# Sustainability Report

2023

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QIC licenses and applies the SASB Materiality Map® in our work.

**Real Estate Net Zero Target**

QIC Real Estate's fund level 2028 net zero carbon targets (currently covering Scope 1 & 2 carbon emissions) are supported by the development and ongoing maintenance of asset-level Net Zero Carbon Emissions Roadmaps which are aggregated to the fund level. These Roadmaps document the carbon emissions reduction initiatives planned to be implemented annually out to 2028 to achieve the net zero carbon targets. Initiatives follow a reduction and elimination first approach and include energy efficiency upgrades to aging plant and equipment, optimisation of existing plant and equipment, electrification of natural gas-powered plant and the deployment of onsite solar PV systems or purchase of renewable electricity from the grid. The initiatives are integrated into the capital plans and relevant annual budgets for each asset. Net Zero targets rely on an increase in renewable energy consumption (QPF/QTCF: ~70%, QOF: ~60%, QARP: ~64%, QACPF: ~68%) and a reduction in electricity consumption (QPF/QTCF: ~25%, QOF: ~35%, QARP: ~21%, QACPF: ~22%). All targets apply to assets that are 100% owned and managed by QIC. The purchase of carbon offsets is expected to be required to offset residual carbon emissions relating to sources such as refrigerants, and for which there is not yet an alternative carbon-free replacement. We expect offsets to represent ~5-10% of the baseline emissions profiles across all five funds (baseline years are as follows: FY18 for QTCF & QPF core assets, FY15 for QOF and FY21 for QARP and QACPF). Target progress is quantified annually and receives limited independent assurance, in accordance with the Australian Standard on Assurance Engagements (ASAE3000). For more information on net zero carbon emissions targets for real estate and summaries of our current Net Zero Carbon Emissions Roadmaps, please see our latest QIC Real Estate Sustainability Report.

**Infrastructure Net Zero Target**

Net zero target also includes a 50% reduction in scope 1 & 2 emissions by 2030 from a 2020 baseline, which applies to the equity share of emissions for assets in our pooled infrastructure funds. For infrastructure assets, the net zero pathway incorporates four pillars: operational and design efficiencies; transition to low-carbon fuels and renewable electricity; leveraging emerging technologies; and if required, management of residual emissions through purchase of verified, efficient, measurable carbon offsets.

Target modelling shows the most material drivers of decarbonisation during the time period to likely include: 2021-2030: renewable energy and electrification, bio-based fuels and electric vehicles as well as some emerging hydrogen fuels; 2031-2040: renewable energy and hydrogen. This timing is estimated only, with actual trajectory likely to change over time dependent on the timing of adoption of new technology, operational improvements, growth or reduction in business activity and the potential new investment/divestment of businesses in the portfolio. If additional equity is acquired in either an existing or a new relevant business, the baseline will be adjusted accordingly for the 2030 target.

Progress on our net zero emissions target will be quantified using independent verification and regular scope 1 & 2 emissions tracking metrics, reported in QIC's annual sustainability reporting. For more information on QIC's Net Zero Emissions target for infrastructure, please see our latest QIC Infrastructure Sustainability Report.

**ESG**

Certain information contained herein relating to ESG goals, targets, intentions, or expectations, including with respect to net zero targets and related timelines, is subject to change, and no assurance can be given that such goals, targets, intentions, or expectations will be met. ESG-related calculation methodologies and data collection practices and the reporting thereof as a whole are evolving, and other asset managers are implementing different frameworks, methodologies, and tracking tools. The selection of such different but acceptable measurement techniques can result in materially different measurements. Further, these techniques are subject to measurement uncertainties resulting from inherent limitations in the nature and methods used to determine such data. The precision of different measurement techniques may also vary.

# About this report

**The QIC Sustainability Report is for the financial year ended 30 June 2023.**

The report has been prepared by the QIC Environmental, Social and Governance (ESG) corporate team with the support of other parts of the QIC business.

This report focuses on QIC's ESG information over the financial year 2022–23 and includes our Task Force on Climate-related Financial Disclosures (TCFD) report. It contains examples of our ESG progress and performance, opportunities and details challenges addressed. It spans the activities of our investment teams and our operations.

This report should be read in conjunction with QIC's divisional ESG reports for our Real Estate, Infrastructure and Natural Capital platforms, our Modern Slavery Statement and our QIC Annual Reports, each of which can be found at www.qic.com.

This year, QIC has elected not to produce a separate Liquid Markets Group Sustainability Report, instead incorporating relevant details into this report.

For any enquiries about information contained in this report, email: sustainabilityreport@qic.com.

# Contents



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.

# 1. Introduction

## Message from the CEO

**This year, teams across QIC spent time reflecting on our impact as we redefined our purpose. Resolutely we agree that QIC exists to protect and grow value over the long-term for our clients and Shareholders, while also acknowledging the wider influence of our business — the shared value we create together for the prosperity of our clients, people and communities.**

In FY23, our assets continued to facilitate global trade and to connect people with services and power. We contributed to resilient communities. We provided the equity and debt which help to grow companies and support strong economies.

Recognising the interdependence of people and planet, we also continued to grow our investments in assets which seek to address the global challenges of climate change and biodiversity loss.

We continue to increase our focus on end-to-end decarbonisation solutions, managing the Queensland Critical Minerals and Battery Technology Fund and investing in agricultural properties that support our natural capital ambitions. Our energy platform assets in our Infrastructure portfolio are earmarked to invest more than A$15 billion over the next five years. We own one of Australia's largest renewable energy platforms in Tilt Renewables, as well as portfolio company Renewa which has one of the most diversified land exposures to US renewable energy.

While investments are important, so too are the commitments we make. This year we proudly became a signatory to the Net Zero Asset Managers (NZAM) Initiative, a global alliance of asset managers committed to achieving net zero emissions by 2050 or sooner. Our complex business requires a nuanced approach to decarbonisation, and we are now working across our asset classes to thoughtfully map portfolio and asset-level decarbonisation pathways and formulate interim targets.

This year we also sought to collaborate and contribute to international dialogue in a bid to drive further climate action. To this end, this year we were delighted to be selected on the pilot Principles for Responsible Investment's (PRI) Collaborative Sovereign Engagement on Climate Change, focused on Australia. The collaboration seeks, amongst other things, for sovereigns to take action on reducing carbon emissions and develop credible transition plans supported by policy and investment. We see collaboration as a vital tool to influence change.

Beyond climate, in September 2023 QIC joined the UN Global Compact to put our weight behind international efforts to address issues related to social capital, human rights and labour standards. Through our participation, we will evolve our approach to more explicitly address these critical matters in our operations, investment portfolios and supply chains. This will build upon our progress to manage our modern slavery risk, led by our cross-functional Modern Slavery Working Group, which we outline in our annual Modern Slavery Statement.

