs which reflect stretch targets.

To measure individual contribution, a formal Performance Management Program (PMP) exists for all employees, including the CEO, whose performance review is undertaken by the Chair. The program sets out processes for planning, communicating, monitoring and reviewing an employee's or team's performance and work-related behaviour. Performance related conversations happen regularly throughout the year and culminate in an annual review for all employees, including the CEO and senior executives.

The investment outcomes of QIC Funds are measured against demanding benchmarks. Incentive payments reflect performance against relevant benchmarks and targets. QIC's incentive scheme has undergone reviews by external benchmark providers and the incentive amounts referenced within the financial statements have been reviewed by the Queensland Audit Office.

Ongoing assessment and approval of remuneration

The HR & Remuneration Committee advises the Board on appropriate levels of employee remuneration after conducting an annual review of corporate and individual performance and considering industry comparisons and independent advice. The Board then determines the remuneration of the CEO. An Employment and Industrial Relations Plan is approved annually by QIC's shareholding Ministers as part of the SCI development process. This plan outlines people priorities and areas of emphasis for the coming year.

Directors' fees

QIC Directors are paid fees for their services. Remuneration is approved by our shareholding Ministers. Directors are not entitled to performance-based payments or retirement benefits. Directors are eligible to participate in the QIC Employee Investment Scheme.

Board performance evaluation

The Board Charter details the process for the evaluation of the Board's performance as well as that of Board committees and directors.

A formal performance evaluation is required at least every two years, with the most recent evaluation taking place in 2021. Evaluation is undertaken using a variety of techniques, including formal questionnaires completed by Directors, feedback from stakeholders including peers, one-on-one discussions between each director and the Chair and a full Board discussion and reflection. Board evaluation incorporates consideration of many factors to ensure a fulsome view of performance, including the Board's:

- role, its strategy and planning;
- structure;
- meeting processes and efficiency;
- subsidiary and committee reporting;
- performance monitoring and evaluation functionality, and;
- induction and continuing education to deepen performance and business knowledge.

It also incorporates:

- Board and senior management behaviour and relationships, and
- suggestions to improve the Board's effectiveness.

The Chair also provides each Director with feedback on their individual performance. Evaluation also extends to Board and management committees.

Trustee stewardship

In undertaking the role of trustee of a number of investment trusts, QIC ensures the trusts are administered and maintained in accordance with the relevant trust deed, legal requirements, fiduciary duties and prudential standards.

Independent advice and access to QIC information

Each Director has the right of access to all relevant QIC information, to the CEO, the Company Secretary and to the senior executives. Subject to prior consultation with the Chair, Directors may seek independent professional advice at QIC's expense. A copy of this advice is made available to all other Board members.

Directors receive regular updates on changes in the regulatory and operating environment affecting QIC. Directors are also encouraged to attend relevant conferences and seminars where those activities support the Director's effectiveness.

Conflicts of interest

Our Conflicts of Interest Policy applies to all QIC Directors, employees and contractors. QIC employees and others working at QIC have a personal responsibility to be alert to conflicts of interest in their day-to-day activities and to act promptly in identifying, managing and avoiding conflicts. Employees receive specific training on the Conflicts of Interest Policy and advice and guidance where required.

Our culture, conduct and ethics

QIC requires the highest ethical standards and conduct from its Board, employees and suppliers. This is critical to QIC's success. The Code of Conduct and Ethics ('Code') outlines the required behaviours which apply to our Board and all QIC employees and reflects our shared principles about appropriate behaviour. It ensures we meet the best practice requirements of the funds management industry, the Queensland public sector, as well as meeting our clients' expectations as a trusted partner.

As outlined in the Code, QIC's reputation in the marketplace and community is critically important in terms of our shareholders and clients expectations, our ability to operate a successful funds management business and the professional standing of our employees. QIC employees and others working at QIC are expected to exercise good judgement in their professional life and adhere to the core values and principles of ethical conduct set out in the Code.

The Code outlines expectations in key areas, including:

- what professional and lawful behaviour means at QIC;
- our confidentiality obligations;
- how we manage actual, potential or perceived conflicts of interest;
- disclosure and reporting requirements for poor behaviour;
- our zero tolerance for fraud, bribery and corruption in our business;
- our commitment to work health and safety, and;
- our commitment to a high-performing culture that is underpinned by strong leadership and inclusive behaviours at all levels.

