

QIC

Annual Report

2022–2023

QIC LIMITED

QIC respectfully acknowledges the Traditional Owners and Custodians of Country throughout Australia and recognises their continuing connection to land, water and community. We pay our respects to Elders past, present and emerging.

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Net Zero Carbon Emissions Target for QIC Real Estate

QIC Real Estate's fund level 2028 net zero carbon target applies to assets that are 100% owned and managed by QIC. Targets are supported by the development and ongoing maintenance of asset-level Net Zero Carbon Emissions Roadmaps which are aggregated to the fund level. These Roadmaps document the carbon emissions reduction initiatives planned to be implemented annually out to 2028 to achieve the net zero carbon targets. Initiatives follow a reduction and elimination first approach and include energy efficiency upgrades to aging plant and equipment, optimisation of existing plant and equipment, electrification of natural gas-powered plant and the deployment of onsite solar PV systems or purchase of renewable electricity from the grid. The initiatives are integrated into the capital plans and relevant annual budgets for each asset. Net Zero carbon emissions targets rely on an increase in renewable energy consumption (~69%) and a reduction in electricity consumption through efficiency upgrades (~25%). The purchase of carbon offsets is expected to be required to offset residual carbon emissions relating to sources such as refrigerants, and for which there is not yet an alternative carbon-free replacement (~6%). Baselines vary for individual funds and range from 2015 to 2021. Progress is quantified and receives limited independent assurance annually, in accordance with the Australian Standard on Assurance Engagements (ASAE3000). All figures as at 30 June 2022. For more information on QIC's Net Zero Carbon Emissions target for real estate, please see our latest QIC Real Estate Sustainability Report on the QIC website.

Net Zero Target for QIC Infrastructure

Net zero target for QIC infrastructure also includes a 50% reduction in scope 1 & 2 emissions by 2030 from a 2020 baseline, which applies to the equity share of emissions for assets in our pooled infrastructure funds. For infrastructure assets, the net zero pathway incorporates four pillars: operational and design efficiencies; transition to low-carbon fuels and renewable electricity; leveraging emerging technologies; and if required, management of residual emissions through purchase of verified, efficient, measurable carbon offsets. Target modelling shows the most material drivers of decarbonisation during the time period to likely include: 2021-2030: renewable energy and electrification, bio-based fuels and electric vehicles as well as some emerging hydrogen fuels; 2031-2040: renewable energy and hydrogen. This timing is estimated only, with actual trajectory likely to change over time dependent on the timing of adoption of new technology, operational improvements, growth or reduction in business activity and the potential new investment/divestment of businesses in the portfolio. If additional equity is acquired in either an existing or a new relevant business, the baseline will be adjusted accordingly for the 2030 target. Progress on our net zero emissions target will be quantified using independent verification and regular scope 1 & 2 emissions tracking metrics, reported in QIC's annual sustainability reporting. For more information on QIC's Net Zero Emissions target for infrastructure, please see our latest QIC Infrastructure Sustainability Report on the QIC website (qic.com).

About this report

This Annual Report outlines QIC Limited's performance from 1 July 2022 to 30 June 2023. It highlights our key achievements delivered during this reporting period and should be read in conjunction with the supporting QIC Limited Financial Statements for the year ending 30 June 2023.

This and earlier Annual Reports are available on QIC's website (qic.com).

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1. About QIC

Our Purpose

QIC is a trusted investment manager and adviser providing risk adjusted returns for the clients we serve. Together, we create shared value by responsibly investing for the prosperity of clients, people and communities.

We are a unique organisation. We are both a sovereign investor and a global institutional manager specialising in private markets. Investing for the long-term is in our DNA, and we benefit from stable ownership by the Queensland State Government. We manage multi-asset portfolios for government clients and deliver infrastructure, real estate, private equity, private debt, natural capital, and fixed income & liquid market solutions for private institutional capital.

We have \$102.8 billion in assets under management (as at 30 June 2023) and are headquartered in Brisbane, Australia, with offices in Sydney, Melbourne, New York, San Francisco and London.

Our value proposition through purpose

We endeavour to create value beyond the risk-adjusted returns we deliver because we seek to include social and environmental considerations into our strategies, pursuing positive outcomes for the communities within our sphere of influence.

We act responsibly in all that we do. It pervades our decision-making in the stewardship of our clients' capital and the assets we manage on their behalf as we navigate market and socio-political dynamics.

Responsibility, mutual respect, diversity of thought and a drive for long-term outcomes and excellence permeate the behaviours of our people and drive our performance culture.

We judge our performance and hold ourselves accountable for delivering against these factors and have built a reputation on what our performance provides to others.

Our Standards of Excellence

At QIC, delivering investment performance and service to our clients, and their clients, is why we exist. First, last and only. Our standards of excellence are critical to our success and focus on five key areas:

- Leaders must lead
- Accountability counts
- Communication matters
- Step up together
- Collaboration is key.

2. Message from the Chairman

On behalf of the Board, I am pleased to present the QIC Limited Annual Report for the year ended 30 June 2023.

In the year under review, the Russia-Ukraine war was ongoing and there were fears of global bank stability following the collapse of two regional US banks and a major Swiss bank. Inflation remained higher than anticipated and central banks continued to raise rates to relieve inflationary pressure. Subsequently, investors faced capital constraints, real estate valuations were lower, and markets more volatile.

Despite these headwinds, QIC tracked well against our performance targets for the year and achieved a strong result. Assets Under Management grew from \$98.7 billion to \$102.8 billion in 2022-23. Across QIC's investment capabilities, approximately 80% of representative funds met or exceeded their investment performance objectives on a funds-weighted basis during the reporting period.

Operating profit before tax of \$127.1 million was recorded, against a target of \$110.0 million. Total revenue for 2022-23 was \$654.5 million, an increase of \$37.9 million or 6.1% on the prior year.

In the dynamic and changing environment, the Board have been pleased with Kylie Rampa's leadership and the decisions made to bolster the bench strength of the leadership team. This has included introducing a Environment, Social and Governance (ESG) role to the Executive structure in recognition of our commitment to ESG, and securing a highly respected investor with strong industry relationships to the role of Global Head of Private Debt.

This year has also seen changes to the QIC Limited Board. On 30 September 2022, John Wilson stepped down from the Board, having fulfilled the role of Director since 2019. On 13 October 2022, we welcomed Robert Jones as a Director of QIC Limited and QIC Private Capital Pty Ltd. Robert has a strong background in audit, with 40 years' experience at KPMG and he is a member of both our Audit and Risk Committees.

We continue to work effectively with our shareholding Ministers, the Honourable Annastacia Palaszczuk MP, Queensland Premier and Minister for the Olympics and Paralympic Games, and the Honourable Cameron Dick MP, Treasurer and Minister for Trade and Investment. On behalf of the QIC Board, I would like to express our gratitude for their ongoing support, and I look forward to continuing this partnership in the year ahead.

Finally, I would like to thank our QIC employees and Board members for their expertise, and dedication to reaching our strategic goals and continually improving our investment performance. It is with the support of these highly talented professionals, that we are in good stead to successfully navigate challenges ahead to deliver positive benefits for our clients and shareholder.



Ian Martin AM
Chairman, QIC Limited

3. Message from the Chief Executive Officer

Faced with the challenging market conditions mentioned in the Chairman's report, we worked closely with our clients to ensure their investment objectives and liquidity requirements were achieved.

In 2022-23, QIC delivered significant earnings for our clients, including approximately \$4.1 billion for Queensland Government clients.

We grew our client base to over 125 local and international institutional clients, welcoming seven new clients in the year under review, and increasing our funds under management to \$102.8 billion.

Ensuring the leadership is in place to take QIC to its next phase of growth, we appointed a new Global Head of Private Debt, Simon La Greca. Beverley Morris was appointed as the Head of QIC's Liquid Markets Group, Deidre Rowe to the role of Executive Director of People and Culture, and Bill Burton as our Director, Corporate Secretariat and Governance. We also welcomed Rowan Griffin as our new Executive Director of ESG.

Across QIC, over the course of 2022-23, notable performance highlights include:

- a strong investment performance, with approximately 80% of QIC funds out-performing on a funds under management-weighted basis
- QIC's flagship Long Term Diversified platform which serves universities, local governments and other statutory bodies, had another strong performance, returning 9.51% (gross of management fees but after expenses)
- QIC Infrastructure purchased 50% of New Zealand-listed Vector Metering and furthered our investment into the healthcare sub-sector via the acquisition of Evolution Healthcare and delivery of various growth opportunities for Nexus Hospital
- submitted a Development Application for a \$750 million mixed-use precinct opposite the Albert Street Cross River Rail station and partnered with Australian Retirement Trust to finance new social and affordable housing in Queensland. Up to 1,200 new homes are to be delivered through the partnership, with construction to commence on all projects by 2025
- QIC Infrastructure Private Debt completed investments across renewables, logistics, and alternative fuel projects, working with companies across the US and Europe. Multi-Sector Private Debt was awarded a three-year \$500 million plus mandate and closed new deals in the health equipment, education, and consumer discretionary sectors
- our Liquid Markets Group core offering was repositioned, and team structure modified to provide holistic solutions across fixed income, as well as a multi-asset derivatives capability, including currency hedging, asset overlays, protection strategies and other synthetic solutions
- the establishment of the \$150 million Queensland Venture Capital Development Fund to accelerate, develop and enhance the venture capital industry, and the \$100 million Queensland Critical Minerals and Battery Technology Fund, to support businesses across the critical minerals supply chain
- in ESG, QIC became a signatory to the Net Zero Asset Managers (NZAM) Initiative. NZAM is a leading net zero coalition in the finance sector, committed to supporting the goal of net zero carbon emissions by 2050 or sooner. This builds on QIC's decarbonisation efforts to date, with seven funds across the Real Estate and Infrastructure capabilities already having net zero emissions targets.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

- we continued to be the founding sponsor of the Queensland Community Foundation, which generates an income stream for a wide range of Queensland charities. In 2023, the Foundation will distribute over \$4.6 million to Queensland charities
- we opened an office in Singapore to better service our clients in Asia
- continued successful execution of our Diversity and Inclusion strategies and Reconciliation Action Plan.

I would like to thank QIC's shareholding Ministers, the Board, the Executive Committee, and our employees for their support in helping us to create shared value by responsibly investing for the prosperity of clients, people, and communities.



Kylie Rampa
Chief Executive Officer

4. 2022-23 Performance summary

4.1 Statement of Corporate Intent

The following table depicts performance against key financial and non-financial measures from QIC's 2022-23 Statement of Corporate Intent (SCI):

Financial Key Performance Indicators	2022-23 Result	SCI Target
Cost to income ratio	Overall: 80.6%	Overall: 82.1%
	Normalised: 71.5%	Excluding QICP Pty Ltd and Competitive Neutrality Fee: 69.1%
Operating profit before tax	Overall: \$127.1 million	Overall: \$110.0 million
Return on Assets	20%	17%
Return on Equity	32%	29%

Investment Key Performance Indicators (KPIs)

As at 30 June 2023, the following tables outline the percentage of Funds outperforming on a funds under management-weighted basis.