This participation is evidence of our commitment to respecting, supporting and where possible, empowering, people and communities. A demonstration of this commitment in FY23 was our progress against our Indigenous Strategy. Most notably, we were appointed investment manager for two Aboriginal corporations, allowing us to leverage what we do best to support economic participation of Indigenous peoples. Further supporting economic participation, we welcomed three new interns through our Career Trackers partnership and procured more than $1.4 million in services from Australian Indigenous businesses in FY23, a significant increase from FY22. We are also now progressing towards a Stretch Reconciliation Action Plan (RAP), which we plan to launch in FY24.

I'm incredibly proud that QIC continues our support as a Founding Sponsor of the Queensland Community Foundation (QCF). The legacy of this 27 year relationship has allowed us to have meaningful reach right across Queensland in support of communities. QCF has distributed more than $34 million across Queensland since inception and distributed over $4.6 million to over 350 charities in 2023 alone. In my mind, Queensland Community Foundation is synonymous with "giving in Queensland" and it is little wonder that in November 2023, the QCF will adopt a new name, Queensland Gives.

Another highlight of our year was the capacity we have built within QIC to drive this progress and further refine ESG integration across the business. The QIC Board and Executive Management Team recognised the importance of having an ESG leader in our Executive Committee so, in late 2022, I appointed Rowan Griffin as Executive Director, ESG. Since then, Rowan has continued to resource our experienced, multidisciplinary corporate ESG team to support better decision making across the business. We have also grown our capabilities within our investment teams, with new ESG members in Infrastructure and State Investments.

This focus on building capacity and tooling the organisation extends to the important internal work we are doing in building out our data strategy and resources to better assess our performance right across the spectrum of environmental and social aspects, further guide informed decision making, and meet the steep challenges facing the international investment community with respect to the growing reporting and regulatory requirements.

This internal work is emblematic of our determination to continuously deepen our knowledge, expertise and capacity to respond to today's ESG risks and opportunities and the emerging trends we identify on the horizon.

In this report, we outline some of our key achievements and highlights of our ESG practices and performance. I encourage you to also read our separate investment capability reports. We look forward to sharing more on our ESG efforts throughout the year.

**Kylie Rampa**
**CEO QIC**

# About QIC

QIC is a long-term investment manager with more than A$102 billion (US$67.9 billion) in assets under management.[1] We specialise in alternatives, offering infrastructure, real estate, private equity, natural capital, liquid strategies, private debt, and multi-asset investments.

Today, we employ a global team of over 900 people servicing more than 130 clients spanning Australia, US, UK, Europe, Asia and the Middle East. Headquartered in Brisbane, Australia, we also have offices in Sydney, Melbourne, New York, San Francisco, Copenhagen and London. At the time of this report, QIC has also opened a new office in Singapore.

## Our purpose

As an acquirer, owner and manager of internationally significant real assets and liquid market solutions, we generate value for stakeholders, including our Shareholder, clients, employees and the local communities who rely on and utilise the assets we manage.

This notion of value creation is core to QIC's purpose:

> **Together, we create shared value by responsibly investing for the prosperity of clients, people and communities.**

From our corporate and investment teams through to those at our real estate assets and portfolio companies, we bring together our diverse capabilities as we protect and grow value over the long term for our clients and stakeholders.

## Our investment teams

| | |
|---|---|
| Infrastructure | Actively invests in and manages a global diversified portfolio of infrastructure assets. A$32 billion in 23 international infrastructure assets with a sector-centric approach encompassing Transport, Energy & Utilities, and Social & Healthcare investment. |
| Liquid Markets Group | Managing active fixed income and cash portfolios, and customised overlay solutions across currency management, implementation, asset rebalancing and portfolio protection. A$23.1 billion under management in cash and fixed income assets and A$86 billion in effective derivatives exposures. |
| Natural Capital | Launched in 2022, Natural Capital is an emerging alternative investment class which invests in nature-based assets (land, soil, water, ocean, flora, and fauna) to promote decarbonisation, biodiversity, protected area expansion and improved reef water quality. This sovereign-backed platform has the capacity to provide institutional investors access to a diversified portfolio of large-scale Natural Capital investments. |
| Private Debt | Invests across institutional grade opportunities in infrastructure debt and multi-sector debt, including corporate and real estate debt. The Private Debt capability has amassed approximately US$850 million of assets under management and committed capital since its launch in 2021. |
| Private Equity | Invests in companies within attractive themes, targeting high conviction strategies in selected sectors, seeking the best access points across all forms of private equity; fund-of-funds, co-investments, direct and secondaries. |
| Real Estate | Invests in Australian retail and commercial properties. Extensive experience in deal origination and execution through to asset and funds management, leasing, marketing, and property development. A$16.17 billion AUM in circa 40 real estate assets with core and core plus exposure across ~1.46 million sqm in activated landholdings in Australia. |
| State Investments | As the Queensland Government's dedicated investment manager, our solutions span whole of and multi-asset portfolio management and liability hedging solutions. State Investments oversees Queensland Government whole-of-fund client portfolios, ensuring that each client's asset allocation is consistent with their investment objectives. This group manages A$62.1 billion AUM for approximately 40 clients. |

Data as at 30 June 2023.

1 As at 30 June 2023.

## ESG highlights

- Became a signatory to the Net Zero Asset Managers (NZAM) initiative, a global alliance of 300+ asset managers with US$59 trillion in assets under management
- Acquired the first agricultural assets under our Natural Capital platform
- Recognised as a Responsible Investment Leader by the Responsible Investment Institute of Australia, within the top 20% of responsible investors in Australia[2]
- Appointed investment manager for two Aboriginal organisations, leveraging our capabilities to support intergenerational wealth creation
- Appointed our first Executive-level leader of ESG, a demonstration of our QIC Board and Executive leadership commitment to ESG
- Grew our capability with new ESG members in our corporate, State Investments and Infrastructure teams
- Carbon neutral for our corporate operations (Scope 1, 2 and 3) for FY22, an achievement certified by Climate Active in late 2023[3]
- Delivered $1.59 million in community contributions through our Real Estate portfolio through a mix of cash, time, in-kind contributions, and management-related efforts[4]
- Completed our internal ESG audit, with no major findings. Work is now underway to further strengthen our approach
- Accepted as a participant to the UN Global Compact (September 2023)
- Secured a A$1.6 billion green loan to fund QIC's 50% interest in Vector Metering and Vector Metering's ongoing electricity smart metering rollout across Australia and New Zealand
- Continued to deliver on one of the largest onsite solar programs on retail property in Australia
- Selected to be a collaborator on a climate-related UN Principles for Responsible Investment (PRI) pilot for sovereign engagement (July 2023).

As we continue to deepen our due diligence approach and as data improves so too does our ability to identify issues within our portfolios. This year, for example, we became aware of allegations of illegal child labour in one of our investment portfolios. In this report we provide details on how we identified, assessed and continue to monitor this risk. Despite our progress, significant ESG challenges remain — both for the sector and for QIC. Further details on our response are provided in this report.