The Code was formally reviewed, updated and approved by the Board in 2020. The Code is supported by our policy framework, which includes formal, Board-approved policies on key areas including the Fraud, Bribery & Corruption Risk Policy, Whistleblowing Policy, Conflicts of Interest Policy and Workplace Behaviour Policy. Annual training is also required by all QIC employees on specific policies to ensure these issues are kept front of mind by all employees.

QIC is within the jurisdiction of the Crime and Corruption Commission for the investigation of any matters that may fall within the Commission's parameters.

QIC's working environment

QIC is committed to developing a progressive, high performing, engaging and caring culture that evidences fairness, respect for diversity and recognition of individual talents. This underpins our ability to attract and retain talented and committed professionals. The QIC Standards of Excellence are the framework that allows each

member of QIC to understand what is expected from them from a behavioural standpoint and are used extensively in hiring, promotion and recognition programs.

QIC also has a heavy focus on inclusion, which is designed and delivered by the D&I Committee. All areas of inclusion are vitally important and QIC is committed to providing a culture where people's success is determined by talent and performance. This imperative is the foundation that provides a safe working environment at QIC free from discrimination, victimisation, vilification, sexual harassment, and other types of unlawful harassment, including workplace bullying. The Workplace Behaviour Policy outlines our Board's expectations of workplace conduct, and the WHS Policy establishes our framework for managing our obligations to provide a safe working environment for all.

Work Health and Safety

The majority of the QIC workforce is office-based, whether that be in a corporate office or asset location. QIC has a focus on meeting its compliance objectives in line with WHS statutory requirements in the jurisdictions in which our people are employed. During the past year, QIC Responsible Officers received WHS due diligence training in line with the *Work Health and Safety Act 2011*.

The focus QIC has upheld since its establishment is the provision of an environment, systems, processes and programs which allow for the appropriate management of WHS risks and reported incidents together with a proactive approach to supporting the health and wellbeing of employees. During the year the WHS Committee charter and name were updated to include a focus on psychological safety and wellbeing.

Our people leaders and executive committee members also received training on mental health awareness. Work is underway to deliver awareness training for all QIC employees in 2021-22.

QIC implemented a new cloud-based software platform for recording, reporting and investigating workplace incidents. This software platform replaced the paper-based reporting practice and has enhanced our ability to identify incident trends across our operations and implement initiatives to mitigate WHS risk.

QIC continues to strengthen its WHS control framework through the establishment of a WHS management system aligned to AS/NZS ISO 45001¹⁸ during the financial year. Regular updates on WHS performance are provided to the QIC Risk Committee, with reporting to the QIC Board.

Right to information

The *Right to Information Act 2009* (Qld) does not apply to QIC Limited or its subsidiaries, except where it relates to community services obligations. However, QIC complies with the Queensland Government's Publication Scheme which is a framework for the increased publication of information relating to GOCs.

Corporate governance in the sharemarket

On behalf of our clients, we actively monitor corporate governance issues at both a domestic and international shareholding level, primarily under the Responsible Investment Policy and related processes.

Insurance and indemnities

QIC maintains appropriate insurance cover with reliable underwriters to protect it from known quantifiable liabilities and risks where that cover is available. This comprehensive program of cover includes asset protection, employee accident compensation, professional indemnity and director and officers' liability, general public liabilities, cyber and financial loss.

The Board, senior executives and employees are, to the extent permitted by law, provided with indemnification against:

- liability to third parties arising out of conduct undertaken in good faith in their capacity as a QIC officer, and;

¹⁸ Occupational health and safety management systems – requirements with guidance for use

- the costs and expenses of defending legal proceedings arising out of conduct as described above.

Litigation

On 11 March 2021, Lochard Energy (Lochard) and QIC Private Capital Pty Ltd (QPC) reached a settlement agreement with EnergyAustralia (EA) in relation to the proceedings that Lochard commenced against EA in May 2017 seeking damages in connection with the sale of the Iona underground gas storage facility in 2015. This ongoing dispute has now been resolved.

DIRECTORS' PROFILES

Ian Martin AM B.Econ (Hons), FAICD - Chairman

Chair appointed 1 April 2019

Current term to 30 September 2022

Chair of: QIC Limited, QIC Private Capital Pty Ltd.

Other appointments: Chair, UniSuper.

