

QIC

QIC LIMITED

# Annual Report

**2021-22**

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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.

# Important Information

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### Net Zero Carbon Emissions Targets

Net zero carbon emissions for retail assets is calculated from a 2018 baseline with modelling reviewed annually. Relies on transition to ~50% renewable energy through rollout onsite solar, as well as a ~50% reduction in electricity consumption through LED lighting, Building Management System upgrades, Heating, Ventilation & Air Conditioning equipment upgrades and smart metering. Based on 2018 baseline modelling and reviewed annually. Net zero carbon emissions for office assets is calculated from a 2015 baseline with modelling reviewed annually. Relies on ~61% renewable energy through Power Purchase Agreement/Large Scale Generation Certificates, and ~39% reduction in electricity consumption through initiatives including Base Building Plant upgrades and new technologies such as battery storage, in addition to efficiencies already achieved to date (~26%). Targets are expected to require the purchase of offsets for residual emissions relating to sources such as refrigerants, and for which there is not yet an alternative carbon-free replacement. We expect offsets to represent <5% of the baseline emissions. Target progress is quantified and receives limited independent assurance in accordance with the Australian Standard on Assurance Engagements (ASAE3000) at least annually. Regular scope 1 & 2 emissions tracking metrics are reported on in QIC's annual sustainability reporting. The above net zero carbon targets are also signatories to the World Green Building Council Net Zero Carbon Buildings Commitment. For more information on QIC's Net Zero Carbon Emissions target for real estate, please see our latest QIC Real Estate Sustainability Report.

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-

## IMPORTANT INFORMATION

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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.

# About this report

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This Annual Report outlines QIC Limited's performance from 1 July 2021 to 30 June 2022. 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 2022.

This and earlier Annual Reports are available on QIC's website at <https://www.qic.com/about-qic/corporate-information/annual-reports>.

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# 1. About QIC

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*QIC is a trusted investment manager and adviser providing risk-adjusted returns for the clients we serve. As one of Australia's leading institutional investment managers, we deliver alternative real asset solutions across infrastructure, real estate, private debt, private capital, natural capital, in addition to a liquid market offering for our 125 Australian and global clients.*

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**We also act as the Queensland Government's independent investment advisor, managing a fully-funded Defined Benefit scheme and the Queensland Future Fund, both of which deliver on the State's long-term investment objectives. With \$98.7 billion in assets under management<sup>1</sup>, we are headquartered in Brisbane, Australia, with offices in Sydney, Melbourne, New York, San Francisco and London.**

## Our vision

Our vision is to be recognised as a leading trusted specialised manager, actively delivering investment performance to exceed our client and stakeholder expectations.

## Our purpose

Our purpose is to deliver optimum investment outcomes with and for our clients.

## 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
- Communications Matters
- Step up together
- Collaboration is key

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<sup>1</sup> As at 30 June 2022

## 2. Message from the Chair

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**On behalf of the Board, I am pleased to present the QIC Limited Annual Report for the year ended 30 June 2022. This report outlines the progress QIC has made on the strategic objectives that underpin our purpose of delivering optimum investment outcomes for our clients.**

Over the past 12 months, whilst the ongoing impacts of the global pandemic continued to be felt, financial markets became increasingly more volatile given heightened geo-political tensions and rising inflation. Despite this, QIC remained focused on the execution of our corporate strategy and the organisation has delivered strong results for the 2021-22 performance year.

Across QIC's investment capabilities, 75.7% of representative funds met or exceeded their investment performance objectives on a Funds-weighted basis during the reporting period.

Whilst continuing to invest in our investment capabilities, we have managed costs tightly, delivering a second consecutive record pre-tax profit of \$130.5 million, compared with \$102.8 million in the previous year.

Alongside this exceptionally strong profit result, our Assets Under Management grew from \$92.4 billion to \$98.7 billion over the year to 30 June 2022.

Also particularly notable during the year was the appointment of Kylie Rampa as our new Chief Executive Officer, replacing Damien Frawley who retired after a highly successful nine years in the

role. Kylie was appointed after a global search and brings extensive experience in investment management and investment banking, both in Australia and overseas, and in managing large and complex businesses.

We particularly want to thank Damien Frawley for his leadership and contribution to QIC over the period he led the organisation, which saw it grow in stature to be widely regarded as one of Australia's most successful investment managers.

Our relationship with our shareholding Ministers, the Honourable Anastacia Palaszczuk MP, Queensland Premier and Minister for the Olympics and the Honourable Cameron Dick MP, Treasurer and Minister for Trade and Investment continues to be one that is based on mutual trust and respect. On behalf of the Board, I would like to express our thanks for their ongoing support and endorsement and we look forward to continuing to work together in partnership in the year ahead.

Finally, I would like to thank my fellow Board members for their contribution and support and recognise the efforts of QIC's employees this year. Our results for 2021-22 can be attributed to the professionalism and expertise of our highly talented people across our organisation. Their commitment to ensuring we take a client-led approach in everything we do has provided us with the ability to successfully navigate the challenges of the past 12 months and seize new opportunities for the ultimate benefit of our clients and shareholder.

Ian Martin AM  
Chair, QIC Limited



### 3. Message from the Chief Executive Officer

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**For more than 30 years, QIC has consistently delivered strong results for its clients and its shareholder, the Queensland Government. This past year has been no different. It is a privilege to have joined the business this year and to lead the growth of our organisation through this next stage.**

Leadership sets the foundation for an organisation's success and in line with the Chair's comments, I too would like to thank Damien Frawley for his support during our transition and congratulate him on his achievements during his tenure as CEO. Damien should be incredibly proud of the legacy he leaves and this year's results are a testament to his leadership and the leadership of our Board and Executive Committee, and the calibre and capability of our people.

Prior to my commencement at QIC, I was acutely aware of QIC's reputation for delivering sustainable risk-adjusted returns for its commercial and government clients, supported by a robust culture that fosters transparency, excellence, diversity and strong governance. Since joining as CEO in April 2022, I have seen and experienced this culture firsthand and I have heard these sentiments echoed by our clients and key stakeholders in my many interactions with them over recent months.

It is these attributes that I believe have helped the business to continue to navigate the complex operating landscape we have found ourselves in this year and enabled us to continue to deliver the outcomes our clients and our shareholder have come to expect from us.

Across QIC, over the course of 2021-22, notable performance highlights include:

- Achieving solid investment performance in volatile market conditions alongside achieving a financial result well above budget
- Securing \$1 billion for the extension of the QIC Global Infrastructure Fund, with the majority of commitments received from existing QGIF investors
- The signing of a Memorandum of Understanding (MOU) with Australian Retirement Trust (ART), one of Australia's largest superannuation funds
- QIC's appointment as the precinct developer for the above-ground components of the new Cross River Rail stations at Brisbane's Boggo Road, Woolloongabba, Roma Street and Albert Street precincts
- The establishment of the Backing Queensland Business Investment Fund (BQBIF), a \$100 million fund supporting innovative businesses by providing much needed growth capital
- The build-out of QIC's recently established Private Debt capability, with the launch of an Australian Multi-Sector Private Debt (MSPD) offering and the closing of a US\$450 million debt facility with Cypress Creek Renewables
- QIC's recognition as a leading Environmental, Social and Governance (ESG) manager within Australia by the Responsible Investment Association of Australasia (RIAA)

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

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- The continued execution of our Diversity, Inclusion and Wellness strategy, with solid progress made across our five strategic pillars of gender equality, LGBT+, accessibility, cultural and linguistic diversity (CALD) and First Nations people, and
- The embedding of our hybrid working model across our office locations in Australia and internationally.

I would like to thank QIC's shareholding Ministers, the Board, the Executive Committee and our employees for their support as I stepped into the role of CEO this year. It has been another year of pleasing results delivered by the business in a dynamic and changing environment.

Kylie Rampa  
Chief Executive Officer

## 4. 2021-22 Performance summary

### 4.1 Statement of Corporate Intent

The following table depicts performance against key financial and non-financial measures from QIC's 2021-22 Statement of Corporate Intent (SCI):

| Financial Key Performance Indicators | 2021-22 Result           | SCI Target   |
|--------------------------------------|--------------------------|--|
| Cost to income ratio                 | Overall: 79.0%           | Overall: 83.3%   |
|                                      | Normalised: 66.0%        | Excluding QICP Pty Ltd and Competitive Neutrality Fee: 77.0% |
| Operating profit before tax          | Overall: \$130.5 million | Overall: \$89.9 million                                      |
| Return on Net Assets                 | 26.9%                    | 17.3%  |
| Return on Equity                     | 41.6%                    | 37.1%  |

### Non-financial Key Performance Indicators

As at 30 June 2022, the following tables outline the percentage of Funds out-performing on a Funds Under Management-weighted basis.