2 QIC is a member of RIAA and pays an annual fee. responsibleinvestment.org/responsible-investment-leaders.

3 Certification and definitions in accordance with assessment criteria applied by Climate Active. Emissions boundary covers QIC Limited's corporate office space (ABN 95 942 373 762) and excludes emissions associated with QIC's financial investments or international offices and electricity/energy emissions from QIC's overseas office spaces. Further information in section 3.3.1 below.

4 Community contributions for FY23 have been verified by Business for Societal Impact (B4SI) of which QIC is a member and pays an annual fee.

# 2. Investing responsibly

At QIC, we believe consideration of relevant ESG factors in investment processes is an important contributor to long-term value creation.

This can be through the identification of investment risks and opportunities enabling business performance, as well as increasing preparedness for emerging risk via our stewardship efforts.

In this section, we highlight how we think about materiality, how we integrate ESG into investment processes, our approach to stewardship and our ESG performance and progress during FY23.

## Sustainability governance

The QIC Board, comprised of Non-Executive Directors, is responsible for approving and overseeing the ESG strategy and Sustainable Investment Policy in relation to both QIC as a corporation and its investment portfolios.

Our Sustainability Governance Framework outlines roles and responsibilities across the organisation, drives accountability for sustainability performance and supports QIC's Board in fulfilling its duties with respect to ESG. A depiction of the Framework is shown in Figure 1.

Notably, QIC welcomed a new Executive Director of ESG in 2022. This is the first time ESG has been represented at an executive level in the organisation, signalling the importance of ESG to the QIC Board and wider business.

Each quarter, the Executive Director of ESG reports to the Board Risk Committee on ESG progress against the strategy. Key ESG risks are addressed in a quarterly Risk Committee update from QIC's Risk Management Group (RMG). The Risk Committee uses these updates to monitor progress and to oversee key risks to ensure they are appropriately managed.

### Figure 1: QIC's Sustainability Governance Framework

| | |
|---|---|
| Board | The role of the Board is to **approve and oversee the operation of the sustainability strategy and policy.** |
| Board and Investment Committees | In relation to QIC as a corporation and its investment portfolios, the role of the **Risk Committee** is to:<br>• monitor and advise on the implementation of the Sustainable Investment Policy, including sustainability-related processes and performance data and reporting<br>• monitor sustainability-related risks<br>• escalate matters arising to the Board.<br><br>In relation to investment portfolios and at asset level, the role of the **Investment Committees** is to:<br>• make investment decisions in accordance with the Sustainable Investment Policy<br>• escalate matters arising to the Board. |
| Management Committees | In relation to QIC as a corporation and its investment portfolios, the role of the **Executive Management Team** and **Executive Committee** is to:<br>• oversee implementation and performance, and escalate any matters arising to the Board<br>• monitor the sustainability strategy and policy to ensure it is appropriately reviewed and fit for purpose. |
| Management | The role of **management** is to propose and implement the sustainability strategy and to prepare sustainability-related reporting in relation to QIC as a corporation and its investment portfolios.<br><br>The **investment teams** also seeks to implement investment strategy in accordance with the Sustainable Investment Policy and provide data to report against performance objectives and targets. |

## Sustainable Investment Policy

The QIC Board-approved Sustainable Investment Policy sets out our operating principles for integrating ESG factors into our investment strategy and decision-making processes. The Policy was reviewed post this reporting period in September 2023 and updated to more explicitly acknowledge:

- the role of ESG factors in shaping structural shifts in the economy
- the role of capital allocation in shaping ecological and social systems, influencing associated systemic risks and society's resilience to them
- the importance of considering the intersection of E, S and G factors as opposed to considering each in isolation.

The changes align with QIC's purpose and seek to promote investment intended to contribute to a more sustainable financial system supportive of long-term value creation.

**ACCESS**
Sustainable Investment Policy

## Strategic priorities in action

A number of areas have been prioritised for action in FY23, with a focus on creating strong foundations for the delivery of QIC's ESG ambitions. These include QIC-wide environmental and social goals.

### Climate action

**Why it's important to us**

We view the systemic risk of climate change as both an era-defining challenge and a substantial investment opportunity through the transition to a low carbon economy.

**Progress**

- QIC became a signatory to the Net Zero Asset Managers (NZAM) initiative.
- Work commenced to formulate interim emissions reduction targets and decarbonisation pathways for our portfolios, assets and operations. This is planned to be finalised by the end of June 2024 in line with NZAM requirements.[5]

Refer to the Appendix 1: Task Force on Climate Related Financial Disclosures Report for more detail.

### Social framework

**Why it's important to us**

While QIC has long been active on a range of social issues, we recognise that a QIC-wide social framework will serve to better align activities across the business.

**Progress**

- Work commenced on bringing our social programs and activities together into a QIC-wide approach, incorporating activities across our organisation, in our communities and across our supply chain and investment activities.
- In early FY24, QIC became a signatory to the UN Global Compact, further demonstrating our commitment to respecting and upholding human rights.

For more information on some of our FY23 program highlights, refer to Diversity, Equity and Inclusion (DEI) and Procurement in section 3, and In the Community in section 4.

### Stewardship

**Why it's important to us**

We believe that effective stewardship can enhance investment performance and contribute to the management of systemic risks.

**Progress**

Enhancements were implemented early in FY24 to our proxy voting approach and external manager reviews to deepen our stewardship activities.

Refer to Active Ownership on page 15 for details on our stewardship performance.

5 By 1 July 2024 QIC will make public any interim targets and decarbonisation pathways. Under NZAM, signatories have 12 months to define the scope of their commitments.

## Data and reporting

**Why it's important to us**

A fit for purpose ESG data solution is important to support the successful management of ESG risks and opportunities, analysis and efficient reporting.

**Progress**

A collaborative data project is underway to define our future ESG data needs and ensure they are supported by performance measurement protocols and consistent governance standards.

## Governance and policy reviews

**Why it's important to us**

To support alignment in our ESG approach across the business, it is important that we have a comprehensive framework and a process in place to continue to refine our governance approach and policies.

**Progress**

- Work is well progressed to clearly define roles and responsibilities with respect to ESG activities.
- Work is ongoing to refresh our existing policies and create additional guidance to ensure consistency in the quality of our activities.
- To guide our efforts, we finalised our ESG Maturity Model, which defines what mature ESG integration practices look like.

## Materiality

As outlined in our Sustainable Investment Policy and the more detailed standards and guidance notes available to investment teams, we seek to identify and consider ESG factors material to investment decision making. We do this to better understand and mitigate associated risks, and to more fully realise associated opportunities. Our broad approach is set out below, and expanded for each investment team within the ESG integration section that follows.

As a multi-asset class investor, we understand that ESG issues vary in materiality across asset classes, sectors and industries, and we tailor our ESG approach to what is suitable for the investment.