Previous appointments include: Chair, Argo Investments Limited and Argo Global Listed Infrastructure Limited, Chief Investment Officer, BT Financial Group, Vice Chairman, Asia Pacific Berkshire Global Advisors, CEO and Head of Global Investment Management and Member of the Management Committee, Bankers Trust, Director, Babcock and Brown, Director, GPT Group, Chair, Australian Financial Services Council and Panel Member, Superannuation System Review (The Cooper Review), Chair, Wayside Chapel Foundation.

QIC Committees: Chair of the HR & Remuneration Committee, Chair of the U.S. Shopping Center Fund Investment Committee, Member of the Audit Committee and the Member of the Risk Committee.

John Battams BEcon, Dip Ed, MAICD - Director

Director appointed 1 October 2015

Current term to 30 September 2021

Director of: QIC Limited, QIC Private Capital Pty Ltd.

Other appointments: Chair, Teachers' Union Health, Managing Director, Labor Holdings Pty Ltd, Director, Labor Enterprises Pty Ltd, Director, Labor Resources Pty Ltd, Director, Labor Legacies Pty Ltd, Honorary President, Australian Labor Party (Queensland Branch), Management Committee Member, Northern Suburbs Hockey Club Inc.

Previous appointments include: Chair, Queensland Residential Tenancies Authority, Director, Sunsuper, Chair, Sunsuper Investment Committee, Director, Skills Queensland, Board Member, Lady Bowen Trust, General Secretary, Queensland Teachers' Union, Director, Energex Limited, President, Queensland Council of Unions, Director, TJ Ryan Foundation.

QIC committees: Chair of the Risk Committee, Member of the Audit Committee and Member of the U.S. Shopping Center Fund Investment Committee.

Gillian Brown LLB (Hons), Grad Dip Applied Finance (FINSIA), MAICD Director

Director appointed 15 December 2016

Current term to 30 September 2022

Director of: QIC Limited, QIC Private Capital Pty Ltd.

Other appointments: Director, Australian Rail Track Corporation; Director, BRIC Housing.

Previous appointments: Partner, Minter Ellison, Director, Queensland Treasury Corporation Capital Markets Board, Head, Queensland Finance Team, Minter Ellison; Consultant, Minter Ellison.

QIC committees: Member of the Audit Committee, Member of the Risk Committee and Member of the U.S. Shopping Center Fund Investment Committee.

Patrice Derrington PhD (Arch/Civil Eng), MBA, BArch - Director

Director appointed 12 October 2017

Current term to 30 September 2021

Director of: QIC Limited, QIC Private Capital Pty Ltd.

Other appointments: Director, Center for Urban Real Estate, Columbia University, New York, Director, Real Estate Development Program, Columbia University, New York, Director, The University of Queensland in America, Inc. Foundation, Board of the Thomas Moran Trust, Treasurer, University of Queensland in America, Inc. Foundation, Holliday Associate Professor of Real Estate Development Program, Columbia University, New York.

Previous appointments: Director representing interests of David Rockefeller on boards of various corporations holding commercial real estate interests, Independent board member, Amerivest Property Trust, Ambassador, Museum of Contemporary Art, Chair, Audit, Risk and Compliance Committee, Charter Hall Property Trust - Australia.

QIC committees: Member of the U.S. Shopping Center Fund Investment Committee.

Simone Desmarchelier BA, LLB (Hons), BCL (Hons), GAICD – Director

Director appointed 1 October 2016

Current term to 30 September 2022

Director of: QIC Limited, QIC Private Capital Pty Ltd.

Other appointments: Managing Director, Montrose Advisory Pty Limited, Consultant, Herbert Smith Freehills, Advisory Board Member (via Montrose Advisory) of McNab, Chair of Archdiocese of Brisbane Ministries and Services Council, Member of Archdiocese of Brisbane's Finance Council.

Previous appointments: Australian Consul-General, Italy, Senior Trade & Investment Commissioner, Italy and Cyprus; Vice President, Lazard, Vice President, Deutsche Bank, General Counsel, Runge Pincock Minarco, Senior Associate, Minter Ellison, Senior Associate, Gilbert + Tobin Lawyers; Advisory Board Member (via Montrose Advisory) of Roberts Pizzarotti Pty Limited.

QIC committees: Member of the HR & Remuneration Committee, Member of the Risk Committee and Member of the U.S. Shopping Center Fund Investment Committee.

Stephen Dunne BBus, MBA, CFA, SF Fin, FAICD - Director

Director appointed 12 May 2016

Current term to 30 September 2021

Director of: QIC Limited, NAPCO Properties Pty Ltd, NAPCO Properties Sub Holdings Pty Ltd, NAPCO Properties Holdings Pty Ltd, The North Australian Pastoral Company Pty. Limited, QIC Agribusiness Pty Ltd, QIC Agribusiness Holdings Pty Ltd.