#### Versus Benchmark

|                                    | 1 Year | 3 Year | KPI weighted |
|------------------------------------|--------|--------|--------------|
| <b>Including State Investments</b> | 69.9%  | 85.9%  | 81.9%        |
| <b>Excluding State Investments</b> | 63.7%  | 76.3%  | 69.9%        |

#### Versus Objective

|                                    | 1 Year | 3 Year | KPI weighted |
|------------------------------------|--------|--------|--------------|
| <b>Including State Investments</b> | 68.9%  | 73.0%  | 75.7%        |
| <b>Excluding State Investments</b> | 62.5%  | 69.5%  | 67.7%        |

## 5. Measuring our performance

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In line with previous years, corporate and individual performance at QIC continues to be measured against four themes in a scorecard of Key Performance Indicators (KPIs), also referred to within the organisation as performance goals.

These themes focus on the areas of:

- Financial performance
- Investment performance and clients
- Execution excellence and risk management, and
- QIC's Standards of Excellence, the behaviours we hold our people to account against.

A summary of QIC's results for 2021-22 against these four themes is outlined below.

### 5.1 Financial performance

In the midst of the current challenging macro-economic climate, QIC has successfully delivered a second consecutive record pre-tax profit of \$130.5 million for 2021-22. This comes after a record pre-tax profit number of \$102.8 million for 2020-21. Total revenue for 2021-22 was \$616.6 million, an increase of \$84.3 million or 16% on the prior year. Investment performance fees of \$45.3 million are primarily a result of continued diligent management of our unlisted assets, a strong rebound in valuations and increased optimism. Further information on QIC's financial results for 2021-22 is summarised in Section 11 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 2021-22 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 and growth and technology delivery projects. Our risk, legal and compliance culture remains strong.

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## 5.4 Standards of Excellence

QIC continued to support its workforce as the business navigated the ongoing implications COVID-19 and a number of natural disaster events in New South Wales and Queensland. Our hybrid working model continues to provide our people with enhanced workplace flexibility across our locations. Excellent progress has been made on both the Diversity and Inclusion Strategy and Reconciliation Action Plan, with deepening impact in both of these areas throughout this past year.

## 6. Investment capability highlights

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During 2021-22, 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 \$28.8 billion<sup>2</sup> portfolio comprising 23 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) and 30 states in the United States. 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 14.5%<sup>3</sup>, notwithstanding the broader macroeconomic challenges including the impact of the pandemic.

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

During 2021-22, Infrastructure experienced a significant investment year, further expanding our clients' portfolios into the key thematic of decarbonisation, decentralisation and aging demographics. In comparison to June 2021, Infrastructure's AUM increased by \$7.4 billion. This was driven by strong growth in our clients' current portfolios as well as significant deployment of new capital commitments from our flagship fund, the QIC Global Infrastructure Fund (QGIF), and Separately Managed Accounts (SMA).

- QIC, together with consortium partner, Ullico, reached financial close on the acquisition of Centrio, North America's largest single district energy platform. The business provides energy solutions to more than 400 buildings across more than 340 clients under a range of long-term contracts and concessions and represents an established platform with potential to further diversify across the United States.
- Powering Australian Renewables (PowAR) on behalf of the QGIF and its co-investors, the Queensland Future Fund (QFF) and AGL Energy Limited (AGL), together with consortium partner Mercury NZ, entered into a Scheme Implementation Agreement to acquire a 100% interest in the ASX-listed Tilt Renewables business, with financial close occurring in August 2021. The Tilt acquisition has significantly grown the PowAR business, cementing its position as the clear leader for utility-scale renewables in Australia. Post-acquisition, the platform now represents a well-diversified portfolio of solar and wind assets with 1,315MW of operational capacity and over

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<sup>2</sup> As at 30 June 2022.

<sup>3</sup> 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, and not on behalf of QGIF. This QIC Infrastructure since inception net return is an aggregate of the net hedged return of QGIF and the net unhedged returns for other assets managed by QIC GI. **Past performance is not a reliable indicator of future performance.**

## INVESTMENT CAPABILITY HIGHLIGHTS

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3,500MW of development capacity. PowAR has subsequently adopted the Tilt Renewables brand across its entire platform.

- On behalf of a longstanding SMA client, QIC successfully executed on a bilateral and exclusive basis to acquire Paloma Solar and Wind (PSW) in the United States. PSW is a unique royalties' platform that provides capital solutions to private landowners and renewable energy developers through monetising their ground lease revenue streams for wind and solar projects. The transaction successfully closed in February 2022 and is our third energy platform with strong growth potential in the United States.
- QIC, on behalf of QGIF and co-investors, reached financial close on Evolution Healthcare (Evolution), the second largest corporate hospital platform in New Zealand. Evolution is one of the country's leading private hospital platforms, comprised of a decentralised network of ten comprehensive and day hospitals in addition to a portfolio of ancillary healthcare facilities. QIC also facilitated investment by a local New Zealand Indigenous/ Māori investment fund called Te Pūia Tāpapa as part of the transaction. They represent 28 Māori entities covering a large geographic area across New Zealand's North Island.
- As part of the Queensland Future Fund initiative, the Queensland Titles Registry was transferred from the Queensland Department of Resources to a newly established corporate entity 'Titles Queensland' which is to be managed on an ongoing basis by the Infrastructure team. The business manages the land and water titles registry for Queensland and QIC's Infrastructure team has been instrumental in transitioning the business and its 120 employees into a stand-alone corporate entity.

During 2021-22, 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 resilient and adaptable portfolios that can deliver value over the long-term. This requires us to balance the interests of all stakeholders, including customers, the environment, community, employees, and our shareholder. 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. 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, namely, *Climate Resilience, People and Culture, Risk and Governance and Community and Stakeholders* underpin our approach. We continued to enhance our approach to resourcing and accountability across the team, with defined responsibilities in each of our sectors, operations and portfolio management areas. Over the past year we reviewed our approach to investment screening and evaluation of existing portfolio companies. We aim to keep sustainability front-of-mind in our approach and processes. This extends to managing portfolio companies, ensuring they can successfully integrate sustainability across their organisation through building capability, resourcing and supporting systems and processes.

The team also announced its commitment to decarbonising the QGIF and QIP portfolios. We formalised the following commitments<sup>4</sup>:

- A 50% reduction of Scope 1 and 2 emissions by 2030 from a 2020 baseline
- Net Zero Emissions for Scope 1 and 2 emissions by 2040, and
- The active contribution of our portfolio companies to decarbonise the industries in which they operate.

QIC Infrastructure is currently working through the development of the decarbonisation pathways and

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<sup>4</sup> Net zero emission target includes a 50% reduction in scope 1 & 2 emissions by 2030 from a 2020 baseline, applied to the equity share of emissions for assets in our pooled infrastructure funds. The net zero emissions target model relies on and may change depending on the adoption of new technology, operational improvements, growth or reduction in business activity, availability of equity and the potential new investment/divestment of businesses in the portfolio. Our progress will be quantified using independent verification and regular scope 1 & 2 emissions tracking metrics.



## INVESTMENT CAPABILITY HIGHLIGHTS

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aims to report progress annually. Further information can be found in the 2022 Global Infrastructure Sustainability Report which is available on <https://www.qic.com/about-qic/corporate-information/responsible-investment/esg-reporting>.

Infrastructure was active across debt capital markets during 2021-22, closing over \$8.7 billion of debt financing across the portfolio. This included over \$2.4 billion in acquisition financing and over \$6.2 billion of refinancing debt. Infrastructure's portfolio continues to successfully navigate the impacts of COVID-19 and the current macroeconomic environment, reflecting our prudent approach to leverage and market diversification, as well as the strong lender relationships across the portfolio. Highlights included:

- No rating downgrades of any QIC Infrastructure-managed assets despite the impacts of COVID-19 and the broader macroeconomic environment
- Over \$1.8 billion of issuance into the US Private Placement market and over \$6.9 billion of financing closed in global bank markets, and
- Significant refinancing activity to extend maturities and establish further undrawn funding lines for growth and capital expenditure across the portfolio.