We apply a materiality framework to identify the key issues facing QIC as an investor, drawing on a range of tools including the Sustainability Accounting Standards Board (SASB) Materiality Framework, RepRisk platform and our own ongoing research. The framework includes:

- assessing exposure to ESG risks and opportunities mapped to sub-industry level
- assessing the relative materiality of these ESG factors using the SASB Materiality Framework
- regular monitoring of exposure to ESG-related reputation risks across most of QIC's investment holdings using the RepRisk platform
- identifying emerging issues through ongoing research and monitoring of the framework.

The following six ESG areas of focus represent the most significant issues we typically manage within the framework.

Figure 2: QIC's six ESG areas of focus

- Climate change
- Environmental sustainability
- Social capital
- Human capital
- Business model and innovation
- Leadership and governance

In light of recent industry developments, most notably the release of the International Sustainability Standards Board's (ISSB) standards outlining the general requirements for the disclosure of sustainability-related and climate-related financial information, we will be reassessing our approach to determining material issues for QIC more broadly, including within our own operations. We will undertake this review in conjunction with our key stakeholders to ensure that our processes continue to consider the needs of a broad range of stakeholders.

## ESG training

To build out our ESG competencies across the business, and to manage our ESG risks, we have updated and introduced new ESG training at QIC.

This year, our progress included:

- refreshed our mandatory Modern Slavery e-learning module
- rolled out voluntary Greenwashing awareness sessions to most corporate and investment teams
- launched a mandatory Greenwashing e-learning module
- held carbon market and credits education sessions with the QIC Board and Executive Committee
- led a climate science webinar for staff. Later in 2023, we will introduce a new Climate Science e-learning module.

## ESG integration

At QIC, we manage diverse asset classes and products on behalf of our clients, and we have different levels of ownership in, and influence over, our investments. Due to this how we integrate ESG into our investment processes varies across asset classes. In general terms for our internally managed investments, due diligence is undertaken prior to investment and continues to be monitored, including for risks arising during the life of the investment. We consider material ESG factors identified via our own and third-party research. Consideration is also given to potential reputational risks from ESG and other issues, both to the investment and to QIC.

The following table describes key aspects of the integration process by asset class, including for the first time our approach to Private Debt and Natural Capital.

Enhancements during the year include increased analysis of decarbonisation options by Liquid Markets Group, work to align with the European Union's Sustainable Finance Disclosure Regulation (SFDR) requirements within our Private Debt and Infrastructure capabilities, and the broadened application of a number of third-party ESG resources across multiple investment teams.

### Infrastructure

**Asset class overview:** Diversified portfolio across various sectors of health care, energy and utilities, and transport.

**Ownership description:** Our shareholding percentages range from ~5.4% to 100% across the portfolio.

**Integration approach:** Active management through engagement of a portfolio company's Board and management.

**Integration process:**

1. Thematic and sector-centric investing
2. Initial screen
3. Investment evaluation
4. Active engagement
5. Performance monitoring and reporting.

QIC Infrastructure embeds a strategic approach to sustainability at our portfolio companies. This is achieved through a focus on continual improvement in:

- Board composition and competency
- management team capability, resourcing and accountability
- culture/leadership
- systems and processes
- data driven decision making
- integrated sustainability
- enterprise governance
- performance.

### Real Estate

**Asset class overview:** Retail, commercial and industrial real estate assets. Natural Capital, as a distinct capability within the QIC Real Estate platform, is addressed separately in this report.

**Ownership description:** The majority of our real estate assets are 100% owned by QIC. We also have joint venture arrangements for a number of assets and always seek operational control.

**Integration approach:** Active management with day-to-day operational control.

**Integration process:**

ESG factors are considered in investment decisions at different points in the investment cycle, including in the visioning and strategy, due diligence for asset acquisitions, asset management and development, and divestment stages.

We seek to assess investment decisions on their alignment with QIC Real Estate's ESG Strategy, and the impact each investment decision will have on the achievement of the long- and short-term objectives underpinning this strategy.

With day-to-day operational control, QIC Real Estate addresses the four key elements of our ESG strategy on a practical level by setting targets, monitoring our performance (including in real-time), and driving improvements to our practices. The four elements of the strategy are:

- Resource Efficiency and Circular Economy
- Climate Change
- Sustainable Value Chain
- Community Investment.

### Private Equity

**Asset class description:** Diverse private equity portfolio through funds, co-investments and direct investments.

**Ownership description:** We are a limited partner or minority equity holder for the majority of our investments.

**Integration approach:** We seek to invest in and alongside leading private equity and venture capital managers, integrating ESG in our processes, as follows.

**Integration process:**

1. Origination
2. Evaluation
3. Execution and closing
4. Management and reporting.

Each investment opportunity is reviewed by QIC's corporate ESG team, including, where relevant:

- engagement with general partners and co-investments
- ESG third-party providers such as RepRisk and FairSupply
- annual surveys and peer group analysis
- client and stakeholder feedback and focus areas.



QIC

## Liquid Markets

**Asset class overview:** Fixed interest, overlay rebalancing and hedging solutions.

**Integration approach:** We actively integrate sustainability considerations into portfolio positioning to protect and enhance portfolio returns, and the reputation of our clients. We do this through the steps articulated below.

**Integration process:**

For fixed interest, active management of sustainability risk and opportunity is through our 'screen, integrate, engage' process:

1. Initial credit research
2. Ongoing monitoring
3. Engagement
4. Exclusions, including permanent and transitory
5. Modelling medium and long-term portfolio and industry pathways.

For Implementation Services where the positions are through derivative instruments, we apply the 'screen, integrate, engage' process to our derivative counterparties and brokers. We engage and have excluded counterparties via trading limits for ESG transgressions.

## Private Debt

**Asset class overview:** High yielding infrastructure debt and diversified multi-sector debt or debt-like investments in developed markets.

**Integration approach:** As a debt investor, our leverage to integrate ESG is greatest in the early stages of a deal through borrower due diligence and loan structuring.

With both Infrastructure and Multi-Sector Private Debt capabilities, ESG risk due diligence and approach may vary as required. For example, across sectors or geographies, or where a fund is regulated, such as under the European Union's Sustainable Finance Disclosure Regulations.

**Integration process:**

Broadly, our Private Debt integration process focuses on:

1. Initial screen and due diligence
2. Loan structuring
3. Ongoing monitoring, depending on agreed structure (e.g. a Sustainability Linked Loan).

For our most recent vehicle, for which we provide disclosures under Article 8 of the European SFDR, we intend to meet the specified reporting requirements.

## Natural Capital

**Asset class overview:** High-quality commercial agricultural land, at scale, that has the ability to deliver sustainable agricultural production alongside environmental outcomes across carbon, biodiversity and/or water quality.

**Ownership description:** We seek majority ownership and control of agricultural investments, identifying local operators to partner with and manage our operations.

**Integration approach:** Active management.

**Integration process:**

ESG considerations are considered through the investment cycle as outlined below.