Versus Benchmark

	1 Year	3 Year	KPI weighted
Including State Investments	64.1%	87.3%	87.2%
Excluding State Investments	46.6%	78.1%	78.0%

Versus Objective

	1 Year	3 Year	KPI weighted
Including State Investments	63.2%	79.1%	79.8%
Excluding State Investments	45.1%	72.6%	73.8%

5. Measuring our performance

In line with previous years, corporate and individual performance at QIC continues to be measured utilising the balanced scorecard methodology. Key Performance Indicators (KPIs), also referred to within the organisation as performance goals, are aligned against each quadrant of the scorecard:

- Financial performance
- Investment performance and clients
- Execution excellence and risk management
- People and culture.

A summary of QIC's results for 2022-23 is outlined below.

5.1 Financial performance

QIC has delivered a pre-tax profit of \$127.1 million for 2022-23 against a target of \$110.0 million. Total revenue for 2022-23 increased by \$37.9 million to \$654.5 million compared to 2021-22, primarily due to increased investment management fees and property asset level service revenue. Total expenses increased by \$41.3 million to \$527.4 million, primarily due to increased employee expenses arising from labour market pressures and additional resources required to deliver profitable growth initiatives. This is a strong result given the current challenging macro-economic climate and it is reflective of our continued ongoing focus on revenue generation and prudent financial management. Further information on QIC's financial results for 2022-23 is summarised in Section 12 of this report.

5.2 Investment performance and clients

Across our asset classes, throughout this year, investment performance has been challenged at times as markets became increasingly more volatile given rising tensions and the current geo-political environment. Despite the difficult market conditions, we continued to work closely with our clients to ensure their investment objectives and liquidity requirements were achieved. Over the past 12 months, QIC delivered critical client and government initiatives and continued our focus on new and innovative product development.

5.3 Execution excellence and risk management

Execution excellence has been demonstrated across the business throughout 2022-23 as evidenced through the delivery of major strategic initiatives. Across QIC we continued to mature our portfolio management processes with a robust prioritisation framework implemented for product, growth and technology delivery projects. Our risk, legal and compliance culture remains strong.

5.4 People and culture

QIC continued its commitment to a high-performance and caring culture through:

- the communication and embedding of strategically aligned goals
- embedding the Standards of Excellence in all that we do
- our enhanced approach to flexible work
- providing a safe and inclusive workplace
- strengthening our health and wellbeing offering
- creating opportunities for internal mobilisation and promotion of talent.

This was evidenced in our strong financial and client outcomes as well as our employee survey results. We again invested in learning and development which prioritises risk management and meeting of regulatory requirements and deployed refreshed mandatory learning modules to all employees.

We progressed both our Diversity, Equity and Inclusion Strategies and Reconciliation Action Plan through our team, clients, key industry partnerships and sponsorship programs in various sectors across the community. We have progressed our goals in the areas of gender equity, indigenous wealth creation, talent and succession, and maintained turnover below industry average by continuing to stay abreast of market challenges in attracting and retaining high calibre team members through industry-led benchmarking of remuneration and benefits across all locations.

6. Investment capability highlights

During 2022-23, across our areas of expertise in infrastructure, real estate, private capital, liquid markets, private debt 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.

The following section provides an overview of the outcomes delivered during the past year.

6.1 Infrastructure

QIC's Infrastructure team manages a \$31.4 billion¹ portfolio comprising 24 direct infrastructure investments across three core sectors – transport, energy and utilities, and social/healthcare. Diversified across geography, sector and lifecycle, these investments are located across six countries (including all Australian States and Territories). Infrastructure's thematic and sector-centric investment strategy, together with our active-core asset management approach, has seen the portfolio deliver strong returns for our clients. The portfolio has delivered an annualised since inception Internal Rate of Return (IRR) of 13.8%².

During the past year, QIC's Infrastructure team has continued to grow its presence internationally, enhancing our offshore capabilities in London and New York, as well as our sector specialised asset management and portfolio management teams.

Investment activity

In comparison to June 2022, Infrastructure's assets under management increased by \$2.54 billion. This was driven by strong growth in our clients' current portfolios as well as significant deployment of new capital commitments particularly from the first close of our new flagship fund. There was also significant new investment by its predecessor, the QIC Global Infrastructure Fund (QGIF)³, and our separately managed accounts.

- QIC reached financial close acquiring a 50% interest in Vector's New Zealand and Australian metering business (Vector Metering). The platform securely processes data from residential and commercial smart meters, which energy retailers can use to support billing, and develop new products and services for customers. The business therefore supports decarbonisation and cleaner energy options, a key QIC Infrastructure thematic
- NorthWestern Roads Group in collaboration with QIC and Transport NSW, have received planning approval to widen the M7 Motorway after a rigorous 3-year engagement and approval process to ensure a wider community benefit
- Nexus Hospitals, on behalf of QGIF and its co-investors, acquired Montserrat Day Hospitals, to create the largest short-stay hospital platform in Australia. Following this acquisition, Nexus will operate a portfolio of 29 short-stay hospitals across Australia and continue to deliver efficient and more affordable access to non-emergency elective surgery for Australians

¹ As at 30 June 2023.

² Past performance of the entire portfolio managed by QIC Infrastructure since inception, net of all fees, carried interest and expenses. This includes the return on assets which are managed by QIC Infrastructure for other clients/products.

Past performance is not a reliable indicator of future performance.

³ The QIC Global Infrastructure Fund is no longer open for investment.

INVESTMENT CAPABILITY HIGHLIGHTS

- Tilt Renewables reached financial close on the Rye Park Wind Farm project which at 276MW will be one of the largest wind farms in New South Wales. The project consolidates Tilt Renewables as the largest renewable energy platform in Australia
- New Zealand based Evolution Healthcare, on behalf of QGIF and its co-investors, was able to execute on the acquisition of Anglesea Hospital. The acquisition adds three additional state of the art theatres to the platform. In addition, the business executed the divestment of the non-core Waratah Hospital in Australia
- CenTrio, on behalf of QGIF and other QIC-managed clients, reached financial close on the Eastern Michigan University (EMU) energy concession. EMU represents CenTrio's third university concession (in addition to Syracuse and Louisiana State) further cementing CenTrio's status as a market leader in US district energy
- separate capital raise processes were also undertaken throughout the year, including for two existing US-based portfolio companies:
 - Generate: QIC Global Infrastructure managed clients committed a further US\$150 million to the 2023 fundraise, following Generate's successful deployment of the 2021 capital raise
 - Renewa: A further US\$100 million was committed to the Renewa platform following strong deployment during the 2022-23 year.

Asset management

During 2022-23, Infrastructure continued to deliver on its active-asset management strategy, focusing on its four key pillars of technology, sustainability, people and culture, and financing.

Our objective is to build and grow resilient and adaptable portfolios 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 continue to make decisions in the interest of our stakeholders will allow them to pursue opportunities with the full support of employees, customers and the broader community they operate within. 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* – highlight what we believe are the significant impact areas in managing our Infrastructure portfolio. We continued to enhance sustainability governance and accountability within the Infrastructure team by further integrating sustainability within our governance structures and operating model.

Over the past year we have further built up our internal sustainability capabilities, adding new sustainability focused specialists with defined responsibilities in each of our sectors, operations, and portfolio management areas. In addition, we further promoted the integration of ESG in our origination process by enhancing our initial ESG screening assessment and updating our asset transition plan framework. These now include specific sustainability elements that formalise and promote a best practice approach to the strategic management of sustainability risks and opportunities within our portfolio companies.

We continue to actively manage portfolio companies providing strategic advice and support through our Board engagement, and seeking to ensure that the portfolio companies can successfully integrate sustainability across their organisations with the capability, resourcing, and robust systems and processes that are needed.

The Infrastructure team has established specific sustainability commitments along the dimensions of climate, diversity, and governance, including:

Environmental:

- the promotion of decarbonisation in portfolio companies by testing the ability of potential investments to develop a net zero emissions target that would be validated by the Science Based Target initiative
- the active management of climate transition risks by conducting a quantitative assessment of the potential investment's business plan against a "Net Zero 2050" scenario.

INVESTMENT CAPABILITY HIGHLIGHTS

Social:

- the promotion of Board⁴ gender diversity (targeting 40% female, 40% male, and 20% any gender⁵)
- the promotion of Board⁶ diversity across dimensions such as culture, religion, disability, etc. (targeting 30% of Board diversity across these dimensions)
- supporting portfolio companies to reduce the gender pay gap.

Further information about the Infrastructure team's sustainability practices can be found in the 2023 Global Infrastructure Sustainability Report, which is available on the QIC website.

Infrastructure was active across debt capital markets during 2022-23, raising over \$12.7 billion of committed debt financing across our portfolio. This includes over \$4.0 billion in committed acquisition financing and over \$8.6 billion of refinancing debt. Infrastructure's portfolio continues to successfully navigate the longer-term implications of COVID-19 and the current macroeconomic environment. This reflects a prudent approach to leverage and diversification in debt markets and maturities, as well as the strong lender relationships across our portfolio. Highlights include:

- established green loan facilities for Vector Metering totalling \$1.6 billion, representing the first Use of Proceeds Certification internationally under the new Climate Bonds Standard Version 4.0 and the largest CBI-certified green bank loan aligned with the Climate Bonds' Electrical Grids and Storage eligibility criteria to date
- additional green or sustainable financings put in place for Port of Melbourne, Port of Brisbane, and Pacific Energy
- significant refinancing activity to extend maturities and establish further undrawn funding lines for growth and capital expenditure across the portfolio, including the \$1.5 billion Tilt Renewables refinancing closed in June 2023
- establishment of a debt facility and foreign exchange hedging lines.

QIC Infrastructure is committed to fostering technology enhancement and innovation across our portfolio. During the year we launched the QIC Infrastructure Innovation Awards, rewarding portfolio companies for best practice in innovation across sustainability, safety customer service and business improvement, and the QIC Innovation Podcast, which delivered 'innovation casts' highlighting two of our portfolio companies. We continued to host our popular QIC Technology Innovation and Cyber Security Forums, with increased engagement and collaboration on prior years.