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

- QGIF reached Final Close of the QGIF Second Fundraise during October 2021, hitting its \$1 billion hard cap. The fundraise received unanimous support from its investor base and provided the opportunity for only two new investors to gain exposure to QGIF. Following the investments into CenTrio and Evolution Healthcare, as well as significant bolt-on investments into Tilt Renewables, Generate Capital and Pacific Energy, the remaining QGIF extension capital is fully allocated. QGIF has also continued to offer significant co-investment opportunities to the investors in QGIF.
- The team has continued to expand its separately managed accounts, both through

new mandates and extensions of existing arrangements.

- Infrastructure was rated very positively by Peter Lee Associates (PLA) in its annual survey of investment management clients. Specifically, we were rated highly in our relationship with clients and identified as a leader in our commitment to ESG<sup>5</sup>.

A key part of Infrastructure's thematic, sector-driven approach to investing is our infrastructure research. It is supported through several Australian and international university internship programmes we have established. This year, we released a number of papers with a sustainability focus, while also exploring the role infrastructure plays in the broader macroeconomic environment with rising inflation and interest rates. Specifically, the following papers were published during the financial year:

- QIC Insight - *A changing world: The thematics influencing infrastructure investment in Australia*
- QIC In Focus - *Russia's invasion of Ukraine: Implications for infrastructure*
- QIC Red Paper - *Goldilocks and the three scenarios: An inflationary story for institutional investors*
- QIC Insight Paper - *Gas: more than just hot air?*
- QIC Red Paper - *Navigating climate transition: A map for infrastructure investors*
- QIC Insight - *Public Benefit Corporations: A move towards "stakeholder capitalism" and enhanced ESG performance*
- QIC Insight - *Positioning infrastructure companies to preserve value in a rising interest rate environment.*

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<sup>5</sup> Statements from the Peter Lee Associates (PLA) 2022 Investment Management report (April, 2022) based on discussions with over 185 Australian Institutional Asset Owners at 108 funds, for which QIC is a paid client.



### 6.2 Real Estate

Despite headwinds affecting the broader retail sector and the ongoing impact of the COVID-19 pandemic, which presented challenges for QIC's Real Estate Funds during 2021-22, the team continued to drive improved investment outcomes for its clients through an active management approach.

As of 30 June 2022, QIC Real Estate's Assets Under Management (AUM) was \$16.8 billion.

Proposals to facilitate the required liquidity for both of QIC Real Estate's core retail funds, the QIC Property Fund (QPF) and the QIC Town Centre Fund (QTCF), were approved by investors, avoiding the need to formally open each Fund's liquidity window. Both Funds proactively engaged with investors in the lead up to each liquidity window process and agreed holistic solutions that were in the interests of all investors. These agreements not only meant formal liquidity windows remained closed, but it also demonstrated ongoing investor support for the Funds and the sector more generally.

The QIC Australia Core Plus Fund (QACPF) made significant strides towards its investor-endorsed diversification strategy, acquiring two industrial assets off-market: 60-70 Purling Avenue, Edinburgh in South Australia and 405 Newman Road, Geebung in Queensland. In acquiring Newman Road, QIC Real Estate established a formal partnership with an experienced industrial operator, allowing QACPF to grow its industrial exposure and opportunity pipeline in line with this diversification strategy. QIC Real Estate's other core plus fund, the QIC Active Retail Portfolio Fund (QARP), acquired Craigieburn Junction, a large-format retail centre in Melbourne's North in September 2021. The asset, which opened in 2019, is located within a high-exposure site in Melbourne's northern growth corridor and is supported by a strong tenant mix, providing a defensive income yield of ~5.4% with clear value-add opportunities for QIC to capitalise on.

Progress has been made since QIC was appointed as precinct developer for the above-ground components of the new Cross River Rail stations at Brisbane's Boggo Road, Woolloongabba, Roma Street and Albert Street late last year. While there is a while to go before masterplans are finalised, QIC

is proud to be leading the strategy, master planning, development and delivery of the above-ground precincts as part of a collaborative group, including the Queensland Government. Fulfilling a multi-billion-dollar development pipeline, the group's vision is for the precincts to emerge as a network of integrated activation centres incorporating commercial, education, research, entertainment, residential and civic uses. Investment across the precincts will appreciably enhance amenity for workers, visitors, and residents alike, creating long-term economic and civic value for Queenslanders.

By incorporating a broader mix of uses within our core retail assets and evolving traditional shopping destinations into multi-dimensional day and night experiences, our town centre strategy responds to the changing way people want to live, work and shop. 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.

Our portfolio of highly productive core retail assets provides a favourable canvas for the introduction of new mixed uses – particularly our larger assets such as Eastland, Canberra Centre, Watergardens, Castle Towers and Robina Town Centre.

Over the past 12 months, QIC Real Estate has mobilised several mixed-use diversification projects including:

- At Canberra Centre, we completed a \$25 million refurbishment of 224 Bunda Street and injected new energy into the Central Business District by introducing a new-to-Canberra flexible office operator, Work Club Global. Works are underway to introduce an architecturally distinct Asian-themed dining precinct, branded Tiger Lane, that will connect Canberra Centre to the northern portion of QIC's seven-block site in the heart of the capital. By activating this connecting space, QIC progresses a mixed-use masterplan that will soon see the introduction of a 5-star hotel, additional A-grade office accommodation, and an inviting public realm. The first stage of Tiger Lane is anticipated to open in late 2022.
- At Eastland in Victoria, QIC executed a significant pipeline of commercial developments, bringing in a new working clientele to the centre. In late 2021, Waterman

## INVESTMENT CAPABILITY HIGHLIGHTS

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opened a co-working space on level three of the centre, and in July 2022, EastCo, an 11-storey commercial building overlooking Eastland's Town Square and fully occupied by the Victorian Department of Transport, opened. An application to develop more A-grade office space at nearby 5 Bond Street has also been approved by Maroondah City Council.

- In June, QIC topped out the construction of a new office building at Robina Town Centre in Queensland, which will be fully leased to a Federal Government department on completion.
- QIC has lodged a development application for the next upgrade of the retail experience at Castle Towers in New South Wales. Around 70 new and relocated lifestyle brands will find their home as part of the project, including globally recognised retailers looking to harness an affluent and highly engaged customer base. The refurbishment works are expected to be underway sometime next year.
- At Watergardens in Victoria, work continues to construct a Quest Hotel adjacent to the centre's entertainment and leisure precinct, Station Street, which is also undergoing a significant refurbishment and remix project. Both projects are due for completion by the end of the year.

In addition to the above projects, we have continued to progress our strategic divestments of peripheral assets that were identified as not having a role in the long-term town centre masterplans for the assets in the QPF and QTCF portfolios, including:

- QPF's 50% share of Helensvale Shopping Centre on the Gold Coast, which was held in Joint Venture with Scentre Group, was sold for \$185 million in April 2022. The sale was in line with the asset's book value.
- Neighbourhood shopping centre Castle Mall, jointly held by QPF and QTCF, was sold in May 2022 for \$105 million and a fully leased yield of approximately 4.1%. The property was

highly sought after and resulted in a very competitive bidding response from about a dozen buyers, ranging from institutions, private investors, developers, and syndicators.

- Greenfield development site, Banchory Grove, was sold by QPF and QTCF in April 2022 with an approved development application in place for a supermarket-anchored neighbourhood shopping centre.

We continue to deliver on our ESG priorities, along with a refresh of our ESG strategy over the past 12 months. The strategy, which is based on research and stakeholder engagement, recognises our ESG achievements and aims to refocus and amplify our efforts to drive long-term sustainability outcomes and enhance the value of the portfolio for our investors, retail partners and communities. In line with this strategy, work continues to achieve our 2028 net zero carbon emissions target for Scopes 1 and 2 emissions for core assets in our two largest retail funds<sup>6</sup>. This work includes the completion of the rollout of the first tranche of our rooftop solar project, including the installation of more than 15MW of solar capacity across the portfolio. Once fully operational, we expect this to reduce our carbon emissions by more than 17,000 metric tonnes per year. The QIC Office Fund (QOF) has also committed to the 2028 net zero carbon emissions target for Scopes 1 and 2 emissions for its portfolio of core office assets<sup>7</sup>, and like QPF and QTCF, has joined the list of signatories to the World Green Building Council's Net Zero Carbon Buildings Commitment.