- Initial screening
- Investment evaluation
- Engagement
- Performance
- Reporting.

Through our active management we aim to deliver outcomes from a carbon sequestration, biodiversity preservation and/or enhancement, or water quality perspective with a particular focus on the Great Barrier Reef catchment. This is intended to be delivered alongside sustainable agricultural operations.

## State Investments

**Asset class overview:** Multi-asset class investment solutions tailored to meet our Queensland Government clients' investment objectives. Investments are made with specialist investment managers across asset classes.

**Integration approach:** Monitoring, corporate engagement and exclusions.

**Integration process:**

State Investments review, assess and monitor the integration of ESG into our investment processes.

1. Initial screen
2. Investment evaluation
3. Active engagement
4. Performance monitoring and reporting.

State Investments delegates the exercising of proxy voting rights to external investment managers, each of whom currently use independent advice from Institutional Shareholder Services to guide votes on ESG matters. The QIC corporate ESG team, in conjunction with State Investments, monitors upcoming votes relating to ESG and retains the ability to override an external manager's voting intentions as appropriate.

## Exclusions

Exclusions are periodically reviewed. As far as practicably possible, QIC does not invest in companies generating revenue from the production or manufacture of tobacco and related products[6], nor do we have exposure to controversial weapons.[7] An example of where it cannot always be practically applied includes investments in derivative indices or pooled investment vehicles via external managers.

## ESG teams

QIC has continued to build out its ESG capabilities in FY23, with new members joining our corporate, Infrastructure and State Investments ESG teams, and with the appointment of our first Executive Director, ESG.

The primary responsibility of QIC's corporate ESG team is to lead our ESG strategy and policy, as well as the development of ESG technical capability and resources across the organisation. This multi-disciplinary team has capabilities across the core areas of environment, social, stewardship, risk and data.

The corporate ESG team works in collaboration with QIC's investment teams, and in particular with the ESG leads embedded across each of the asset classes. Each of QIC's investment teams are responsible for integrating ESG into their respective investment processes and developing tailored ESG solutions across portfolios, sectors and industries.

QIC's ESG team and investment team ESG leads are shown below.

Figure 3: QIC's ESG capabilities

Rowan Griffin
**Executive Director, ESG**

- Alison Ewings, General Manager, ESG
- Dr Sebastian Thomas, Climate & Environment Lead, ESG
- Sonia Auld, Social Lead, ESG
- Laura Crandon, ESG Strategy Manager
- Meison Wallace, ESG Data Analyst
- Sarah-Louise Galloway-Ylias, ESG Intern

### Real Estate

Melissa Schulz
**General Manager, Sustainability**

- Bob Fynan, Environment Manager
- Linda Smith, Community Manager

### Infrastructure

Andrew Sellick
**Principal, Sustainability**

- Helen McNamee, Sustainability Manager (US)
- Johanna Blom, Sustainability Manager

### Natural Capital

Andrew Saunders
**Head of Natural Climate Solutions**

### Liquid Markets

Marayka Ward
**Director, Fixed Income Strategy**

- Rachel Fisher, Head of Global Credit and Sustainable Investments

### Private Capital

Nick Guest
**Partner**

### Private Debt

Phil Miall
**Head of Multi-Sector Private Debt**

Nick Stockdale
**Partner and Head of Europe, Private Debt — Infrastructure**

### State Investments

James Esland
**Investment Director, LTDF and Responsible Investment**

- Craig Blundell, Strategist, ESG

As at 30 September 2023.

6 Companies that manufacture tobacco products, such as cigars, blunts, cigarettes, e-cigarettes, inhalers, beedis, kreteks, smokeless tobacco, snuff, snus, dissolvable and chewing tobacco. This also includes companies that grow or process raw tobacco leaves.
7 Controversial weapons are defined as biological and chemical weapons, blinding laser weapons, depleted uranium, cluster munitions, landmines, white phosphorous, and weapons that used non-detectable fragments.

## Tools and resources

While sustainability data continues to be a challenge for the industry, we are increasing our access to relevant ESG datasets, including exploring ways to improve our ability to capture data directly from portfolio companies. We are selectively engaging in data partnerships that enable us to gain meaningful sustainability insights and support us in meeting disclosure requirements.

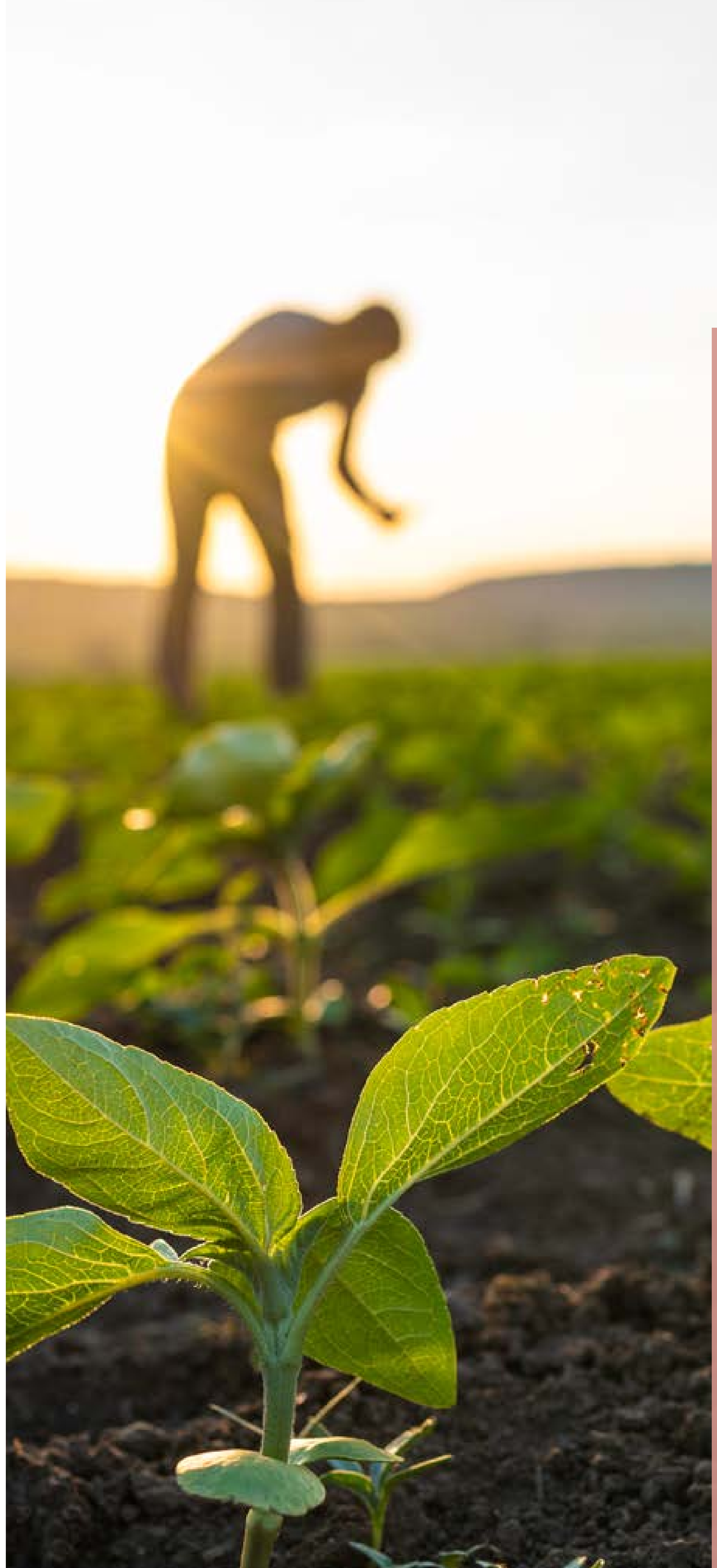
Below is an overview of the data and tools we currently integrate into our ESG processes to support our analysis.