Other appointments: Chair, Cbus Investment Committee, Chair, CFA Societies Australia Advocacy Council; Chair, Investor Group on Climate Change; Director, Cbus (United Super Pty Ltd); Director, Evergen Pty Ltd.

Previous appointments include: Director, QIC Private Capital Pty Ltd; Chief Executive, AMP Capital Investors Holding Limited; Chief Executive and Director, AMP Capital New Zealand; Director, AMP Capital United Kingdom; Director, AMP Capital Japan; Director, Client and Marketing Asia Pacific and AMP Capital Investors Holding Limited; Director, Australia & New Zealand AMP Asset Management.

QIC committees: Member of the HR & Remuneration Committee, Member of the Risk Committee and Chair of the Environment, Sustainability and Governance Advisory Committee (until February 2021)

Paul Gallagher BCom, FCA, GAICD - Director

Director appointed 11 December 2014

Current term to 30 September 2023

Director of: QIC Limited, QIC Infrastructure Management No. 2 Pty Ltd.

Other appointments: Chair and Director, Catholic Church Insurance Limited; Chair and Director, Edmund Rice Foundation Limited; Director, BDO Australia Limited

Previous appointments include: Director, BDO Group Holdings (QLD) Ltd, Director, Brisbane City Council – Field Services Division, Partner, Audit and Assurance Services Division, BDO.

QIC committees: Member of the Risk Committee, Member of the HR & Remuneration Committee and Chair of the Audit Committee.

Jane Perry BSc, BA, Dip Ed - Director

Director appointed 1 October 2018

Current term to 30 September 2021

Director of: QIC Limited, QIC Investments No. 1 Pty Ltd.

Other appointments: Chair and Director, Fund Executives Associations Limited, Consultant, Confidere Group.

Previous appointments: Association of Superannuation Funds of Australia (ASFA), Australian Brandenburg Orchestra, Victorian Arts Centre Trust, J.P. Morgan Nominees, AXA Business Services (India), National Mutual Superannuation Pty Ltd, National Mutual Staff Superannuation Plan, The Salvation Army Advisory Board Southern Territory, The Salvation Army Advisory Board Eastern Territory, Sydney Financial Forum, BT Funds Management Limited, BT Funds Management No. 2 Limited, Westpac Securities Administration Limited, Director, Sydney Financial Forum.

QIC committees: Member of the Risk Committee and Member of the Audit Committee.

John Wilson BA, LLB, LLM, MA - Director

Director appointed 1 October 2019

Current term to 30 September 2022

Director of: QIC Limited.

Other appointments: Chair, Australian Rugby Foundation, Independent Advisor to the Investment Committee of LGIA Super.

Previous appointments include: Independent Trustee Director & Chairman, Investment Committee LGIA Super; Chairman of NSW Aboriginal Lands Council; Trustee and Director, board responsible for Investment at University of New England Foundation; Director, Melbourne Stadiums Limited and member of the Audit and Risk Committee.

QIC Committees: Member of the HR & Remuneration Committee.

FINANCIAL PERFORMANCE OVERVIEW

QIC's 2020-21 overview of financial performance should be read in conjunction with the financial report.

Profitability

Whilst COVID-19 continues to impact Australia's social, health and economic landscape, QIC has successfully delivered a record pre-tax profit of \$102.8 million for 2020-21.

This outcome has been achieved through our commitment to long term investment performance outcomes for our clients and robust cost management.

A strong rebound in equity markets and unlisted asset valuations during the year resulted in total revenue for the year increasing over the prior period. Given the uncertainty around the ongoing impacts of COVID-19, market conditions are likely to remain challenging in the short to medium term.

Expenses for the year decreased by \$18.7 million as we continued with prudent cost management initiatives, continued travel restrictions and a reduced U.S. footprint.

QIC continues to invest into our own products, as part of our commitment to achieving long term investment performance for our clients. As at 30 June 2021, over \$236 million of corporate capital is invested in QIC products across a number of asset classes. This is in addition to undrawn corporate commitments of \$28.6 million to QIC products.

A total of \$175.6 million will be returned to the Queensland Government in relation to the 2020-21 financial year. This includes a dividend declared of \$45.1 million for 2020-21.

Revenue

Total revenue for 2020-21 was \$532.3 million, an increase of \$4.4 million on the prior year.