We have also progressed in developing our flagship portfolio-wide community investment program. Partnering with Nutrition Australia and the YMCA, the program will focus on improving the physical health and wellbeing of our communities, while delivering a measurable and positive impact. Implementation of the program commenced in 2021-22 and will be delivered in a way that best resonates with the local communities our assets are a part of.

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<sup>6</sup> Includes only those assets that are 100% owned and managed by QIC. Net zero target for retail assets relies on ~50% renewable energy (onsite solar) and ~50% reduction in electricity consumption, from a 2018 baseline. Target progress is quantified and receives limited independent assurance annually, in accordance with the Australian Standard on Assurance Engagements (ASAE3000).

<sup>7</sup> Includes operational assets only. Net zero target for office assets relies on ~61% renewable energy (Power Purchase Agreement/Large Scale Generation Certificates) and ~39% reduction in electricity consumption, from a 2015 baseline, and efficiencies already achieved to date account for ~26% of target modelling. Target progress is quantified and receives limited independent assurance annually, in accordance with the Australian Standard on Assurance Engagements (ASAE3000).

### 6.3 Private Capital

The QIC Private Capital (QPC) team manages approximately \$7.8 billion of assets on behalf of its clients, including global mandates weighted towards information technology and healthcare. Whilst markets are experiencing the retreat of global stimulus that had buoyed investment activity and valuations over the past two years, the client portfolios have remained resilient, recording a 1-year return of 21.3% compared to 9.3% from the Public Market Equivalent (PME) over the same period. Since inception (September 2005) the client portfolios and PME have returned 17.8% and 10.2% respectively, providing an annualised outperformance of 7.6%<sup>8</sup>.

QPC's investment strategy is targeted to deliver strong concentrated exposures to the highest quality opportunities in the global private equity ecosystem. From a performance perspective, this global strategy is driven from alpha generation as well as embedding adherence to the RG97 requirements into the portfolio.

The team's internal capabilities paired with external relationships have ensured successful adaptation of the past year's investments within an uncertain economy and changing landscape. The team has strategically redirected the deployment of our clients' capital geographically, as well as navigated inflationary pressures in certain sectors. These inflationary pressures are being driven by the injection of liquidity and stimulus packages into the market that commenced during the pandemic and can now be seen in stock market falls in sectors such as technology.

Despite the challenging environment, the team maintained a collaborative approach and focused on reinvigorating their relationships with clients. State Investments, QPC's foundation client, refined their Investment Policy Guidelines to maximise their investment in an environment that has long-term capital opportunities.

In keeping with clients' risk-adjusted strategies, QPC closed seven funds and seven co-investments from pools of 199 funds and 142 co-investments opportunities that were reviewed. These

investments continue to be made across a variety of sectors, including healthcare services, financial and business services, consumer, and technology, and all have a common theme of being leading platforms where active operational and strategic improvement will drive value creation.

In terms of direct holdings, on behalf of its clients, QIC's investment in NAPCO has continued to outperform over the past year. As one of Australia's oldest and largest cattle operating companies, with over 180,000 head of cattle, NAPCO has rounded out a successful year with strong earnings and balance sheet growth.

During the reporting period, QIC also brokered the sale of ICON Services, the largest private provider of vertically integrated cancer-care treatment in Australia. Despite a challenging year in terms of the pandemic and Queensland floods, the compounding and pharmacy services outperformed while the domestic cancer care division focused on a strong pipeline of new radiation oncology sites. A share sale agreement was entered into with EQT after a lengthy sale process. The transaction, completed on 31 March, provided QIC's clients with a return of 2.0x Multiple of Money invested and 17.0% IRR<sup>9</sup>.

The Private Capital team are strong and aspiring supporters of the Queensland founder and investor ecosystem. To grow and nurture this ecosystem, the team works closely with Advance Queensland and the State's Chief Entrepreneur to build a capital pathway to support investors and entrepreneurs with both early-stage and expansion capital. Such support has a goal of connecting into the QPC's global relationships.

Since 2016, QIC have been administrators of the \$80 million Business Development Fund (BDF) which coinvests with innovative entrepreneurs and their capital partners. The BDF has invested \$78.24 million into 59 Queensland based businesses, providing a source of early-stage capital as well as creating 939 Queensland based roles.

On the back of the BDFs' success, the Queensland Government established the Backing Queensland Business Investment Fund (BQBIF), a \$100 million fund supporting innovative businesses by providing

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<sup>8</sup> All returns as at 31 March 2022, net of all fees, AUD utilising spot rates. **Past performance is not a reliable indicator of future performance.**

<sup>9</sup> Asset level return which is net of all associated expenses, excluding QIC client level fees. **Past performance is not a reliable indicator of future performance.**

## INVESTMENT CAPABILITY HIGHLIGHTS

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much needed growth capital. To date, the BQBIF has invested \$28.9 million across five investments, creating 216 Queensland based roles.

The Private Capital team continues to consider sound ESG practices in its investment processes. The team's latest annual client ESG survey reflects that close to 100% of our managers are integrating ESG factors into their organisation's investment approach, which is an increase of more than 40% since 2018. In addition, 90% of managers now request regular reporting of ESG matters from their underlying portfolio companies and 87% of managers have a dedicated ESG resource appointed either internally or externally.

The Private Capital team consists of 17 professionals and the QPC governance framework has been enhanced with the addition of a second external Investment Committee member. The aforementioned Queensland initiatives, too, have improved processes, informed by a growing number of skilled advisors with hands-on experience.

Collectively, the team hold influential positions on a range of investment bodies, such as the Australian Investment Council (AIC), Institutional Limited Partners Association (ILPA) and Industry Affairs Committee and are actively involved in the Institutional Investors Roundtable, Invest Europe and present regularly at leading industry conferences.

### 6.4 Liquid Markets Group

The Liquid Markets Group (LMG) team manages active fixed income, absolute return, and cash portfolios as well as customised overlay solutions across currency management, implementation, asset rebalancing and portfolio protection. Active performance of the cash and fixed income portfolios managed by LMG has been strong over the past three years, and among the highest performing in their class. However, in 2021-22, performance was impacted adversely by the extreme volatility in global markets. In particular, the worst ever bond market sell-off across most domestic and global benchmarks, reflecting the very sharp rise in yields. Through this volatility, with the team's client-centric approach, funds are being positioned to take advantage of the emerging opportunities through active strategies across interest rates, inflation and

credit markets, paving the way for stronger future returns.

#### 6.4.1 Absolute Return and Fixed Income (ARFI)

Fixed income experienced one of the worst bear markets in history during the 2021-22 financial year, with some global bond benchmarks recording their most significant quarterly falls.

Australian 10-year bond yields rose over 2.0% in 2021-22 (up from 1.52% to 3.66%). With wider credit spreads, this underpinned the sharply negative return for the Bloomberg Australian Composite Bond Index, which fell 10.5%.

With the resurgence of inflation, bond markets have been pricing in some of the most aggressive tightening expectations in decades. They are increasingly anticipating central banks to "front-load" rate hikes. These conditions heighten the risk of policymakers being unable to navigate a soft-landing for global economies, increasing recession expectations across the US, Europe and Australia. Red flags such as a plunge in consumer confidence have amplified these concerns. However, corporate balance sheets are well placed to manage a slowdown in growth.

The sharp spike in yields alongside risk asset weakness caused some investors to question fixed income's defensive properties. However, with recession fears now lifting, fixed income is once again proving its worth as a diversifier in multi-asset portfolios. And, with government bond yields rising to decade highs, current yields on offer have significantly improved the attractiveness of fixed income to yield-focussed investors.

Additionally, our bottom-up analysis and active credit and sector selection process, which is paramount to generating active returns in credit, indicate improved corporate valuations, a low default outlook and solid corporate fundamentals. These outweigh the highly uncertain macro environment and potential deterioration due to margin pressure, weaker consumer demand, further supply chain disruptions, and releveraging. As we move into the second half of 2022, this creates a positive environment, sustaining our solid medium-term performance.



## INVESTMENT CAPABILITY HIGHLIGHTS

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Despite the volatile market conditions, the ARFI team has seen many highlights across our funds and our clients' portfolios during the year. Some key achievements included:

- Establishing the Cash Plus Fund to meet the investment and liquidity requirements of Queensland Government clients
- The Short Term Income Fund exceeded AUM of \$1 billion for the first time in January 2022, highlighting the Fund's continuing appeal to investors
- Strong relative performance compared to market competitors (despite the market challenges), particularly for the Short Term Income Fund, Australian Fixed Interest Fund and Diversified Fixed Interest Fund, and
- Imperative for our investors during the volatile market conditions, the team has produced regular and timely market commentary and broader thought leadership pieces, guiding investors to potential opportunities in dislocated markets.