### Table 1: ESG data and tools

| Third-party platforms | Data usage |
|---|---|
| MSCI ESG Manager | ESG analysis (including carbon foot printing) and/or screening tools |
| ISS Data Desk | |
| ISS Proxy Exchange | Monitor external managers' proxy voting activity through the third-party providers' platforms |
| Glass Lewis Viewpoint | |
| RepRisk | Monitor ESG risks for portfolio holdings and our counterparties |
| ISSB / SASB | Use of SASB Materiality Map®[8] |
| Sustainable Development Investment Asset Owner Platform Taxonomy (SDI-AOP.org) | UN SDG alignment, contribution and impact mapping |
| FairSupply | Analyse risk exposure associated with modern slavery and estimation of Scope 3 carbon emissions |
| Munich Re — Location Risk Intelligence Platform | Analyse and manage physical risks of natural hazards and climate change |

8 QIC licenses and applies the SASB Materiality Map in our work.





ESG DATA PLATFORM
**Material issue: Social Capital**

### QIC Private Equity

As the world faces growing global systemic risks through climate change and biodiversity loss, and persistent inequalities putting people at significant risk of harm and exploitation, companies are looking to better understand their risks, impacts and opportunities.

In 2020, QIC engaged Australian company, Fair Supply, to provide ESG data and professional services to support the ongoing risk assessment of our supply chains and investment portfolios.

In a show of confidence, in 2022, QIC turned from customer to early investor in Fair Supply through the QIC-managed Business Investment Fund (BIF). In light of the tailwinds of ESG, combined with the complexity of the challenge, QIC's Private Equity team saw potential in Fair Supply's ability to assist clients in accessing comprehensive supply chain data and visibility of modern slavery in the supply chain, Scope 3 carbon emissions, biodiversity and water use risk.

## Active ownership

As custodians of our clients' capital, we seek to use our influence and rights to oversee that the companies we invest in operate sustainably. Being active stewards of our investments can help to enhance both the performance of those investments and contribute to the management of systemic risks.

To this end, we use specific levers as a feature of the investment processes of many of our teams, including:

- Engagement
- Proxy voting
- Manager selection and monitoring
- Active asset management

### Engagement

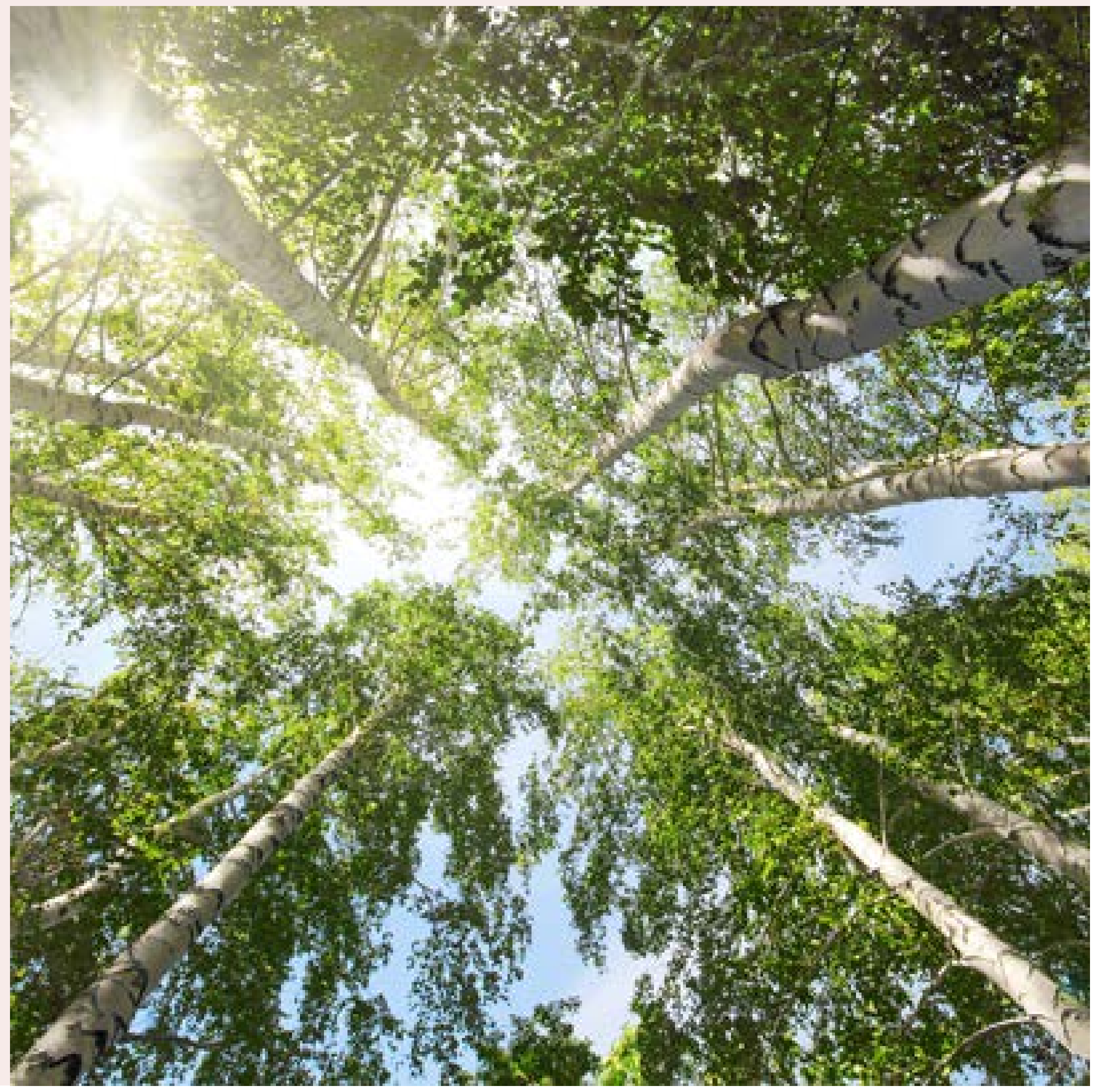
Our Liquid Markets Group team directly engage with issuers, both prior to and after a bond is issued. FY23 saw 48 engagements across a range of topics and sectors, representing approximately 70% of net asset value (NAV), and including engagement with seven entities with whom we do not currently hold bonds. While the bulk of our engagement was with public and private companies, nine engagements were with government and supranationals. Further, in FY24, QIC joined the PRI's Collaborative Sovereign Engagement on Climate Change.