Client highlights

Infrastructure has been entrusted to manage funds on behalf of 30 clients internationally. Key highlights for the year include:

- QIC successfully launching a new infrastructure fund. In a challenging capital raising market, QIC raised US\$470 million in third party capital commitments to the fund and in co-investment capital, to successfully close on the fund's first investment, Vector Metering.
- the high-quality platform assets in QGIF continue to provide attractive investment opportunities for QIC's co-investment group.⁷ Tilt Renewables and Pacific Energy in particular offer clients an opportunity to allocate capital into investments that play a significant role in the de-carbonisation of the economy.
- Infrastructure was rated positively by Peter Lee Associates (PLA) in its annual survey of investment management clients. PLA once again highlighted QIC Infrastructure as a market leader in our commitment to ESG. Statements from the Peter Lee Associates (PLA) 2022 Investment Management report (April, 2022) are based on discussions with over 185 Australian Institutional Asset Owners at 108 funds, for which QIC is a paid client.

⁴ "Board" means Board positions within QIC's control and measured at the fund level.

⁵ Board targets apply to QIC appointed or nominated Directors.

⁶ "Board" means Board positions within QIC's control and measured at the fund level.

⁷ QGIF is no longer open for investment.

INVESTMENT CAPABILITY HIGHLIGHTS

Key to QIC Infrastructure's thematic, sector-centric approach to investing is a wide range of research which underpins and informs our investment and asset management strategy. It is supported through several Australian and international university internship programmes we have established. This year, we released a number of papers that focussed on the impacts facing infrastructure from various new government policies, as well as broader changes in the macroeconomic environment. Specifically, the following papers were published during the financial year:

- Shaping the evolution of the Your Future, Your Super unlisted infrastructure sector performance benchmark
- Navigating the waters: Global supply chain update
- Thematics influencing infrastructure investment in Australia
- The implications of the new Australian Federal Government for infrastructure investment
- Airports in a post-COVID world
- The US Inflation Reduction Act
- Creating value through intelligent technology adoption, and
- The SOLID building blocks to resilient infrastructure investment.

6.2 Real Estate

Despite headwinds affecting the broader retail sector and a challenging economic environment, the QIC Real Estate team continued to provide investment outcomes for their clients via an active management approach.

As of 30 June 2023, QIC Real Estate's assets under management was circa \$16.4 billion, with each fund delivering competitive risk-adjusted returns for their investors.

A restructure and liquidity plan for a property fund was executed in February redeeming Minority Unitholders fully out of fund. This plan not only meant the formal liquidity window remained closed, but it also demonstrated ongoing investor support.

In May 2023, we were successful in raising debt for \$200 million in the medium-term note market, with a six-year tenor, at a credit margin of +180 basis

points (fixed interest coupon of 5.50%). The final order book was oversubscribed, with participation mainly across banks and asset managers, and with a geographical split of AUZ/NZ 85% and Asia 15%.

We acquired two new industrial assets off-market: CB Fisher Drive, Cavan South Australia and 2-10 Kewdale Road, Welshpool, Western Australia. In addition to this, the construction program at 405 Newman Road, Queensland, continues towards Practical Completion, with QIC delivering a ~22,000m² industrial development that is now over 50% pre-committed.

QIC Real Estate welcomed the Natural Capital team into the division on 1 July 2022, providing the platform with the governance and resource collaboration support it needs to grow. Established by QIC in partnership with the Queensland Government, QIC's Natural Capital platform promotes environmental outcomes of carbon sequestration, biodiversity conservation and reef water quality, alongside sustainable agricultural returns in Queensland.

In April, we successfully executed the divestment of the final remaining wholly owned shopping centre asset in the US. Whilst we still manage interests in five assets in joint venture with Brookfield, we are not responsible for their day-to-day management. As a result, the requirement for continued specialised on-the-ground support is no longer required, and we are in the process of winding up our US real estate presence through a managed transition period.

Significant progress has been made since QIC was appointed as precinct developer for the above-ground components of new Cross River Rail stations at Boggo Road, Woolloongabba, Roma Street and Albert Street in late 2021. A major milestone in our role as precinct developer was reached in March, with a submission of a Development Application to Economic Development Queensland for a premier mixed-use development at 101 Albert Street. The application proposes 40-storeys of next generation office accommodation alongside retail and dining concepts, and generous public spaces that can be used year-round. This project is the first Development Approval to be submitted within the Albert Street Cross River Rail Priority Development Area.

We continue to remain hyperfocused on building the resilience of our portfolio of retail assets through

INVESTMENT CAPABILITY HIGHLIGHTS

highly targeted leasing and remixing strategies, mini developments and our Town Centre Strategy. Our conviction in the belief that the shopping centre of the future will be a town centre – a place where communities can shop, eat and meet, as well as play, work, live and learn – is unwavering. By evolving our assets into true town centres, we believe we are creating captive customer bases, securing the asset's place within the fabric of its community, uplifting opportunities for our retail partners, and unlocking embedded value for our investors.

We have made significant strides to execute this long-held investment strategy through a considered and staged development pipeline. Over the past 12 months, QIC Real Estate has commenced, mobilised and delivered several development projects, including:

- at Canberra Centre, we unveiled Tiger Lane, a multi-venue dining precinct with a focus on the cuisines of Japan, China, South Korea and south-east Asia. Tiger Lane enables city office workers and shoppers to engage with diverse food and drink cultures in the way typically associated with Chinatown districts in Sydney and Melbourne.
- at Castle Towers we lodged a Development Application for its newest project, The Village – a future focused mixed-use lifestyle precinct that will transform the centre. Featuring three levels of retail space, a 200+ room lifestyle hotel, and a 12-storey A-grade commercial building, this project is a prime example of how we're bringing QIC's town centre vision to life.
- at Eastland, we completed construction of the A-grade commercial tower for the Victorian Department of Transport, and broke ground on an all-electric workplace at 5 Bond Street.
- at Robina Town Centre, we opened a four-storey office building at 198 Robina Town Centre Drive, heralding an exciting new chapter for the centre, and in our view, strengthening employment opportunities and workplace culture on the Gold Coast.

- at Watergardens, the apartment/hotel provider Quest opened its doors. The brand-new hotel right on Watergardens' doorstep offers 86 spacious serviced apartments over five levels, with guests able to enjoy the rich shopping and dining experiences on offer at Watergardens.
- at Westpoint, following the planned departure of Myer, we undertook a range of ambient upgrades across two levels of the centre and introduced an array of youth-focused brands and high-performing apparel and personal care retailers that aims to better serve the needs of the Blacktown community.

We continue to deliver on our ESG goals, and over the past 12 months have made progress towards achieving our long- and short-term objectives. In line with the ESG objectives, during 2022-23 we extended our commitment to net zero carbon emissions by 2028 to all five of QIC Real Estate's funds. QIC Real Estate funds have joined the list of signatories to the World Green Building Council's Net Zero Carbon Buildings Commitment. Work is underway to achieve our 2028 net zero carbon emissions target across all funds, with implementation of various energy efficiency initiatives and commencement of the rollout of tranche two of our rooftop solar project.

During the year, we also launched a Sustainable Design Brief, to support our ESG approach and objectives within our development and major capital upgrade projects. The Brief includes a third party ESG peer review process that seeks to better align projects with the requirements in the Brief, challenge status quo thinking, and encourage innovation. We have also recently finalised an Indigenous Design Framework that aims to create greater First Nations voice and agency, build sustainable and Country-centred design thinking, create employment opportunities, and better protect and be in right relationship with Country across our development projects. We plan to integrate this Framework into the Sustainable Design Brief in early 2023-24.

INVESTMENT CAPABILITY HIGHLIGHTS

QIC Real Estate launched our new Community Investment Program focused on the flagship theme of physical health and wellbeing with our community partners Nutrition Australia and YMCA. The co-designed program was delivered at sixteen of our Real Estate assets in 2022-23 through the implementation of a Wellness Hub. The program is based on the idea that by introducing consumers to healthy eating practices and exercise we might educate and change behaviours, potentially reducing the likelihood of community members developing longer-term chronic illness. A measurement framework for the program has been developed to identify measurable impacts.

We also continue to make progress against the deliverables in QIC's Innovate Reconciliation Action Plan, guided by the establishment and roll out of a Real Estate level Indigenous Delivery Plan to help ensure initiatives implemented at an asset level are focused on making a real and positive difference.

6.3 Private Equity

The QIC Private Equity (QPE) team saw an increase of our assets under management to approximately \$8.4 billion, a testament to the continued trust and support of our clients. Client portfolios comprise the core strategies of QPE from early-stage investments in venture capital backed companies at the leading edge of technological innovation to mid-size businesses operating across a range of industry sectors and reflecting QPE's international platform of North America, Europe and the Asia Pacific region. The business experienced strong support from existing and new clients with the award of new mandates from domestic and international institutions to complement the existing capital base.

In 2022-23, the private equity industry faced challenges amid an environment of inflation, stock market corrections, and interest rate hikes. Despite market volatility, our diversified portfolio, which is weighted towards healthcare, consumer staples and discretionary, software and technology, has helped mitigate those risks.

While technology valuations experienced downward pressure compared to previous highs as part of the broader market correction around the venture capital sector, this has been balanced by the performance of more mature businesses in the buyout portfolio, operating in industries with more defensive characteristics such as healthcare and consumer staples.

Consequently, our investment strategies have continued to meet or exceed client objectives and have delivered since inception returns of 17.3%⁸, as against the MSCI public market equivalent return of 10.0%. This performance reflects our commitment to generating value for our clients through superior stock selection, an unerring focus on active value creation through improving the strategic positioning and the operational performance of companies in the portfolio. Amongst a broadly diversified portfolio companies that stood out were:

- Hub International, a US-based leading insurance brokerage company that provides a variety of employee benefits, business, and personal insurance products. The business is a consolidation platform for smaller insurance practices through a combination of organic and acquisitive growth has now doubled its profit since our original investment
- Retina Consultants, a consolidator of Retinal surgery practices in the United States and is now the largest retina care provider in the country. Since our investment in 2021 the company has grown strongly through the attraction of other medical practices, building ancillary products and forming Medical & Business Leadership Boards to promote best practices. The business has now grown to a 200-doctor practice and has tripled revenue and profit during the time of our ownership
- Action is the leading European general merchandise discount retailer with operations in the Benelux, Germany, France and Italy. The company has a cost effective, simple and scalable business model driven by a large network of suppliers and supply chain optimisation. The business added 280 net new stores during 2022, expanded to new geographies such as Poland, and drove further growth and value in this category defining business.

⁸ As at 31 March 2023.

INVESTMENT CAPABILITY HIGHLIGHTS

We are pleased to report that our directly held asset, North Australian Pastoral Company (NAPCo), has continued to deliver strong performance in 2023. Through effective asset management, NAPCo achieved remarkable results through revenue generation, enhanced productivity, and capital development initiatives. Notably, NAPCo experienced a significant valuation uplift in 2022-23, driven by a combination of land appreciation and development value uplift. This valuation uplift is a testament to the success of our long-term strategic efforts and multiple years of activity. We anticipate further valuation increases with the inclusion of the remaining land uplift to be booked in June 2023.