### 6.4.2 Overlay Solutions and Trading

The Overlay Solutions team effectively supported our clients' objectives through periods of extreme market volatility, ensuring portfolio asset allocations were managed at client targets.

In currency markets, exchange rates responded to the adverse market conditions with investors seeking out the relative safety of the US Dollar (USD) as the global reserve currency, acting as a reminder of the pro-cyclicality of the Australian dollar. An overweight to foreign currencies (and the USD in particular) provided tail protection for Australian investors during the risk asset downturn. In equities, the ongoing central bank response to inflationary challenges resulted in a sell-off during 2022, but region-specific factors have led to some dispersion in equity market performances.

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 rebalance

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 continued to grow, increasing from \$77.9 billion at FY 2021 to over \$100 billion at 30 June 2022, reflecting growth from both government and 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 cost less and perform better than industry standards
- Options based hedging, as the orderly sell off in equities led to an increase in client activity, and
- Multi Asset exposure management, leveraging the liquidity global derivative markets provide to adjust whole-of-fund Strategic Asset allocations.

Throughout the year, LMG's 24-hour 5-day multi-asset trading desk, based in Brisbane, continued to be built out to support LMG capabilities in delivering 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 exchange-traded and over-the-counter derivatives across 25 jurisdictions, encompassing 20 instrument types and 131 individual markets in sovereign, credit and inflation bonds, global equity, FX and commodities-linked derivatives.

### 6.4.3 ESG

Our clients expect sustainability considerations to remain at the forefront of the investment process.

The themes dominating 2021-22 client requests included:

- Physical and transition risk climate modelling
- Portfolio decarbonisation prospects and opportunities
- Carbon accounting methodologies and frameworks

## INVESTMENT CAPABILITY HIGHLIGHTS

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- Investment impact, and
- Human rights, and supply chain links.

We welcomed an evolution around the level of interest in portfolio ESG information, from enquiry about our ESG process to evidencing portfolio integration, scenario modelling, and more sophisticated demand for sustainability screening, thematic analysis, and reporting, and with:

- Increased regulatory scrutiny
- Energy supply constraints in Europe reopening debate around the security of supply
- ESG data and framework availability improving and accelerating the availability of ESG labelled debt and derivative securities, and
- Heightened sensitivity to ESG risks and opportunities.

LMG's long term investment in our sustainability capability through data, participation in national and global sustainability committees, and our dedicated resources, mean we can help our clients understand portfolio factors, and emerging sustainability themes.

### 6.5 State Investments

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

The 2021-22 financial year has proven to be a turbulent and challenging year for investors. Concerns around inflation have dominated headlines as realised inflation outcomes and future inflation expectations have been continually revised upwards, wrong footing the majority of market participants and central banks who were forecasting that inflation pressures post the COVID-19 pandemic would prove transitory. The Ukraine/Russian war has exacerbated these concerns, as rising energy and food prices caused another surge in inflation. As a result, central banks initiated the withdrawal of the extraordinary

monetary support put in place as a result of the pandemic. The RBA delivered its first rate hike since 2010, while the Federal Reserve delivered the first 0.75% hike since 1994, and both provided rhetoric of the need for further rate rises in coming months to combat inflation. Financial markets reacted negatively to the much more hawkish than anticipated central bank response, as they became more pessimistic around the risks of recession from the sharply tightening in financial conditions.

The rise in both nominal and real interest rates has led to both fixed interest and equity markets posting negative returns for the financial year. In contrast, the portfolios experienced positive returns from unlisted assets such as infrastructure, property and private equity. Over the 2021-22 financial year, the QIC Long Term Diversified Fund (LTDF) returned -5.37% (gross of management fees)<sup>10</sup> for clients. Over the longer term, returns remain strong and in excess of benchmarks with LTDF delivering a return of 5.27% p.a. over a rolling 5-year period. The Fund 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.

SI has established asset class specific ESG considerations, guided by QIC's Sustainable Investment Policy and ESG framework. SI review and assess the integration of ESG into our investment processes and monitor this regularly. As part of this process, we refined our approach in the equities sector by further limiting active exposures to risks associated with carbon price transition risk. In addition, we are undertaking a process to benchmark the emissions profile within our funds and look for ways to further mitigate climate change risk across asset classes. SI delegates the exercising of proxy voting rights to external investment managers, each of whom currently use independent advice from Institutional Shareholder Services to guide votes on ESG matters. SI, in conjunction with the QIC Responsible Investment team, monitors upcoming votes relating to ESG and retains the ability to override an external manager's voting intentions as appropriate.

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<sup>10</sup> 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.

### 6.6 Private Debt

In February 2021, QIC established its Private Debt capability and launched an infrastructure debt platform to meet investors' strong demand for risk-adjusted returns in a low-yield environment further complicated by inflationary pressures.

Under the leadership of QIC's Head of Private Debt, Andrew Jones, this year's focus was launching a second capability in addition to building the global footprint of a team responsible for the origination, structuring and execution of deals across the private debt spectrum.

In February 2022, QIC launched an Australian Multi-Sector Private Debt (MSPD) offering to its suite. The offering provides a combination of broad and deep origination networks, institutional-grade investment governance, and an extensive credit, ESG and structuring experience. Through this diversified portfolio of corporate leveraged loans, Asset Backed Securities and real estate debt, the MSPD team will work to meet investors' desire for a consistent income stream and capital stability from this type of strategy.

Throughout the past year, a number of appointments were made to build a team with a global footprint and deep experience across European, American, Middle Eastern and Asian Pacific markets. Some noteworthy appointments included:

- A General Manager, Strategy and Operations – Private Debt was appointed. Reporting to Andrew Jones from QIC's Brisbane headquarters, this role provides operational, strategic, financial and client advice, and support to the Private Debt team globally. Additional responsibilities include instituting a high standard of governance and operational processes.
- A Head of Private Debt, Infrastructure, was appointed with direct reporting line to Andrew Jones. The role is based in QIC's New York office with responsibility for leading a global infrastructure debt investment team across New York and London. The New York team is further complemented by a Principal and associate.

- The London-based team is comprised of Partner and Head of Europe, Private Debt — Infrastructure, Principal and Associate.
- A Head of Multi-Sector Private Debt was appointed to report to Andrew Jones and is Brisbane based. This team is also comprised of a Director with an associate to still be appointed.

In April 2022, QIC announced the first investment by its newly formed infrastructure debt platform. QIC and Cypress Creek Renewables (CCR), one of America's largest solar owners and developers, closed a US\$450 million debt facility to fund the growth of CCR's robust solar and storage project pipeline. CCR's projects will help meet the increasing demand for North American renewable resources.

This project also highlighted the team's objective of integrating ESG considerations into their investment process with the integration of a sustainability-linked note in the facility.

# 7. Responsible Investment

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**This year QIC has continued to put into practice its belief that ESG factors are fundamental drivers of long-term value creation and further build our strategic response to this rapidly evolving environment. Significant market and policy momentum on sustainability-related issues in 2021 raised expectations for progress and action.**

New regulations and reporting standards are demanding more reliable and comparable sustainability disclosures while greater scrutiny is being applied to corporate sustainability efforts by regulators and interested stakeholders.

The QIC Sustainability Advisory Committee worked to strengthen QIC's Sustainable Investment Framework through the development of a Sustainability Transition Roadmap to guide our climate-related efforts, further integrate sustainability into our corporate strategy and to actively broaden sustainability capacity across our organisation.

As the issue of greenwashing gained prominence across multiple jurisdictions, QIC responded by significantly revising our Sustainable Investment Policy and sustainability governance framework to ensure roles and accountabilities are well defined and governance processes are fit for purpose.

While climate change risk remains a first order issue for investors, biodiversity, other nature-related risks and social issues, such as diversity, equity, and inclusion and employee wellbeing were also high on the ESG agenda.

The newly formed Taskforce on Nature-related Financial Disclosures released a draft disclosure

framework for nature-related information. A focus on human rights in supply chains continued as existing and proposed legislation elevated the importance of social risk and supply chain traceability.

Along with our Roadmap, our sustainability data strategy is designed to ensure we are positioned to meet the demand for a greater depth of understanding across a broader range of ESG issues. For investors generally, ESG data availability and quality, as well as generally agreed measurement methodologies remain key challenges to address in 2022-23.