### PRI's Collaborative Sovereign Engagement on Climate Change

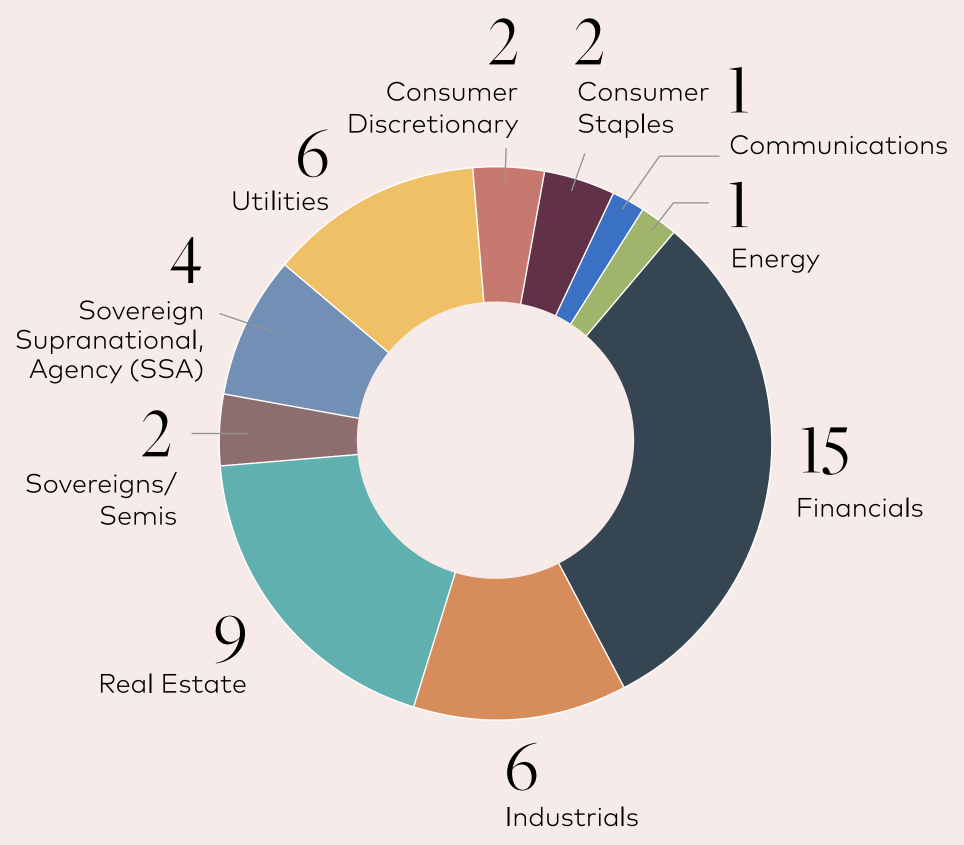
QIC has been selected to join this Australia-focused pilot program. The collaboration recognises the risks of climate transition on the value of sovereign debt investments, and the role of sovereigns (issuers of government debt) in contributing to the reduction of climate risk and therefore the risks to investor portfolios more broadly. Specifically, the collaboration will seek that sovereigns:

- close the gap between current action and a Paris-aligned emissions reduction pathway
- establish detailed, credible and economy-wide net zero transition plans supported by policy and investment
- enhance climate adaptation and resilience across the economy and community
- improve disclosure of sovereign exposure to climate risks and opportunities consistent with international standards.

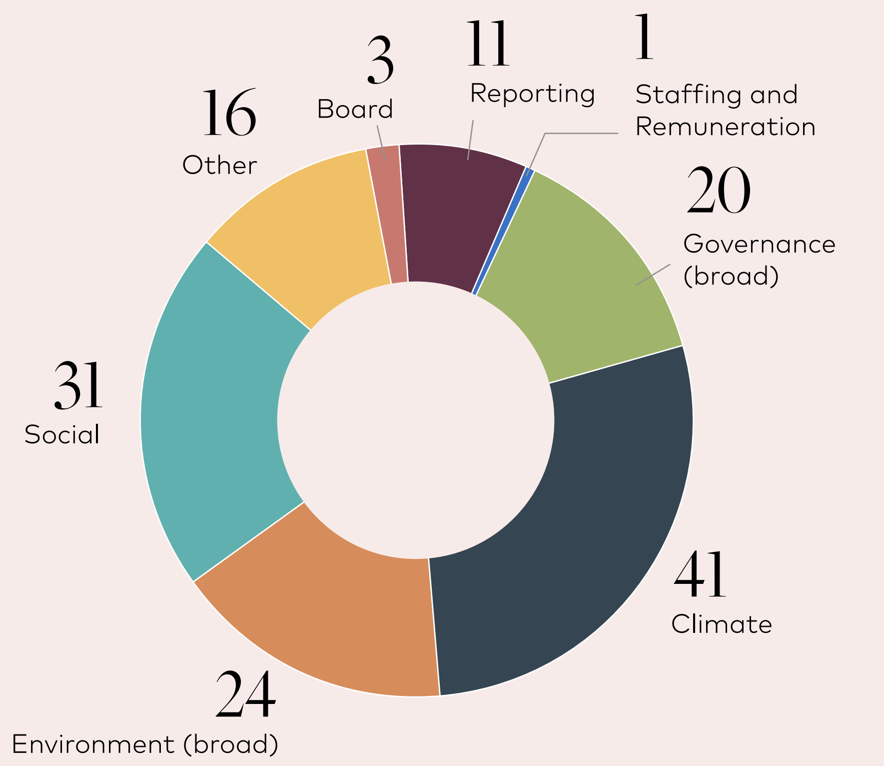
Under the program, QIC's engagement efforts will be focused on the national regulators and authorities stream of the collaboration. We view this initiative as especially important given the relative newness of collaborative engagement in this area, the opportunity to contribute to the broader body of knowledge of investor practice and the important role that sovereigns play in reducing climate risk.