As part of our commitment to the local Queensland investment ecosystem, we have undertaken several key initiatives. The Backing Queensland Business Investment Fund (BQBIF), with a total size of \$100 million, has seen over 60% of its capital deployed. Recent investments through BQBIF include FairSupply, OneModel, and Paypa Plane, contributing to the growth and development of innovative businesses. Additionally, our asset monitoring activities have intensified, with increased merger and acquisition activity over the past year. In September 2022, we announced the circa \$30 million Enterprise Acceleration Fund (EAF), enabling QPE to pursue compelling seed and series A opportunities. Since October 2022, we have screened over 260 opportunities, deploying approximately \$3.5 million.

Furthermore, we are proud to have been awarded a \$75 million Venture Capital Development Fund (VCDF) mandate, collaborating with Queensland Treasury to establish the necessary framework. We are leveraging the synergies between EAF, BQBIF, VCDF, and our primary program to maximise efficiencies and offer broader product opportunities. Moving forward, we will focus on strengthening relationships and capitalising on the existing synergies within these programs.

We are committed to incorporating Environmental, Social, and Governance (ESG) considerations into our investment practices and have undertaken several key initiatives. Together with the QIC ESG team, we have pledged our commitment to the Net Zero Asset Managers initiative (NZAM), highlighting our dedication to addressing climate-related risks and contributing to the transition to a low-carbon economy.

Data availability, resourcing, and protocols are key challenges we are actively addressing to determine the assets, funds, and portfolios that can be included in an agreed target. Recognising the evolving demands of ESG and the need for robust data capture, we continue to collaborate with the ESG team to identify system enhancements, such as the ESG Maturity exercise. Our representation on the Board of the Institutional Limited Partners Association (ILPA) enables us to exert influence and contribute to the development of industry standards, including ESG practices.

Our risk management practices have played a pivotal role in navigating challenging situations, such as the recent Silicon Valley Bank crisis. When faced with the crisis, QIC responded swiftly by forming an Incident Response Team (IRT) comprising members from QPE, Risk Management Group, Legal, Finance, Client Solutions and Capital, and Systematic Implementation. The IRT's proactive approach included reaching out to managers, conducting capital calls and distribution analysis, and taking necessary actions to mitigate risks. Additionally, proactive client communications were initiated and received very positive feedback from our clients, reinforcing our commitment to transparency and trust. In parallel, we conducted a broader contagion analysis to comprehensively assess potential impacts.

The QIC Private Equity team consists of 17 professionals in Brisbane, San Francisco, Copenhagen and London. In line with our commitment to diversity and inclusivity, we are proud to have successfully expanded our US office, with new hires contributing to skill and gender diversity, while fostering a strong cultural fit. Additionally, we have managed a significant increase in the Brisbane investment team, focusing on gender diversity with 50% of new hires being women and bringing in diverse skill sets and experiences from investment, entrepreneurial, and legal backgrounds. As our business and team continue to grow, we have placed a strong emphasis on evolving our operating model and aligning roles and responsibilities to evolving specialties and focus areas within the team. Using workflow management tools and maintaining a keen focus on effective project management we have sought to enhance collaboration and efficiency.

INVESTMENT CAPABILITY HIGHLIGHTS

Talent retention has been a priority, and we have provided career progression and development opportunities, resulting in internal promotions and mobility. Despite industry challenges, we have maintained key talent through an attractive culture, competitive remuneration, and the quality of our work experience and investment opportunities. We continue to provide valuable learning and growth opportunities through transaction volume, client interactions, and representation at industry forums. Our mentoring program reinforces knowledge-sharing and support within the team.

6.4 Liquid Markets Group

The Liquid Markets Group (LMG) manages active fixed income and cash funds (unitised and separately managed portfolios), alongside customised multi-asset solutions across currency management, defensive strategies, asset allocation implementation and asset rebalancing. During late 2022, LMG restructured its product offering and team structure to concentrate on its core competencies in Australian fixed income and create a more integrated and holistic offering across fixed income and multi-asset solutions. After seeking market and consultant feedback, a realignment of resources resulted in the closure of the QIC Absolute Return Bond Fund and the QIC Global Credit Income Fund. This has enabled LMG to deploy further resources into its core cash and fixed income portfolios.

Fixed income markets continued to experience heightened volatility through 2022-23. Inflation remained persistent, causing central banks to continue with their aggressive hiking cycle. Consequently, front end yields continued to move higher, with Australian 3-year bond yields rising 1.08% in 2022-23 (from 2.97% to 4.05%), resulting in a large curve flattening, with Australian 10-year bond yields only higher by 0.34%. We believe inflation has now peaked in most regions; however, services inflation remains sticky, and will take longer to normalise. Markets are questioning whether central banks can protect growth and recession forecasts are prevalent for many countries.

In line with our expectations, credit markets performed strongly in 2022-23, with global spreads tighter despite some notable bank failures and increased recession concerns. Australian credit spreads tightened 20 basis points during 2022-23, underpinning an improved return for the Bloomberg Australian Composite Bond Index of 1.26%, following the sharply negative 2021-22 financial year.

While credit fundamentals have begun to deteriorate slightly as revenue and EBITDA growth slow, they start from a strong position, allowing them to weather some deterioration without facing meaningful rating downgrade pressure. Credit market technicals remain positive too, with the absolute level of yields near 10-year highs, appealing to institutional and retail investors, and driving significant inflows into credit. Expected macro slowing may act as a headwind to spread performance over the coming year, but with credit carry remaining high, we anticipate modestly positive excess returns over the next 12 months in Australian credit.

The fixed income portfolio management team has continued to focus on portfolio performance in volatile markets and funds have generally performed well. In particular:

- cash/liquidity funds produced strong performances over 2022-23, with all funds exceeding their outperformance targets over 1-year and 3-year performance timeframes
- the Australian Fixed Interest offering also outperformed its benchmark in a competitive market environment
- the Short Term Income offering produced positive absolute and active returns, however performance was impacted by the international banking sector volatility experienced in March 2023. The Short Term Income offering remains the top performing fund amongst its peer group over 3-years
- other separately managed portfolio mandates have broadly performed strongly, with several experiencing significant active performance over 1-year and 3-years.

INVESTMENT CAPABILITY HIGHLIGHTS

The Multi-Asset Solutions team successfully implemented and supported our clients' objectives through periods of heightened market volatility in 2022-23, developing innovative investment solutions and collaborating on implementation and rebalancing strategies.

In currency markets, exchange rates responded to a mix of market conditions, with investors at some points seeking out the defensive characteristics of the US Dollar (USD) (as the global reserve currency) and, at other more sanguine periods, pursuing a form of 'carry' strategy, investing in higher yielding currencies (such as the Mexican Peso and Brazilian Real) and funding in currencies with a low yield (notably Japanese Yen). Notably, an overweight to foreign currencies (and the USD in particular) provided a cushion for Australian investors during the risk asset downturn in Q3 2022, reinforcing the pro-cyclical nature for the AU Dollar that super funds rely on to enhance diversification.

The uncertain market conditions presented opportunities for clients to add further protection to their portfolios during the year, and the team was able to expand its broad suite of over the counter and exchange-traded liquid market derivative solutions, ensuring a flexible approach to rebalancing in liquid markets, preserving portfolio liquidity and facilitating tail protection strategies.

Market timing was particularly important this year, with the team providing up-to-date analysis to assist our clients' investment decision-making. Total exposures managed by the team reflect growth from government mandates and a number of new non-government clients.

The growth in exposures was notable within the following areas:

- currency overlay exposures, as the team continued to focus on implementation techniques that support primary investor objectives
- options-based hedging, as global economic and market uncertainty led to an increase in client activity
- multi-asset exposure management, leveraging liquid global derivative markets to adjust whole-of-fund asset allocations.

In addition, LMG has continued to invest in technology to enhance in-house systems and more effectively manage clients' varied management requirements.

Throughout the year, LMG's 24-hour 5-day multi-asset trading desk, based in Brisbane, continued to support the delivery of more value-add, cost efficient results for our clients. Increased engagement by our traders with clients provided opportunities to assist with their investment decisions. The team transacts across all time zones in an expanding list of physical instruments and derivatives (exchange-traded and over the counter) across 25 jurisdictions, encompassing 20 instrument types and 131 individual markets in sovereign, credit and inflation bonds, global equity, foreign exchange and commodities.

During 2023, LMG continued to enhance its capabilities to meet growing investor focus on portfolio-level ESG information. Increased activity related to sustainability screening, thematic analysis and reporting capabilities were undertaken during the year, including sustainable investing insights, scenario modelling and customised ESG analysis for our clients.

ESG considerations are continuously integrated within the LMG investment process. This allowed us to provide our investors with information on topics such as:

- Portfolio decarbonisation pathways for bond portfolios
- Evaluation of geopolitical risks and human rights
- ESG opportunities for cash mandates.

LMG continues to develop innovative solutions to assist our clients with their sustainability goals and objectives. At a time of increased regulatory scrutiny of ESG investing and heightened sensitivity to ESG risks and opportunities, LMG's long-term investment in our sustainability capability through data enhancement, participation in national and global sustainability committees, and our dedicated team resources, mean we can help our clients understand portfolio factors, and emerging sustainability themes.

6.5 State Investments

QIC's State Investments team continue to provide multi-asset class investment solutions tailored to meet clients' investment objectives.

State Investments also provide thought leadership across a wide-range of topics, including financial markets, economic themes, asset-class investing, portfolio construction and risk management.

The 2022-23 financial year has proven to be a challenging year for investors. Concerns around inflation have dominated headlines as realised inflation has been stickier than original expectations. This has seen several major central banks continuing to raise official interest rates in order to turn the tide on inflation and maintain the confidence of the markets in their ability to do so. The markets have also weathered volatility from several events largely created by the rate rises, including the demise of several large US regional banks, and the takeover of Credit Suisse. These events, along with the Liability-Driven Investment (LDI) crisis in the UK, created material volatility in bond markets. Largely however equity markets have remained more sanguine with positive returns over the year, albeit with the returns led by the tech sector, and in particular the largest six stocks exposed to the Artificial Intelligence (AI) thematics.

The high level of CPI continues to remain a challenge to real performance over shorter-term horizons. With the continued rise in both nominal and real interest rates, both fixed interest and equity markets have remained resilient, generating positive returns over the financial year. Over this period, the QIC Long Term Diversified offering returned 9.51% (gross of management fees but after expenses). This was primarily driven by the International and Australian equities, Currency and Global Private Equity exposures with Global Real Estate being the only detractor for the period. Over the longer term, returns have remained strong and in excess of benchmarks with the offering delivering a return of 5.07% p.a. over a rolling 5-year period. The offering was created to provide clients access to a broad range of asset classes, while still providing daily liquidity, balanced together to generate expected returns in excess of the cash rate over the long-term.