## 7.1 Key initiatives

Over 2021-22, key initiatives included the development of QIC's Net Zero Emissions and Beyond strategy to establish a clear pathway for decarbonisation across our investment portfolios. Further work will be undertaken in 2022-23 to finalise the strategy. We also onboarded a new risk tool to support the identification of a physical climate change risk in investment processes.

We continue to integrate a practical approach to address material ESG issues and to broaden sustainability capacity across our organisation, with opportunities in the areas of natural capital and social and affordable housing.

In 2021, QIC Infrastructure announced a Net Zero Emissions target for two of its funds across its pool infrastructure funds by 2040 for Scope 1 and 2 emissions<sup>11</sup>. The team aims to achieve this outcome in partnership with portfolio companies

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<sup>11</sup> Net zero emission target includes a 50% reduction in scope 1 & 2 emissions by 2030 from a 2020 baseline, applied to the equity share of emissions for assets in our pooled infrastructure funds. The net zero emissions target model relies on and may change depending on the adoption of new technology, operational improvements, growth or reduction in business activity, availability of equity and the potential new investment/divestment of businesses in the portfolio. Our progress will be quantified using independent verification and regular scope 1 & 2 emissions tracking metrics.



## RESPONSIBLE INVESTMENT

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through the team's active asset management approach.

We continue to advance our efforts to build an effective response to the risk of modern slavery across our supply chain and investment portfolios. In 2022, 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', developed a toolkit to support procurement processes and appointed an independent expert to our Modern Slavery Working Group.

QIC became a member of the Australian Sustainable Finance Institute (ASFI) in 2022. This will see QIC participate in the implementation of the Australian Sustainable Finance Roadmap<sup>12</sup>, which sets out a coherent plan for a decade of action that will position the Australian financial system more strongly in a period of significant change, elevating risks, and a rapidly shifting global context.

QIC was again recognised as a leading ESG manager within Australia by the Responsible Investment Association of Australasia (RIAA). Alongside this, the QIC Liquid Markets Group was named KangaNews Sustainable Fund Manager of the Year in 2021.

From a corporate sustainability perspective, QIC achieved carbon neutrality across its corporate operations for Scopes 1, 2 and 3 emissions in 2021-22. Through the purchase of high-integrity carbon credits to offset its corporate emissions, QIC quickly achieved carbon neutrality while it explores pathways to decarbonise its operations through energy efficiency projects, accessing lower carbon emissions electricity, reduced business travel, as well improved waste management. QIC registered to become carbon neutral certified in 2021 under Climate Active, a leading carbon neutral certification program in Australia.

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<sup>12</sup> The Australian Sustainable Finance Roadmap was launched by the Australian Sustainable Finance Initiative (ASFI) in November 2020 based on an unprecedented collaboration of over 140 participants from 90 organisations across the financial services sector, civil society, academia, regulators (APRA & ASIC) and government.

## 8. Diversity, Inclusion and Wellness

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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. This year QIC has made strong progress on our diversity, inclusion and wellness strategy that supports our five strategic pillars of gender equality, LGBT+, accessibility, cultural and linguistic diversity (CALD) and First Nations people.

Highlights from the past year include:

- The appointment of QIC's inaugural Head of Diversity and Inclusion to lead and deliver on QIC's Diversity, Inclusion and Wellness strategy.
- The launch of QIC's Diversity, Inclusion and Wellness Policy to provide the framework by which QIC actively manages and encourages diversity, inclusion and wellness.
- The launch of QIC's Domestic and Family Violence policy which supports those affected by Domestic and Family Violence with up to 10 days paid leave. In addition, a Domestic and Family Violence e-learning module was made available for all employees to understand how to recognise, respond and refer instances of Domestic and Family Violence and build awareness.
- 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.

- The commencement of Respect@QIC, a project that focuses on QIC's position and response to sexual harassment and other forms of unwanted behaviors in our workplace. Listening sessions were conducted with external consultants to devise an appropriate suite of responses including policy, training and support.

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 a podcast series to celebrations of days of significance, fundraisers for community organisations and online engagement campaigns. Some notable achievements of our employee-led networks are listed below.

### 8.1 Balance

QIC's Balance network champions and promotes gender equality and work life balance across QIC. The Network launched a *Conversations with QIC Women* podcast series which highlighted the career journeys of some of our female team members, with the aim of promoting awareness of our talent as well as providing role models to other women in our teams.

To support male team members, the Balance Network also organised our first International Men's Day event in November 2021, with a candid panel discussion promoting topics of interest for men's health and wellbeing.

A fundraiser for International Day of the Girl Child was also held, raising money for Unicef to support girls and children in impoverished nations through education.

### 8.2 QPride

QIC's QPride network continues to focus on the inclusion of the LGBT+ community in our workplace and community, supplemented by strategic initiatives to educate our people and create opportunities for LGBT+ inclusion in the workplace.

This year QIC was recognised as a Bronze tier employer in the 2022 Australian LGBTQ Inclusion Awards in May 2022, as part of our submission to the Australian Workplace Equality Index (AWEI). QIC received a 61% increase from our 2020 score, an achievement that is testament to the positive and tangible inclusion work achieved by QPride and QIC over the past 12 months.

QIC also joined ACON's Welcome Here Project which was launched throughout our 23 Australian retail assets in May 2022. With great engagement from our retail teams and customers, the project creates safe spaces for LGBT+ people that visit our retail assets.

### 8.3 Young Professionals Network

QIC has 345 young professionals across our offices globally. Approximately 38% 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.

This year, the network expanded engagement with diversity and inclusion initiatives at QIC, and supported 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 Network delivered a number of initiatives throughout the year such as:

- Coffee roulette and networking evenings
- Career development workshop with an external counsellor
- Young professionals survey to find what matters to young professionals at QIC and to assist with shaping future programs and initiatives

- Panel discussions around the topics of interest for young professionals, and
- The launch of YP Conversations, a series to spotlight the young professionals at QIC.

The network's mentoring program also matched senior leaders with young professionals and saw over 25 young professionals and mentors participating.

### 8.4 QLife

QIC recognises that to be successful, health and wellbeing programs must be integrated throughout the organisation and embedded in its culture, leadership, and people management.

The QIC Pulse survey in November 2021 showed that 93% of employees responded positively to the statement, *"I believe QIC is committed to the health, safety and wellbeing of employees."*

Throughout the reporting period, QLife delivered fitness challenges, recognised Men's and Women's health weeks, brought attention to Domestic and Family violence prevention, as well as raising awareness through panels and videos on a variety of health and wellbeing related topics. The network also continued to share personal experiences as our teams navigated work-from-home and hybrid working patterns.

Memorable initiatives included the:

- QIC Wellness Challenge where participants took part in an online health and wellbeing challenge which focused around the five key lifestyle factors of nutrition, exercise, sleep, hydration and mindfulness
- Women's Health Week where QLife curated a mythbusters episode on menopause, speaking with QIC employees about its impact, and
- Domestic and Family Violence Prevention month where QIC employees participated in the annual Darkness to Daylight campaign, raising over \$3,300 for Domestic and Family Violence prevention.

## 8.5 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 2021-22, QIC has continued our commitment towards reconciliation during the past year, with 84% of our actions outlined in our Innovate RAP 'completed' or 'on track'. Significant highlights include:

- QIC being appointed as one of two investment managers to two outstanding Aboriginal organisations.
- Awarding two QIC Indigenous Tertiary Scholarships to another two recipients, in partnership with the Queensland University of Technology and Griffith University.
- QIC Chief Economist, Matthew Peter, joined the Finance committee of the Aboriginal and Torres Strait Islander Community Health Service Brisbane and the Board of Karalumba to apply his expertise to work alongside Aboriginal organisations to improve the financial health and longevity of these community organisations.
- Chief Financial and Operating Officer, Claire Blake, was a mentor in the CareerTrackers Women's Mentoring Program and provided significant support to a young Indigenous woman.
- Developed QIC's Cultural Protocol document with significant consultation and rolled out to employees via a webinar. The document provides cultural safety and guidance to employees while engaging with Indigenous team members and partners.
- Launched and awarded the inaugural QIC Reconciliation Award to three deserving employees for their outstanding contributions to reconciliation.
- Donated end-of-life devices (laptops, desktops, monitors) to Indigenous organisations to support their learning and business activities.
- The establishment of a partnership with the Gumala Aboriginal Corporation, Hybrid

Systems Australia and Pacific Energy running for an initial three-year period.