QIC has a broad mix of revenue sources across our investment and property management businesses, which has allowed us to absorb the impacts of COVID-19.

Investment management fees are dependent on assets under management and investment performance. Performance fee revenue is dependent on positive investment out-performance against client objectives.

In addition, QIC earns property asset level service fees from QIC owned and operated shopping centres both in Australia and the U.S. These services include the leasing and development of the assets.

Property asset level services continue to be impacted by the challenging retail market. Revenue from these services is \$37.0 million lower than the prior period. This is largely due to the transfer of property management services for some US based retail assets to an external service provider, as well as the challenging retail market

Investment performance fees are \$34.4 million higher than the prior period, primarily as a result of continued diligent management of our unlisted assets, a strong rebound in valuations and increased optimism in valuations going forward. This has allowed for the recognition of certain performance fees that were held on Balance Sheet in 2019-20 until recognition criteria had been met in accordance with accounting standards.

The following infrastructure transactions during the year will contribute to an increase in revenue in future periods:

- Tilt renewables acquisition – 100% interest in Tilt Renewables acquired with consortium partner Mercury NZ
- CenTrio (formerly known as Enwave Energy USA) – a joint QIC and Ullico acquisition of the largest pure-play district energy platform in the US
- Generate Capital – follow on investment in a \$2 billion capital raise.

Other revenue represents income generated on QIC's corporate investments and working capital and other minor items.

Expenses

Total expenses of \$429.5 million in 2020-21 decreased by \$18.6 million compared to the prior year.

The majority of QIC's cost base relates to employee expenses. These have reduced by \$9.0 million during the year.

Costs in relation to travel and entertainment have reduced as a result of travel restrictions and QIC continuing with flexible working from home arrangements in response to COVID-19.

Computer operating costs are lower as a result of technology projects being delayed due to the impacts of COVID-19.

QIC continues to be focussed on ensuring the cost base of the organisation is appropriate and is linked to QIC's corporate strategy.

Balance sheet

Assets

Total assets at year-end were \$501.7 million, an increase of \$29.7 million compared to the prior year.

The major contributions to this change were:

- An additional \$13.2 million in corporate capital invested into QIC products
- An increase of \$12.1 million in U.S. working capital
- An increase of \$20.0 million in management and performance fees receivable at year end due to stronger investment outcomes.

Liabilities

Total liabilities at year-end were \$327.8 million, an increase of \$5.0 million compared to the prior year.

The main contributors to this increase were:

- A decrease of \$10.8 million in borrowings as a result of partial repayment of debt used to facilitate corporate investment alongside clients in new mandates
- Reduction in deferred revenue as a result of satisfying revenue recognition criteria
- Increase in amounts payable to employees.

Dividend

A dividend of \$45.1 million has been declared for the year, which represents a dividend payout of 100% of adjusted net profit after tax.

Cash flows

Cash at year-end of \$188.7 million represents an increase of \$30.7 million when compared to the prior year.

Operating activities generated net cash inflows of \$95.3 million, a decrease of \$42.3 million from the previous year. This decrease is largely due to the one-off higher cashflows from the prior year as a result of the timing of the new fee agreement with Queensland government clients. In addition, there have been lower operating revenue receipts from property management fees during the year. This has been partially offset by lower cash outflows for operating expenses, in line with cost reductions for the year.

Cash inflows from investing activities this year were \$0.6 million compared to cash outflows of \$13.2 million in the prior year. Investing activities include investments into QIC products, payments for corporate projects and payments for property plant and equipment. It also includes income received from QIC's corporate investments.

The change from the prior year relates mainly to lower amounts invested into QIC products during the year.

Cash outflows from financing activities were \$64.2 million, which includes the payment of the 2019-20 dividend and partial repayment of borrowings during the year.

Corporate entertainment and hospitality costs

QIC undertakes a variety of corporate entertainment and hospitality activities in its course of operations with clients. QIC operates in a commercial and competitive environment. These activities are solely for the purposes of building and maintaining relationships with existing and prospective clients and strengthening QIC's brand both domestically and internationally.

QIC has policies in place to ensure that corporate hospitality and entertainment expenditure is appropriate, reasonable and has identifiable commercial benefits.

As a GOC, QIC must disclose all corporate entertainment and hospitality costs greater than \$5,000. During the year there were no such costs.

QIC OFFICE LOCATIONS

CORPORATE HEADQUARTERS

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