State Investments remains highly focussed on ESG considerations, guided by QIC's Sustainable

Investment Policy and ESG framework. The team reviews and assesses the integration of ESG into our investment processes and monitor this regularly. Over the year we undertook a process to benchmark the emissions profile within our funds and look for ways to further mitigate climate change risk across asset classes. State Investments 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. State Investments, in conjunction with the QIC ESG team, monitors upcoming votes relating to ESG and retains the ability to override an external manager's voting intentions as appropriate.

6.6 Private Debt

Since QIC's Private Debt capability was launched in 2021, this group has amassed approximately US\$850 million assets under management and committed capital, with investment professionals in Australia, the US and the UK. Comprising offerings across Infrastructure Private Debt and Multi-Sector Private Debt, QIC works with clients to target compelling opportunities in this asset class with the aim of delivering a steady, high yielding income stream and capital stability. Throughout the past year the Private Debt team's international footprint has been strengthened by notable appointments. QIC appointed Simon La Greca as Global Head of Private Debt following former Head of Private Debt Andrew Jones' decision to transition to a new role of Deputy Chair of QIC's Private Debt Investment Committees and strategic advisor. Simon joins QIC late-2023, following his previous role at Ares Management where he was Partner and Head of Infrastructure Debt Asia.

9 Past performance is not a reliable indicator of future performance. Fund returns are after expenses but before QIC management fees and taxes. Inception date was 5 March 2002.

INVESTMENT CAPABILITY HIGHLIGHTS

The Infrastructure Private Debt team has been partnering with leading sponsors and asset owners to directly originate, arrange and structure private loans secured by core infrastructure cash flows. It is the flexible capital and agile, collaborative global team that have been pivotal to completing four significant investments to date across renewables, logistics, and alternative fuel projects, working with companies spanning the US and Europe.

These four investments were funded by the US\$200 million first infrastructure offering, which was seeded by five Queensland Government clients. The team has since launched their second fund and are in the process of securing commitments. Looking ahead, the team are pursuing opportunities in digitalisation, energy security, energy transition, alternative fuelling infrastructure, and specialised logistics sectors.

QIC's Multi-Sector Private Debt team have been providing institutional investors with a differentiated offering, which includes a combination of broad and deep origination networks, institutional-grade investment governance and extensive credit, ESG and structuring experience. They offer a diversified exposure to high quality Australian and New Zealand Private Debt securities by constructing a dynamic selection of opportunities across corporate direct and leveraged loans, asset-backed securities, and real estate debt.

QIC's Multi-Sector Private Debt team was awarded a three-year \$500 million plus mandate from State Investments, which manages the long-term financial interests for the state of Queensland. The Multi-Sector Private Debt team have mobilised this funding to arrange significant loan investments in the past year in the diagnostic imaging, education, and family entertainment sectors.

7. Environment, Social and Governance (ESG)

This year, regulatory, industry and scientific developments continued to drive momentum in ESG, with significant advancements with respect to transparency with the release of the first two International Sustainability Standards Board (ISSB) sustainability standards. Industry has long sought consistent standards for sustainability disclosures, and QIC welcomes these developments.

There has also been a continued focus from regulators on the accuracy of public information evidenced by a rise in anti-greenwashing regulations and action taken under existing legislation. The finalisation of a global framework for biodiversity sees formal targets agreed to preserve and restore nature bringing new opportunities for the sector. The release of the Intergovernmental Panel on Climate Change's (IPCC) latest assessment report reinforces the need to continue to advance our consideration of climate and broader ESG impacts in investment decision-making.

Beyond these developments, 2022-23 saw ESG factors continue to shape the operating environment for investors, from climate change and biodiversity loss to increased regulatory attention on modern slavery and human rights abuses.

Annual progress

QIC factors global systemic risks into the formation of our business wide ESG strategy. In 2022-23, QIC was focused on accelerating the delivery of this strategy, with core goals including climate action strategy, data management and ESG reporting, and building capacity and investing in resources.

Annual progress against these goals include:

- **Climate Action Strategy:** In June 2023, the QIC Board agreed for QIC to develop a net zero pathway. In support of this work, QIC became a signatory to the Net Zero Asset Managers (NZAM) Initiative on 30 June 2023 and has 12 months in which to define the scope of its interim targets under NZAM. This builds on QIC's decarbonisation efforts to date, with seven funds across the Real Estate and Infrastructure capabilities already having net zero emissions targets
- **Data management and ESG reporting:** QIC is implementing a significant data strategy designed to facilitate greater analysis and depth of understanding across a broader range of ESG issues to further enhance decision-making. Phase one has seen the mapping of these requirements and the formation of a delivery team, including third-party expertise where needed
- **Building capacity and investing in resources:** In 2022, Rowan Griffin was appointed Executive Director, ESG – the first time ESG has been represented at the Executive level of QIC. During the year the capacity of the central ESG team has been further enhanced to create a highly experienced, multidisciplinary team of ESG professionals to support enhanced decision-making across the business. Much of this work is detailed in the individual investment team updates.

ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

In addition to its work under these strategic goals, the team has further enhanced our response to Modern Slavery risk, including an update of the mandatory eLearning module on Modern Slavery risk and an educational webinar for staff. We again assessed QIC's suppliers and investment holdings for potential risk exposure. Further, we engaged with suppliers and portfolio companies identified as 'higher risk' and published a toolkit to support procurement processes.

Integrating ESG into investment decisions

QIC aims to appropriately identify, consider and manage ESG risks and opportunities as part of the investment approaches of each investment team. As an investor in real estate, infrastructure, fixed income, private debt, natural capital and private equity, we understand that ESG issues vary in materiality across asset classes, sectors and industries, and we target our approach to what is suitable for the investment. While differing asset classes, time horizons, level of operational control and risk profiles mean that the details of each approach will differ, there are a number of consistent features. QIC does not invest in the production or manufacture of tobacco and related products, this year this exclusion was also expanded to include e-cigarettes. Nor do we have exposure to controversial weapons.

For internally managed investments, ESG due diligence is undertaken prior to investment and ESG risk profiles continue to be monitored throughout the life of the investment. Consideration is also given to potential reputational risks from ESG and other issues, both to the investment and to QIC. Where there are potential concerns, these are raised with the company we are investing in to seek additional information on how these risks are being mitigated before proceeding and may result in specific requirements being made of the company.

In instances where QIC uses external managers, consideration is given both to the ESG performance of the manager and the quality of its own ESG assessments. Performance is monitored via an annual questionnaire to managers and regular meetings are held with managers over the course of the year.

All investments must fall within the Board's approved risk appetite for ESG in order to proceed.

For a number of teams, including Natural Capital and Infrastructure, ESG developments are driving investment opportunities. Here research is undertaken into specific ESG themes to better identify and assess opportunities.

8. Diversity, equity & inclusion

At QIC, we know that our people perform at their best when they feel valued, happy, healthy and encouraged to bring their authentic selves to work every day. At QIC, we continue to make strong progress on our diversity, equity and inclusion strategy that supports our five strategic pillars of gender equality, LGBTQ+, accessibility, cultural and linguistic diversity (CALD) and First Nations people.

Highlights from the past year include:

- the commencement of our strategic relationship with the Australian Business and Community Network (ABCN), a not-for-profit organisation that connects business with low socio-economic status schools through mentoring and partnership programs. QIC has completed four programs with state schools in South East Queensland, in addition to six team members taking part in the three year Accelerate program, which involves mentoring students from year eleven, through to their first year of tertiary studies
- completion of the Respect@QIC project, and the launch of a new Sexual Harassment standard with supporting training for all team members focused on sexual harassment and other forms of unwanted behaviours in our workplace
- launched our Domestic & Family Violence (DFV) Purple Ribbon Advocates program, and the Recognise, Respond & Refer e-learning module to create awareness of the 16 Days of Activism United Nations campaign
- the continued delivery of QIC's 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.

Throughout the reporting period, QIC's employee-led resource groups delivered engagement and awareness campaigns that were well received by our people. These campaigns ranged from the creation of new policies to support inclusion, fundraisers for community organisations and online engagement campaigns. Some notable achievements of our employee-led networks are listed below.

8.1 Balance Network

QIC's Balance Network champions and promotes gender equality and work life balance across QIC. In the reporting year, the network introduced Pixii Period Products in domestic QIC Corporate Offices. Pixii are an Australian supplier who provides plastic-free period products and donates 50% of profits to a not-for-profit organisation that supports global girls' education around the world.

In recognition of International Women's Day, the Network organised a global donation drive for Dress for Success Worldwide. Dress for Success empower women to achieve economic independence by providing a network of support, professional attire, and development tools to help women thrive in work and life.

To support male team members, the Balance Network organised the second International Men's Day celebration alongside a coordinated Movember fundraiser. The QIC Movember teams raised over \$10,000 for Men's Mental Health.

The Balance Network look forward to launching the QIC Parental Leave Connection Program which will connect colleagues taking parental leave with colleagues who have returned to work from parental leave. This initiative is aligned to QIC's diversity, equity and inclusion strategy and Family Friendly Workplace certification.

8.2 QPride

Over the past year, QIC has remained steadfast in its commitment to fostering an inclusive workplace and community that values and supports the LGBTQ+ community. Led by the QPride committee, we have taken strategic measures to educate our employees and create opportunities for LGBTQ+ inclusion within our organisation.

To further develop an understanding of LGBTQ+ allyship, QPride established the QPride Allies network. Launched in October 2022, this network comprises passionate individuals who are committed to advocating for LGBTQ+ inclusion within QIC and beyond. The QPride Allies network plays a crucial role in fostering allyship, raising awareness, and creating a more inclusive workplace for all employees.

QIC proudly launched our Gender Affirmation Guidance Note in November 2022, which provides comprehensive support and guidance to employees who are undergoing or considering gender affirmation. This change in internal policy reflects our dedication to fostering an inclusive environment where all individuals feel respected and supported in their personal journeys.

These two new initiatives, further exemplify our ongoing efforts to promote diversity, equity, and LGBTQ+ inclusion at QIC. We believe that by continuously implementing and expanding these initiatives, we are fostering a workplace culture that celebrates and embraces the unique perspectives and experiences of our diverse workforce.

8.3 Young Professionals Network

QIC has 374 young professionals across our offices globally. Approximately 40.2% of QIC's team members identify as young professionals and this network aims to facilitate their career growth by providing initiatives to deliver network building, professional development, and community building.

The Young Professionals (YP) Network continued its engagement with QIC's Future IM/Pact partnership, which is an Australian industry initiative with the vision of attracting more diverse talent into front-office investment teams.