- 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.
- Total spend on Indigenous procurement was significantly increased, meeting our Indigenous Procurement Targets for the financial year.
- As part of our National Reconciliation week activations, QIC donated \$10,000 to Deadly Choices, for its sub-fund within the Queensland Community Foundation, to perpetually fund Aboriginal health programs.
- Participation in the Responsible Investment Association of Australasia (RIAA) working group for Indigenous economic empowerment through the Responsible Investment sector.
- Increased our number of employees who identify as Indigenous, along with an Indigenous Employment, Retention and Professional Development Strategy being developed.
- Continued working closely with the Queensland Government's Deadly Innovation team to identify opportunities for investment and procurement, and
- Deepened our support for the CareerTrackers program and continued to support and employ interns from the program.

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

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**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](http://www.qcf.org.au).**

This year, in partnership with QCF, QIC established the QIC Charitable Foundation. The Foundation has been set up as a perpetual fund that will continue to grow over time and build upon our culture of workplace giving. In its first year, our employees donated over \$31,000 to the Foundation, with donations made to Orange Sky Australia and Friends with Dignity.

QIC's Community Day provision enables our people to donate their time to assist a charity or cause they are passionate about. During 2021-22, 297 employees utilised this opportunity and supported causes related to homelessness, flood management, medical and health research and more. 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

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**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 2021-22

QIC's client base, evolving investment capabilities and challenges brought on by the COVID-19 pandemic 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 and our Responsible Investment 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, and
- 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 U.S. Securities and Exchange Commission, while another QIC subsidiary is authorised with the U.K. 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.



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

QIC's accountability requirements include the preparation of an annual 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, and
- 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

## CORPORATE GOVERNANCE

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- 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, and
- 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, and
- Performance assessment.

The Boards of QIC's subsidiaries are generally made up of either Executive Directors or a combination of executive and independent NEDs.<sup>13</sup>

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

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

The Chair commits further time and meets with the CEO and 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

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<sup>13</sup> There are some exceptions to these arrangements, including that the Board of QIC Private Capital Pty Ltd is comprised on only NEDs. Also, QIC Limited Director Jane Perry was the sole director of QIC Investments No.1 Pty Ltd until November 2021.



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, and the
- 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.

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, and
- External audit processes generally.

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

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

## CORPORATE GOVERNANCE

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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, and
- 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 at:

<http://www.qic.com/about-qic/corporate-information/corporate-governance/committees>.

### 10.9.4 Other committees

During 2021-22, the CEO oversaw a Corporate Management Group (CMG) which included key management personnel. The role of CMG 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 CMG plus the heads of QIC's investment teams. The role of ExCo is to assist in the development of corporate strategy and assist with corporate prioritisation.

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

Following the transition of leadership from Damien Frawley to Kylie Rampa in April 2022, a review of internal corporate governance arrangements was undertaken, with minor governance updates expected to be embedded in 2022-23.

### 10.9.5 Decision-making committees

During 2021-22 CMG had delegated authority to the following management committees to make decisions in accordance with their respective Charters:

Corporate Management Committee (CMC), which is chaired by Claire Blake. CMC's remit is to:

- Approve new standards and guidance notes and endorse new policies
- Approve specific projects and other change management initiatives, and
- Identify operational opportunities and decisions regarding proposed changes to existing operational platforms and workflows.

Clients and Products Committee (CPC), which is chaired by Ravi Sriskandarajah. CPC is responsible for:

- Approving the establishment and variation of QIC products and mandates
- Governance and monitoring of existing QIC products, and
- Consideration of strategic issues relevant to the funds management industry.

Valuations Oversight Committee (VOC), which is chaired by Sam O'Sullivan. The VOC is responsible for:

- Overseeing the investment valuations framework and processes
- Adopting independent valuations for inclusion in the relevant unit price, and
- Approving the appointment of independent valuers.

### 10.9.6 Advisory committees

Financial Reporting Committee (FRC), which is chaired by Claire Blake. The FRC is responsible for:

- Reviewing financial statements
- Escalating matters to the Audit Committee as required, and
- Providing assurance to the Audit Committee and relevant Boards regarding effective governance practices in relation to financial reporting.

The Sustainability Advisory Committee, with the role of the Chair transitioning during the year from the CEO to Maria Atkinson, an independent member of the Committee. This committee is focussed on QIC's ESG strategy to enhance its footprint as a responsible investor and to integrate ESG strategies on an enterprise-wide basis.

The Diversity and Inclusion Committee chaired by Philip Jackson, Head of Diversity and Inclusion. This Committee focusses on diversity and inclusion initiatives and strategy at QIC.

### 10.9.7 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.

Considerable importance is placed 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.

## 10.10 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 (RMG) and internal / external audit functions.

## QIC Limited and Subsidiary Boards

| QIC BOARD COMMITTEES                                 |   | OIC INTERNAL COMMITTEES         |  |
|--|---|---------------------------------|--|
| Audit Committee                                      | Risk Committee  | HR& Rem Committee               | <b>Corporate Management Group / Executive Committee</b><br><i>Meets as 'ExCo' – key matters reserved for CMG members</i> |
| INVESTMENT COMMITTEES                                |   | Decision Making Committees      |  |
| Infrastructure                                       | Private Capital   | Clients & Products Committee    | Corporate Management Committee   |
| Real Estate  | Liquid Markets Group  |                                 | Valuations Oversight Committee   |
| Natural Capital Fund                                 | Private Deb Infrastructure  | Advisory Committees             |  |
| Private Debt Multi-Sector                            | State Investments Committee   | Diversity & Inclusion Committee | Sustainability Advisory Committee  |
|  |   |                                 | Financial Reporting Committee  |
| QIC Business Units, Executives, Management and Staff |   |                                 |  |
| <i>Advisory Working Groups, including:</i>           |   |                                 |  |
| Conflicts Committee                                  | Dispute Resolution Steering Committee   | Team ESG Committees             | WHS Committee  |
| <b>First Line of Accountability (Manage)</b>         | QIC Executives, Management and Staff (Risk Management and Execution Excellence Goals) |                                 |  |
| <b>Second Line of Accountability (Challenge)</b>     | QIC Risk Management, Compliance, Workplace Health and Safety and Regulatory Teams     |                                 |  |
| <b>Third Line of Accountability (Assurance)</b>      | Internal Audit (PwC)<br>External Audit (Queensland Audit Office, KPMG)                |                                 |  |

**First line of accountability:** Executives and staff 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. Investment team personnel also have a percentage of their remuneration linked to risk and compliance Key Performance Indicators (KPIs). All staff 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 staff 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 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 delegated to PwC as the 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 . KPMG 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.

### 10.11 Alignment of performance with remuneration

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

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

### 10.12 Remuneration policies and practices

QIC’s remuneration policies and practices:

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



## 10.13 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.

## 10.14 Ongoing assessment and approval of remuneration

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

## 10.15 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.

## 10.16 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 2021-22. Evaluation is undertaken using a variety of techniques, including formal questionnaires completed by Directors, feedback from stakeholders including peers, one-on-one discussions between each Director and the Chair and a full Board discussion and reflection. Board evaluation incorporates consideration of many factors to ensure a fulsome view of performance, including the Board's:

- Role, its strategy and planning
- Structure
- Meeting processes and efficiency
- Subsidiary and committee reporting
- Performance monitoring and evaluation functionality, and
- Induction and continuing education to deepen performance and business knowledge.

It also incorporates:

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

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

### 10.17 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.

### 10.18 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.

### 10.19 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.

### 10.20 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, and
- 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.

### 10.21 QIC's working environment

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

As reported above, 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.

#### 10.21.1 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.

Procedures and plans were implemented across our operations and workplaces in response to COVID-19 and work continues in monitoring and responding to changes in government health directives. As part of QIC's health and wellbeing benefits, employees were provided with free rapid antigen test (RAT) kits and flu vaccinations.

QIC has upheld a continued focus on the provision of an environment, 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 which was supported by the recruitment of additional WHS resources to the organisation.

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. System enhancements included task tracking, workplace inspections, contractor management, visitor check in/out functionality and audit reporting register.

QIC had 11 notifiable events to a WHS regulator in 2021-22 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 45001<sup>14</sup> during the financial year. In the last 12 months 23 WHS audits were completed across the business to measure the effectiveness of our WHS control framework.