The YP Network delivered a number of initiatives throughout the year such as:

- YP survey to find out what matters to young professionals at QIC and to assist with shaping future programs and initiatives
- professional development workshop
- coffee roulette and networking evenings
- YP mentoring program matching senior leaders with young professionals
- lunch and learn panel discussions around topics of interest for young professionals
- the inaugural YP Carnival, bringing YPs together for an afternoon of touch footy and community building.

8.4 QLife

Over the past three years, the QLife committee has evolved to partner with the People & Culture team to champion QIC's international health and wellbeing offering. In the reporting period, QLife refocused efforts on five key pillars: Emotional and Mental Support, Financial Wellbeing, Physical Movement, Social Connectivity and Connectivity with Self. These key areas were supported by initiatives including fitness challenges, recognition of Men's and Women's health weeks, and raising much needed funds for charitable causes.

Memorable initiatives include:

- during Men's Health Week 2023, QLife curated a video interviewing prominent men from QIC on how to form healthy habits, the theme for 2023. The episode had great engagement with 260 views
- the Health and Wellbeing Challenge in April and May saw 40 participants take part in an online health and wellbeing challenge which focused around five key lifestyle factors; Nutrition, Exercise, Sleep, Hydration and Mindfulness
- in September, team members took part in the Cerebral Palsy Alliance STEPtember campaign, which aims to raise much needed funds and understanding around Cerebral Palsy. Team members raised over \$8,300 and collectively took over 11,899,768 steps for the cause.

QLife and the promotion of its health and wellbeing programs will continue to evolve over the coming 12 months with an exciting program of events lined up for 2023-24.

8.5 Q-Ability

On Global Accessibility Awareness Day (18 May 2023), QIC launched Q-Ability, our newest employee-led Disability Employee Network (DEN). Q-Ability's mission is to create a disability confident workforce, and a space that is accessible for all. At the company-wide webinar launch, the network discussed:

- digital accessibility
- the concept of disability confidence
- the purpose and benefits of a DEN
- case studies on successful DENs
- information on how to become involved with Q-Ability and the achievement of its objectives.

Q-Ability is supported by 15 members and two Executive Sponsors and is forward planning collaborations with Job Access and the Australian Network on Disability to implement various initiatives. These initiatives will focus on workplace adjustments, and the development and promotion of a framework and principles for creating an inclusive environment for individuals with disabilities (and those caring for individuals with disabilities).

8.6 QIC's Reconciliation Action Plan

QIC's Innovate Reconciliation Action Plan (RAP) is our guiding strategy that will help us achieve our vision for an Australia that embraces equal, fair and just opportunities for Aboriginal and Torres Strait Islander peoples.

During 2022-23, QIC has continued our commitment towards reconciliation, with 98% of our actions outlined in our Innovate RAP 'completed' or 'on track'.

Significant highlights include:

- QIC appointed as one of two investment managers to two outstanding Aboriginal organisations. We visited their community on several occasions to provide quarterly investment updates and investor education
- awarded two QIC Indigenous Tertiary Scholarships in partnership with the Queensland University of Technology and Griffith University
- registered and approved to upgrade to a Stretch RAP which we will develop and launch during 2023-24
- expanded our Indigenous Partnerships team to include our second full-time staff member to embed Indigenous initiatives across QIC. Hired QIC's first-ever Indigenous school-based trainee through our partnership with Australian Training Works. Continued our support for the CareerTrackers program to employ interns from the program
- successfully delivered on the QIC Real Estate Indigenous Delivery Plan to ensure that our Real Estate business is committed to Indigenous initiatives in the most appropriate manner
- embedded the Indigenous Partnership Framework for QIC's Natural Capital capability
- Indigenous procurement spend was 306% of our target for 2022-23 with over 30 unique Indigenous suppliers used across QIC. Hosted four Black Coffee Events in partnership with the QLD Government to attract new Indigenous businesses into QIC's supply chain. Deepened our commitment to Indigenous procurement activity by attending both the Supply Nation Connect Conference and the QLD Indigenous Business & Expo Forum
- donated end-of-life devices (laptops, desktops, monitors) to Indigenous organisations to support their learning and business activities
- developed and launched the Indigenous Design Principles which are now embedded into all new major works projects for QIC

DIVERSITY, EQUITY & INCLUSION

- continued celebration of days of significance, with our Indigenous Literacy Day Great Book Swap, along with widespread participation in National Reconciliation Week and NAIDOC week by our employees
- developed and launched QIC's Indigenous employment, retention and professional development strategy. Hosted an all-staff education session for the Voice to Parliament referendum
- major sponsor for the National Indigenous Fashion Awards through our Canberra Centre asset. Sponsored the Brisbane Yalari Graduation Dinner by purchasing a corporate table with 10 of our staff attending the event. Sponsored the Deadly Choices Together-In-Touch Tournament by entering a QIC team into the event and also attending the gala dinner
- awarded the QIC Reconciliation Award to several employees for their outstanding contributions to reconciliation
- actively participated in the Committee for Brisbane's First Nations Working Group.

We are proud of our achievements since the launch of our Innovate RAP and will continue our progress across all areas of our Indigenous strategy, including an increased focus on continuing to create opportunities for QIC to work with Indigenous organisations and create intergenerational wealth for communities through investment management, strategy and governance.

9. Community engagement

QIC works closely in engaging with the communities our investment assets are a part of, building meaningful community partnerships that make a real difference. We are a founding sponsor of the Queensland Community Foundation (QCF), a leading Australian state and national charitable organisation responsible for building a permanent trust fund to generate a continuous income stream for a wide range of Queensland charities. For more details about the QCF, visit their website at www.qcf.org.au.

This year, QIC continued to build the QIC Charitable Foundation, a perpetual fund that will grow over time and build upon our culture of workplace giving. In the second year of operation, our employees donated over \$10,000 to the Foundation, with donations made to Friends with Dignity, and our new charity partner, The Carers Foundation.

QIC's Community Day provision enables our people to donate their time to assist a charity or cause they are passionate about. During 2022-23, over 80 employees utilised this opportunity and through over 550 hours, they supported causes related to medical and health research, food insecurity and domestic and family violence.

In addition to our Community Day hours, as part of QIC's partnership with the Australian Business and Community Network (ABCN), we have also seen over 80 team members provide over 180 hours of mentoring for students at low socio-economic schools in South East Queensland.

Many QIC employees also actively donate their time and effort to support community and charitable organisations through pro bono work and advice.

10. Corporate governance

QIC's active Board, committees and tailored policies and standards provide the perspective and structure for efficiency and integrity in corporate governance. The roles, processes, and practices in place at QIC help us to respond to a dynamic and changing operating environment and ensure that our shareholder, 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.

10.1 Corporate governance during 2022-23

QIC's client base, evolving investment capabilities and challenges brought on by market volatility have seen the Board continue to strengthen QIC's 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 strategies and approach
- enhancing the investment governance framework and ensuring that our strategy is interwoven with the Board's risk appetite

- 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 as we adapt a hybrid office/working-from-home environment.

10.2 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. However, several QIC subsidiaries have been issued with AFS licences.

Two wholly owned subsidiaries of QIC Limited are registered as investment advisers with the US Securities and Exchange Commission, while another QIC subsidiary is authorised with the UK Financial Conduct Authority. One subsidiary is also authorised to provide cross-border discretionary investment management and investment advisory services by the Korean Financial Supervisory Service.

In 2022-23, QIC received notification from shareholding Ministers that the Ethical Supplier Mandate would apply to QIC from 31 March 2023. This Mandate ensures that businesses supplying to government uphold their social, economic and environmental commitments as made in tenders and contracts or required by policies or laws.

10.3 Our shareholders

As a Queensland GOC, QIC's shareholding Ministers are the Honourable Annastacia Palaszczuk MP, Premier and Minister for the Olympics and Paralympic Games and the Honourable Cameron Dick, Treasurer and Minister for Trade and Investment. QIC reports to the shareholding Ministers and regularly liaises with Queensland Treasury and the Department of Premier of Cabinet 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 Statement of Corporate Intent (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.

10.4 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).

10.5 Board independence

The Board is comprised of nine independent Non-Executive Directors (NEDs). 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:

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

10.6 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, as well as written delegations to management and investment committees, outline the key governance principles adopted by the Board, including:

- role and responsibilities of the Board
- delegation of certain responsibilities to management and investment committees
- 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 generally made up of either Executive Directors or a combination of executive and independent NEDs.¹⁰

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 that they must adhere to.

¹⁰ There are some exceptions to these arrangements, including that the Board of QIC Private Capital Pty Ltd is comprised of only NEDs. Also, QIC Limited Director Jane Pery was the sole director of QIC Investments No.1 Pty Ltd until November 2021.

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 other senior executives on a regular basis.

10.7 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.

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

10.8 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.

10.9 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.

CORPORATE GOVERNANCE

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 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.

10.9.1 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
- 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 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.

10.9.2 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.

10.9.3 Human Resources and Remuneration Committee

The Human Resources and 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 Human Resources and Remuneration Committee Charters are located on QIC's website.

- approving the appointment of independent valuers.
- Financial Reporting Committee (FRC), which is chaired by Executive Director – Finance. The FRC is an advisory committee with the remit to:
 - provide assurance to the Audit Committee and appropriate Boards, as required, regarding effective governance practices in relation to financial reporting
 - undertake reviews of financial statements for all QIC entities, except those subject to confidentiality obligations which are subject to Audit Committee review only.

10.10 Other committees

During 2022-23, the CEO oversaw the implementation of the Executive Management Team (EMT), which comprises QIC's key management personnel. The role of EMT is to assist the CEO in fulfilling their management responsibilities and is the key management decision-making body and accountable for the overall performance of QIC.

In addition, the CEO leads an Executive Committee (ExCo), which comprises of EMT plus the heads of QIC's investment teams and various key corporate functions. The role of ExCo is to assist in the development of corporate strategy and assist with corporate prioritisation.

EMT 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 EMT. During 2022-23 the following management committees were in operation:

- Valuations Oversight Committee (VOC), which is chaired by the Chief Risk Officer. The VOC is a decision-making committee responsible for:
 - overseeing the investment valuations framework and processes
 - adopting independent valuations for inclusion in the relevant unit price

10.10.1 Risk management

The QIC Board places considerable importance on effective risk management and has adopted a framework designed to proactively identify, assess and manage risks.

The QIC Board has ultimate accountability for risks and is responsible for setting QIC's corporate strategy and risk appetite, identifying and monitoring risks that may affect our ability to achieve strategic objectives and ensuring that the CEO and the senior executives are appropriately monitored and incentivised to manage the business effectively. The QIC Board has put in place Board committees, each of which is responsible for overseeing specific risks facing QIC.

There is a clear focus on maintaining a strong control environment. QIC has a corporate structure with clearly drawn lines of accountability and delegations of authority. Adherence to QIC's policies and standards, including the Code of Conduct and Ethics, is required at all times, and the Board actively promotes a culture of risk awareness, quality and integrity. QIC staff are required to observe a high level of professional conduct when undertaking their business activities and respecting our Standards of Excellence.

10.11 Risk management framework

QIC applies a ‘three lines of accountability’ approach to managing risks and compliance obligations. This includes QIC’s relevant Board committees, executive, investment teams, the Risk Management Group and internal/external audit functions.

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 and Remuneration Committee	Executive Management Team (EMT)	
	Investment Committees			Executive Committee	
	Infrastructure	Private Capital		EMT Committee	
	Real Estate	Liquid Markets Group		EMT Committee	
	Natural Capital	Private Debt Infrastructure		Valuation Oversight Committee	Financial Reporting Committee
	State Investments	Private Debt Multi-Sector			
1st LINE OF ACCOUNTABILITY <i>Manage</i>	QIC Executives, Management and Employees (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 (external service provider) External Audit (Queensland Audit Office, external service provider)				

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 report breaches and incidents to the Risk Management Group (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 that measure risk and compliance which are linked to their remuneration.

Second line of accountability: The RMG, led by the Chief Risk Officer who reports directly to the Chief Executive Officer, deliver confidence in corporate and investment decisions, and portfolio outcomes by providing effective, high-quality risk management and assurance. It provides investment teams and supporting business units with tools, training and advice to assist them to effectively manage their risks. It monitors and challenges the business where appropriate to provide the Chief Executive Officer and the Board with assurance that risks are being managed effectively and in accordance with QIC policies and standards and client commitments.

The RMG and Regulatory Affairs and Compliance (RAC) team also produce regular risk and compliance reports for the Executive Committee, the sub-committees of the Board and the Boards of QIC Limited and key operating subsidiaries. RMG and RAC are reviewed on a regular basis by both internal and external audit.

Third line of accountability: The QIC Internal Audit Function provides objective review, testing and advisory services which are independent of management and add value to improve the operations of QIC Limited (“QIC”). The Chief Risk Officer is ultimately accountable for the quality of the Internal Audit function, however, responsibility for planning and delivery of the Internal Audit Plan has been outsourced to an external service provider. The services of Internal Audit provide QIC with a dedicated function which brings a systematic, disciplined approach to evaluating the adequacy and improving the effectiveness of internal controls, risk management processes and governance systems. The scope of Internal Audit activities is based on the approved Internal Audit Plan and encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation’s governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation’s stated goals and objectives. The Board Risk Committee oversees and approves the annual internal audit program on behalf of the Board, receive communications on the outcomes of internal audit and the Internal Audit Function’s performance relative to its plan and other matters and reviews the appropriateness of management’s responses to recommendations as provided in reports delivered under the Internal Audit Plan.

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*. An external service provider has also been appointed as the external auditor for a number of our investment trusts in accordance with the respective Trust Deeds or on a by-arrangement basis.

10.12 Alignment of performance with remuneration

QIC relies on the alignment of its team to a shared purpose and goals and maximising performance outcomes through the efforts of its people. Managing the contribution and performance of our team and measuring outcomes at the organisation, business unit, team and individual level 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.

10.13 Remuneration policies and practices

The objective of QIC’s Remuneration Policy & Practices is to provide the QIC Board, Human Resources and Remuneration Committee (HRRC), QIC leadership and employees with a framework which guides remuneration decisions, drives engagement and outcomes that:

- align with, and support, enterprise and divisional strategies
- are aligned with QIC values and strive to enhance client long-term investment performance
- are managed and applied using a consistent methodology
- reflect the QIC Board’s remuneration philosophy and the key remuneration principles.

10.14 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 corporate and individual goals 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 defined 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.

10.15 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 Statement of Corporate Intent (SCI) development process. This plan outlines people priorities and areas of emphasis for the coming year.

10.16 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.

10.17 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 having taken place in 2022-23. 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
- induction and continuing education to deepen performance and business knowledge.

It also incorporates:

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

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

10.18 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.

10.19 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.

10.20 Conflicts of interest

QIC's 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.

10.21 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 shareholder 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
- our commitment to a high-performing culture that is underpinned by strong leadership and inclusive behaviours at all levels.

The Code is supported by our policy framework, which includes formal, Board-approved policies on key areas including the Fraud, Bribery and Corruption Risk Policy, Public Interest Disclosure Standard, 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 is required to comply with the whistleblower protection requirements under the *Public Interest Disclosure Act 2010* (Qld) (PID Act) and the *Corporations Act 2001* (Cth). QIC's Public Interest Disclosure Standard and Whistleblower Policy are available on the QIC website. They encourage the reporting of Public Interest Disclosure matters under the PID Act and Whistleblower provisions contained within the *Corporations Act 2001* (Cth) about QIC's operations or activities. Public Interest and Whistleblower disclosures are properly dealt with and assessed, and where appropriate, they are investigated and managed. Protection is provided to disclosers from reprisal and/or victimisation.

10.22 QIC's working environment

QIC is committed to developing a progressive, high performing, engaging and caring culture that evidences fairness, respect for diversity, equity, inclusion and recognition of individual talents. This underpins our ability to attract and retain talented and committed professionals.

As reported in this document, QIC has a focus on inclusion and 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 Work Health and Safety (WHS) and Wellbeing Policy establishes our framework for managing our obligations to provide a safe and healthy working environment for all.

10.22.1 Work Health and Safety (WHS)

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.

QIC has upheld a continued focus on the provision of systems, processes and programs which allow for appropriate management of WHS risks and reported incidents together with a proactive approach to supporting the health and wellbeing of employees.

The WHS and Wellbeing Management Committee provided governance and oversight to the management of key risks and initiatives across QIC over the financial year. Representation in the committee includes members of the QIC executive team, senior management from various business units and WHS professionals.

A review and refresh of QIC's WHS Management System standards and framework has commenced as part of our commitment to continuous improvement and ensuring it remains fit for purpose with our operations and investment risk profile.

QIC further embedded, through increased utilisation and system enhancements, a cloud-based software platform for recording, reporting and investigating workplace incidents. The uplift in WHS data collection and reporting has demonstrated our enhanced ability to identify incident trends across our operations and implement initiatives to mitigate WHS risk. Significant system enhancements included the implementation of centralised Hazard Reporting and Risk Register interfaces to proactively manage exposures and effectively control WHS related risks.

QIC participated in National Safe Work Month in October, with the theme 'Know safety, work safely – Safe and healthy work for all'. A number of activities occurred throughout the month including a roadshow across operational shopping centres and virtual lunch and learn sessions with the key focus being on proactively identifying and managing hazards in the workplace.

QIC had 13 notifiable events to a WHS regulator in 2022-23 with the majority of these events involving members of the public across our shopping centre operations. As with all incidents in our business we investigate the cause of the incident and implement controls to prevent recurrence. QIC continues to strengthen its WHS control framework through the implementation and assurance of a WHS management system aligned to AS/NZS ISO 45001¹¹ during the financial year. In the last 12 months, 22 WHS audits were completed across the business to measure the effectiveness of our WHS control framework against top risks.

Regular updates on WHS performance are provided to the QIC Risk Committee and senior management.

10.23 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.

10.24 Corporate governance in the sharemarket

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

10.25 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
- the costs and expenses of defending legal proceedings arising out of conduct as described above.

¹¹ Occupational health and safety management systems – requirements with guidance for use

11. Directors' profiles

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

Chair appointed 1 May 2019

Current term to 30 September 2026

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

Other appointments: Nil

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

QIC Committees: Member of the HR & Remuneration 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 2025

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

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

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

Gillian Brown LLB (Hons), Grad Dip
Applied Finance and Investment,
SIA - Director

Director appointed 15 December 2016

Current term to 30 September 2023

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

Other appointments: Director, BRIC Housing; Director, Electricity Retained Interest Corporation – Ausgrid (ERIC-A); Director, Ausgrid Operator Partnership; Director, High Speed Rail Authority.

Previous appointments: Director, One Rail Australia Holdings Ltd (and subsidiaries); Consultant, Minter Ellison; Partner, Minter Ellison; Head, Queensland Finance Team, Minter Ellison; Director, Australian Rail Track Corporation; Director, Queensland Treasury Corporation Capital Markets Board.

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

DIRECTORS' PROFILES

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

Director appointed 1 October 2016
Current term to 30 September 2023

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

Other appointments: Managing Director, Montrose Advisory Pty Limited; Director, CBIC Investment Pty Ltd; Director, CBIC Allara Pty Ltd; Chair of City of Brisbane Investment Corporation; Chair of Archdiocese of Brisbane's Ministries and Services Council; Member of Archdiocese of Brisbane's Finance Council.

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

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

Paul Gallagher BCom, FCA, GAICD – Director

Director appointed 11 December 2014

Current term to 30 September 2023

Director of: QIC Limited, QIC Private Capital Pty Ltd

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

Previous appointments: Director, BDO Australia Limited; Partner, Audit and Assurance Services Division, BDO; BDO Group Holdings (QLD) Ltd; Brisbane City Council - Field Services Division.

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

Brett Himbury MBA (Exec), AGSM – Director

Director appointed 9 December 2021
Current term to 31 May 2024

Director of: QIC Limited; QIC Private Capital Pty Ltd

Other appointments: Chair, Stafford Capital; Director, Bluestone Mortgages; Director, Angle Finance; Member, European Australian Business Council; Senior Advisor, Childhood Dementia Initiative; Senior Advisor, Cerberus Capital Management.

Previous appointments: Co-Chair, American Australian Business Council; CEO, IFM Investors, Director, Pacific Hydro; Director, IFM Investors (US) LLC; Director, IFM Investors (UK) Ltd; Director, IFM Investors (Japan) Pty Ltd; Director, IFM Investors (US) Advisor, LLC; Director, IFM Global Infrastructure (US) GP, LLC; Director, IFM Investors (Japan) GP, LLC; Member, Snowy Mountains Neighbourhood Centre.

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

Robert Jones BCom, Member ICAAZ, FSIA – Director

Director appointed 13 October 2022
Current term to 30 September 2025

Director of: QIC Limited; QIC Private Capital Pty Ltd

Other appointments: Chair, UQ Holdings Pty Ltd; Chair, Audit and Risk Management Committee, Ipswich City Council; Member, Senate, University of Queensland; Member, Risk and Audit Committee, University of Queensland; Member, Advancement Committee, University of Queensland; Member, Council, St John's College, University of Queensland.

Previous appointments: Advisory Board Member, Business School Strategic Advisory Board, Griffith University; Advisory Board Member, Policy Advisory Board, CCIQ; Advisory Board Member, Sunshine Coast Economic Futures Board; KPMG, Australia.