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

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<sup>14</sup> Occupational health and safety management systems – requirements with guidance for use



## 10.22 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.

## 10.23 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.

## 10.24 Insurance and indemnities

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

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

- Liability to third parties arising out of conduct undertaken in good faith in their capacity as a QIC officer, and
- The costs and expenses of defending legal proceedings arising out of conduct as described above.

## 11. Directors' profiles

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

**Chair appointed 1 April 2019**

**Current term to 30 September 2022**

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

**Other appointments:** Chair, UniSuper.

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

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

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

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

**Director appointed 15 December 2016**

**Current term to 30 September 2022**

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

**Other appointments:** Director, BRIC Housing, Alternate Director, Queensland Community Foundation.

**Previous appointments:** Partner and Consultant, Minter Ellison; Director, Director, Australian Rail Track Corporation; Director, Queensland Treasury Corporation Capital Markets Board and DBCT Holdings Pty Ltd; Head, Queensland Finance Team, Minter Ellison.

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

## DIRECTORS' PROFILES

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

**Director appointed 1 October 2016**

**Current term to 30 September 2022**

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

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

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

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

Paul Gallagher BCom, FCA, GAICD - Director

**Director appointed 11 December 2014**

**Current term to 30 September 2023**

**Director of:** QIC Limited.

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

**Previous appointments:** Director, BDO Group Holdings (QLD) Ltd; Director, Brisbane City Council – Field Services Division; Partner, Audit and Assurance Services Division, BDO, QIC Infrastructure Management No. 2 Pty Ltd, Director, BDO Australia Limited.

**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.

**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; President, Snowy Mountains Neighbourhood Centre.

**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.

**QIC committees:** Member of the HR & Remuneration Committee.

Susan MacDonald BA GAICD - Director

**Director appointed 1 October 2021**

**Current term to 31 May 2024**

**Director of:** QIC Limited.

**Other appointments:** Director, Cbus Property; Director, Landcom; Director Waypoint REIT; Global Trustee, Urban Land Institute (ULI); Strategic Advisor, Mainbrace Constructions.

**Previous appointments:** Head of Retail and Member of Executive Leadership Team, Mirvac Group; Australian National Council Chair, 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); CEO, Qantas Superannuation Limited; CEO, JP Morgan Treasury and Securities Services Australia and New Zealand.

## DIRECTORS' PROFILES

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### Jane Perry BSc, BA, Dip Ed - Director

**Director appointed 1 October 2018**

**Current term to 30 September 2025**

**Director of:** QIC Limited.

**Other appointments:** Consultant, Confidere Group.

**Previous appointments:** 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, The Salvation Army Advisory Board Southern Territory; Director, The Salvation Army Advisory Board Eastern Territory; Director, Sydney Financial Forum; Director, BT Funds Management Limited; Director, BT Funds Management No. 2 Limited; Director, Westpac Securities Administration Limited; Director, QIC Investments No. 1 Pty Ltd; Chair and Director, Fund Executives Association Limited.

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

### John Wilson BA, LLB, LLM, MA - Director

**Director appointed 1 October 2019**

**Current term to 30 September 2022**

**Director of:** QIC Limited.

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

## Directors whose terms have concluded

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

**Director appointed 12 October 2017**

**Term concluded 30 September 2021**

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

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

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

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

**Director appointed 12 May 2016**

**Term concluded 30 September 2021**

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

**Other appointments:** Chair, Cbus Investment Committee, Chair, CFA Societies Australia Advocacy Council; Chair, Investor Group on

## DIRECTORS' PROFILES

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Climate Change; Director, Cbus (United Super Pty Ltd); Director, Evergen Pty Ltd.

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

**QIC committees:** Member of the HR & Remuneration Committee, Member of the Risk Committee and Chair of the Environment, Sustainability and Governance Advisory Committee.

# 12. Financial performance overview

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**QIC's 2021-22 overview of financial performance should be read in conjunction with the supporting QIC Limited Statements for the year ending 30 June 2022.**

## 12.1 Profitability

In the midst of the current challenging macro-economic climate, QIC has delivered a second consecutive record pre-tax profit of \$130.5 million for 2021-22. This comes after a record pre-tax profit number of \$102.8 million for 2020-21.

A continued commitment to long term investment performance outcomes and robust cost management has allowed QIC to achieve this result.

A total of \$163.3 million will be returned to QIC's shareholder, the Queensland Government, in relation to the 2021-22 financial year.

Total revenue of \$616.6 million is a 16% increase on the prior year, with expenses of \$486.1 million representing an increase of 13%.

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 2022, over \$275.4 million of corporate capital is invested in QIC products or alongside client mandate across a number of asset classes. This is in addition to undrawn corporate commitments to QIC products of \$10.9 million.

## 12.2 Revenue

Total revenue for 2021-22 was \$616.6 million, an increase of \$84.3 million or 16% on the prior year.

QIC has a broad mix of revenue sources across our investment and property management businesses,

which has allowed us to absorb the lingering impacts of the pandemic during the 2021-22 year.

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

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

Property asset level services revenue increased 8% to \$85.6 million during the year as retail markets improved from the significant pandemic impacts of the prior years. Revenue from these services is \$6.2 million higher than the prior period.

Investment performance fees of \$45.3 million are primarily a result of continued diligent management of our unlisted assets, a strong rebound in valuations and increased optimism.

Other revenue predominantly represents income generated on QIC's corporate investments and working capital.

## 12.3 Expenses

Total expenses of \$486.1 million in 2021-22 increased by \$56.6 million compared to the prior year.

The majority of QIC's cost base relates to employee expenses. These have increased by \$27.6 million during the year as a result of additional resources required to deliver profitable growth initiatives, invest in our investment capabilities and an increase in performance-based payments in line with the increase in profit for the year.



## FINANCIAL PERFORMANCE OVERVIEW

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The competitive neutrality fee payable to the Queensland Government has increased by \$23.0 million to \$125.0 million for the year.

Costs in relation to travel and entertainment have increased in line with the lifting of social distancing and travel restrictions during the year.

Computer operating costs have increased as a result of an increased capitalisation threshold for minor property, plant and equipment assets.

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 \$579.6 million, an increase of 16% or \$77.9 million compared to the prior year.

The major contributions to this change were:

- An increase in closing cash at bank of \$13.4 million
- An increase of \$45.0 million for corporate investments into QIC products, and
- An increase of \$17.7 million in management and performance fees receivable at year end due to stronger investment outcomes.

#### 12.4.2 Liabilities

Total liabilities at year end were \$310.7 million, a decrease of 5% or \$17.1 million compared to the prior year.

The main contributions to this decrease were:

- The QIC Board resolved not to declare a dividend in relation to 2021-22, resulting in no dividend payable at 30 June 2022, and
- An increase in amounts payable to employees in line with performance targets being exceeded during the year.

### 12.5 Dividend

The QIC Board resolved not to declare a dividend in relation to 2021-22. The dividend of \$45.1 million for 2020-21 was paid to the Queensland Government in November 2021.

### 12.6 Cash Flows

Cash and cash equivalents at year-end of \$160.3 million represents a decrease of \$28.5 million when compared to the prior year.

Operating activities generated net cash inflows of \$107.5 million, an increase of \$12.2 million from the previous year consistent with the increase in profit for the year.

Cash outflows from investing activities this year of \$81.6 million are largely due to an increase in investments into QIC products during the year.

Cash outflows from financing activities were \$51.9 million, which primarily relates to the payment of the 2020-21 dividend of \$45.1 million.

### 12.7 Corporate entertainment and hospitality costs

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

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

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



## Office locations

### Brisbane Head Office

Level 5, 66 Eagle Street  
GPO Box 2242  
Brisbane QLD 4001  
Australia

T +61 (0)7 3360 3800

### New York

12 East 49th Street  
36th Floor  
New York NY 10017  
United States

T +1 212 224 8900

### Sydney

Level 34, 52 Martin Place Sydney  
NSW 2000 PO Box R1413  
Royal Exchange  
NSW 1225  
Australia

T +61 (0)2 9347 3300

### San Francisco

Four Embarcadero Center  
Suite 2640  
San Francisco, CA 94111  
United States

T +1 415 633 1111

### Melbourne

South Tower, Level 11,  
80 Collins Street  
Melbourne VIC 3000  
Australia

T +61 (0)3 8681 4900

### London

Level 9 MidCity Place  
71 High Holborn  
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