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

DIRECTORS' PROFILES

Susan MacDonald BA GAICD – Director

Director appointed 1 October 2021
Current term to 31 May 2024

Director of: QIC Limited; QIC Private Capital Pty Ltd

Other appointments: Director, Cbus Property; Director, Landcom; Director Waypoint REIT; Strategic Advisor, Mainbrace Constructions.

Previous appointments: Global Trustee, Urban Land Institute (ULI); Head of Retail, and Member of Executive Leadership Team, Mirvac Group; Australian National Council Chair – Urban Land Institute (ULI); Joint Deputy Chair of the Shopping Council Centre of Australia; Executive Director, Galileo Funds Management Limited; Managing Director, AMP Shopping Centres; Asset Management Director, Lend Lease (UK).

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

Jane Perry BSc, BA, Dip Ed – Director

Director appointed 1 October 2018
Current term to 30 September 2025

Director of: QIC Limited; QIC Private Capital Pty Ltd

Other appointments: Consultant, Confidere Group.

Previous appointments: Chair and Director, Fund Executives Association Limited; Director, BT Funds Management Limited; Director, BT Funds Management No. 2 Limited; Director, Westpac Securities Administration Limited; Director, Association of Superannuation Funds of Australia (ASFA); Director, Australian Brandenburg Orchestra; Director, Victorian Arts Centre Trust; Director, J.P. Morgan Nominees; Director, AXA Business Services (India); Director, National Mutual Superannuation Pty Ltd; Director, National Mutual Staff Superannuation Plan; Director, QIC Investments No. 1 Pty Ltd; CEO, Qantas Superannuation Limited; CEO, JP Morgan Treasury and Securities Services, Australia and New Zealand; CEO, AXA Australia and New Zealand.

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

Directors whose terms have concluded

John Wilson BA, LLB, LLM, MA – Director

Director appointed 1 October 2019
Current term to 30 September 2022

Director of: QIC Limited; QIC Private Capital Pty Ltd

Other appointments: Chair, Australian Rugby Foundation, Independent Advisor to the Investment Committee of Brighter Super; Director, Ord Minnett Limited.

Previous appointments: Director and Chairman Audit and Risk Committee, Rugby Australia; Independent Trustee Director and Chairman Investment Committee, LGIA Super; Chairman Investment Committee, NSW Aboriginal Lands Council; Trustee and Director, University of New England Foundation; Director and member of the Audit and Risk Committee, Melbourne Stadiums Limited.

QIC Committees: Member of the HR & Remuneration Committee.

12. Financial performance overview

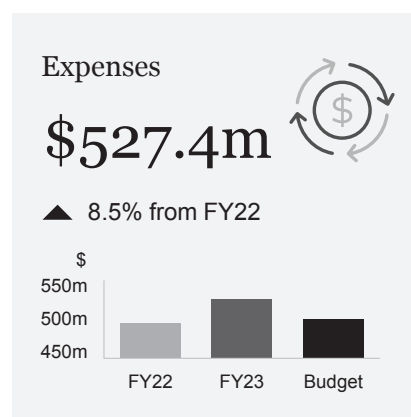
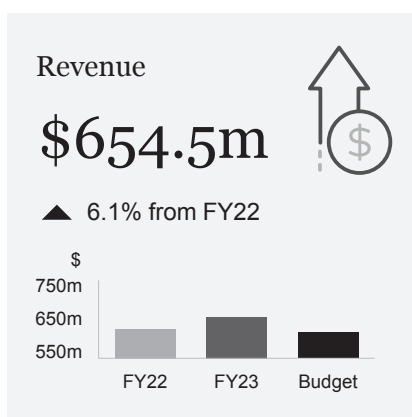
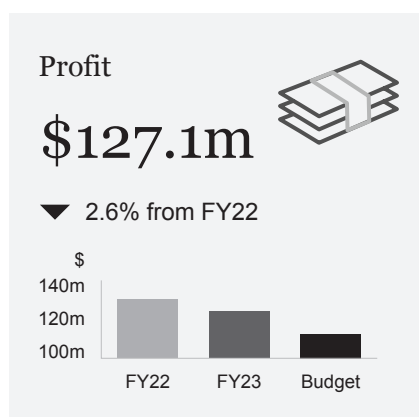
QIC's 2022-23 overview of financial performance should be read in conjunction with the supporting QIC Limited Statements for the year ending 30 June 2023.

A total of \$224.2 million will be returned to QIC's shareholder, the Queensland Government, in relation to the 2022-23 financial year.

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 2023, \$333.7 million of corporate capital is invested in QIC products or alongside client mandates across a number of asset classes. This is in addition to undrawn corporate commitments to QIC products of \$22.1 million.

12.1 Profitability

In the current challenging macro-economic climate, QIC has delivered a pre-tax profit of \$127.1 million for 2022-23 against a target of \$110.0 million. This has predominately been driven by higher-than-expected investment performance fees and revenue received for Property Asset Level Services (PALS), and higher earnings on QIC's corporate investments. The 2022-23 profit outcome is just 2.6% lower than the prior year's record pre-tax profit of \$130.5 million, which included significant one-off revenue. A continued commitment to delivering long-term investment performance outcomes to clients and robust cost management has enabled QIC to achieve this strong result.



FINANCIAL PERFORMANCE OVERVIEW

12.2 Revenue

Total revenue for 2022-23 was \$654.5 million, an increase of \$37.9 million or 6.1% on the prior year. This result was also an outperformance against a target of \$613.7 million and was primarily driven by higher-than-expected investment performance fees, PALS revenue and earnings from QIC's corporate investments.

QIC has a broad mix of revenue sources across its investment and property management businesses. Revenue components include:

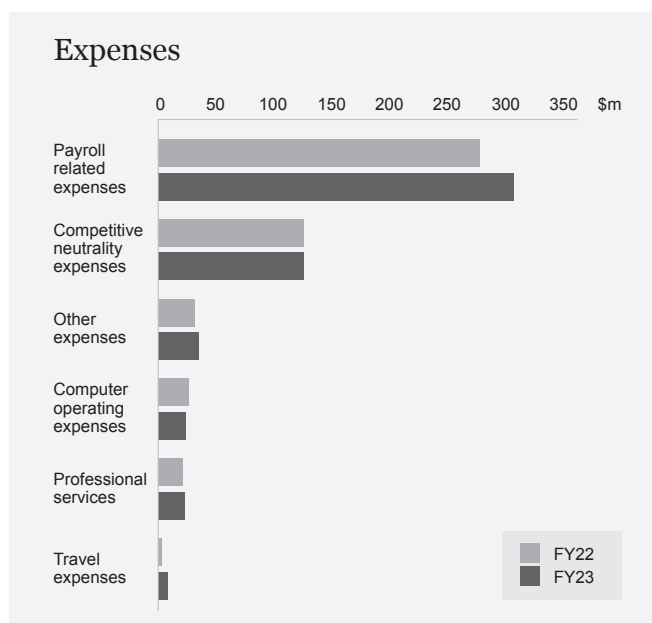
- investment management fees, which are dependent on assets under management and investment performance
- performance fees, which are dependent on positive investment out-performance against client objectives
- PALS fees from QIC owned and operated shopping centres. PALS comprise property management, leasing and asset development
- other revenue, which represents income generated on QIC's corporate investments and working capital, as well as and one-off revenue items.

The major contributors to the change in revenue from the prior year were:

- investment management fees increased by \$24.2 million, due to an increase in assets under management. This is primarily attributable to client inflows and asset valuation uplifts, particularly in the infrastructure asset class
- property asset level service revenue increased by \$19.8 million, due to increased leasing activity, improved asset performance across the shopping centre portfolio post-pandemic, and additional master planning work in support of the Real Estate town centre strategy and Cross River Rail precinct developments
- performance fees decreased by \$3.3 million, primarily due to smaller asset valuation increases when compared to the prior year
- other income decreased by \$2.8 million, primarily due to a significant one-off revenue item in the prior year partially offset by higher investment earnings received from corporate investment holdings in QIC managed products.

12.3 Expenses

Total expenses for 2022-23 were \$527.4 million, an increase of \$41.3 million or 8.5% on the prior year. This result was higher than the target of \$503.7 million and was predominately driven by one-off strategic costs to position QIC to deliver future profitable growth initiatives.



The majority of QIC's cost base relates to employee expenses. These have increased by \$31.9 million due to additional resources required to execute QIC's corporate strategy and deliver profitable growth initiatives and one-off costs incurred due to strategic team restructures.

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

12.4 Balance sheet

12.4.1 Assets

Total assets at year-end were \$648.8 million, an increase of 12% or \$69.1 million compared to the prior year. The major contributors to this change were:

- an increase in closing cash at bank of \$4 million
- an increase of \$68.4 million for corporate investments into QIC products
- an increase of \$5.6 million in management fees receivable at year end due to higher assets under management compared to the prior year.

12.4.2 Liabilities

Total liabilities at year-end were \$358.6 million, an increase of 15% or \$47.9 million compared to the prior year. The main contributors to this increase were:

- a dividend of \$68.2 million has been declared for the year. The QIC Board resolved to not declare a dividend for the 2021-22 year
- a decrease of \$17.2 million in current tax liabilities
- a reduction in deferred revenue of \$1.0 million due to the satisfaction of revenue recognition criteria during the year, particularly in relation to investment performance fees.

12.5 Dividend

A dividend of \$68.2 million has been declared for the 2022-23 year, which represents a dividend payout of 100% of adjusted consolidated net operating profit after tax, with a \$20 million adjustment for working capital requirements.

12.6 Cash flows

Cash and cash equivalents at year-end of \$183.6 million represents an increase of \$23.3 million when compared to the prior year.

Operating activities generated net cash inflows of \$73.6 million, a decrease of \$33.9 million from the previous year. This decrease is predominantly due to a larger residual income tax equivalent payment in 2022-23 as a result of higher profits achieved in 2021-22 compared to the prior year. In addition, net cash generated from business operations decreased by \$12.6 million due to the increase in employee benefits expenses being more than the increase in management fee revenue.

Net cash outflows from investing activities for the current year of \$44.1 million predominantly relates to investments into QIC products, plus payments for property, plant and equipment and software implementation projects. Total outflows were \$37.5 million less than the prior year, primarily because of a comparatively smaller amount being invested into QIC products in 2022-23.

Cash outflows from financing activities were \$7.9 million, which relates to the repayments of the principal elements of QIC's office leases. The decrease of \$43.9 million from the prior year is primarily due to no dividend being declared for the 2021-22 year.

12.7 Corporate entertainment and hospitality costs

QIC undertakes a variety of corporate entertainment and hospitality activities in its normal course of business 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 and procedures in place to ensure that corporate hospitality and entertainment expenditure is appropriate, reasonable and has identifiable commercial and organisational 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.



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