### Figure 4: LMG engagement by industry FY23

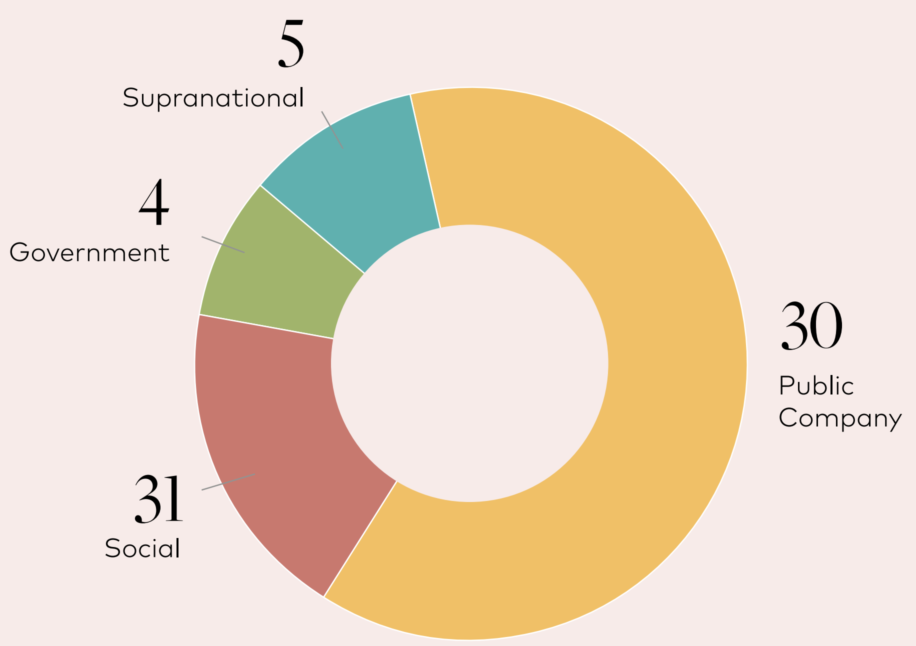



### Figure 5: LMG engagement by topics FY23




Source: QIC recordkeeping. Note some engagements covered multiple topics.

### Figure 6: LMG engagement by issuer type FY23




Formal tracking of engagements commenced in 2016. Notably, since that time there has been an increase in the understanding and communication of sustainability issues at executive levels, facilitating more open, two-way discussions and presenting meaningful opportunities for influence.

PORTFOLIO MONITORING
**Material issue: Social capital**

## Liquid Markets Group

In July 2023, QIC's Liquid Markets Group was alerted through a third-party monitoring platform to allegations against a significant global company, claiming some franchisees were using illegal child labour. Contemporaneous news articles also reported that shareholders were demanding a response to a government investigation that found some 300 children were illegally working in the company's operations in the US.

Following consideration by the portfolio management team, the decision was made to actively monitor developments while waiting on the response to the shareholder request. Engagement will be pursued as the preferred course of action if the response is deemed inadequate by the QIC team.

This monitoring approach contrasts with the action reported in our 2022 Sustainability Report, whereby QIC sold all bonds and invoked trading restrictions on another global company following allegations of child labour.

Despite divesting the bonds, the team has continued to monitor the company, noting pleasing actions including the divestment of its controlling interest in the offending subsidiary company, audits of its direct suppliers across Alabama (where the child labour occurred), and suggestions it is implementing extensive corporate measures to mitigate this risk.

The team considered the July 2023 allegations to differ in important ways to those reported in 2022, including:

- most critically, the 2022 case related to a majority-owned subsidiary of the global parent company, as opposed to franchisees
- the team believe the company in this more recent example showed a superior response, which suggested follow up actions would likely occur. This included more immediate acknowledgement and expression of regret over the issue followed by a series of new and enhanced processes and procedures instituted to mitigate the risk of further breaches of fair labour laws.

## Proxy voting

During 2023, we exercised our voting rights at 4,928 separate meetings, with 49,558 resolutions voted on QIC's behalf. Typically, these votes are exercised by our external fund managers, with additional focus applied to those votes relating to a range of environmental and social issues, including climate change and human rights. In these instances, we may elect to override the recommendation of a manager.

Following a review of our approach during FY23, we have engaged additional research support for the forthcoming year to help guide our voting deliberations as we continue to seek to align them with our own environmental and social positions and commitments.

A summary of the proxy votes cast during the reporting year is provided below, including the jurisdictions in which the votes were cast and the topics covered.

During the 2023 proxy voting season, 88% of votable proposals were voted in line with company management. Where we voted in opposition to company management, these were distributed across all proposal categories as depicted in Figure 9. For ESG issues prioritised by QIC this is intended to convey the priority of these issues and/or need for further action. In other instances, these were as voted by our external managers who retain authority to vote on our behalf.

There have been minor changes in composition compared to previous years, notably a growing trend of voting against company management on ESG-related proposals. These proposals span the ESG spectrum, including, but not limited to, climate, human rights and political and charitable spending.

Figure 7: Breakdown of meetings by geography (%)

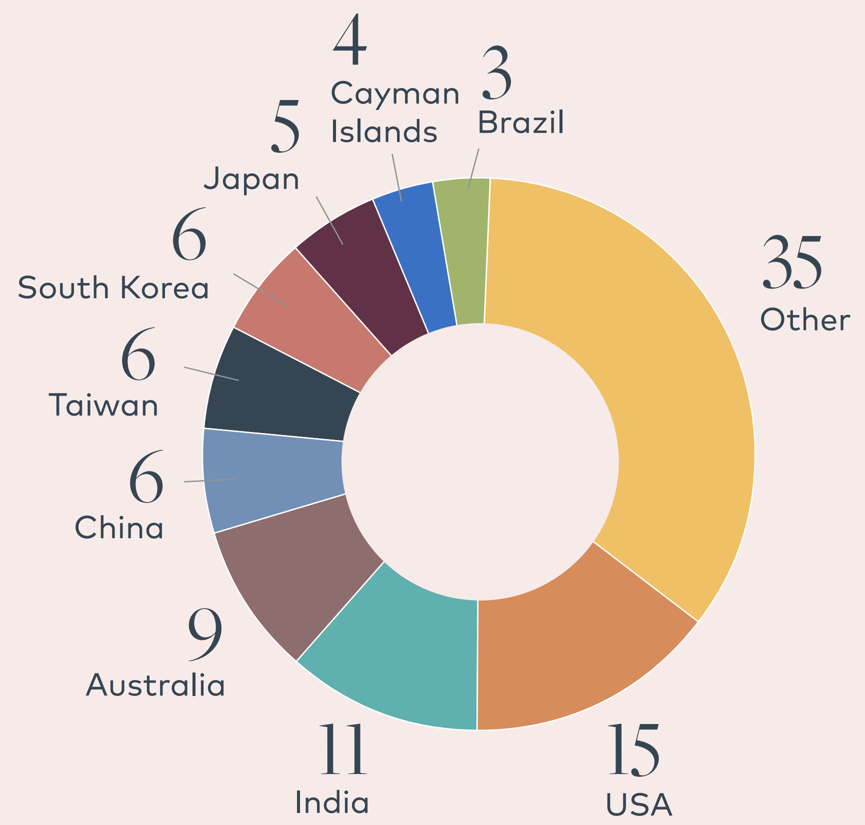



Figure 8: Breakdown of proposals by category (%)

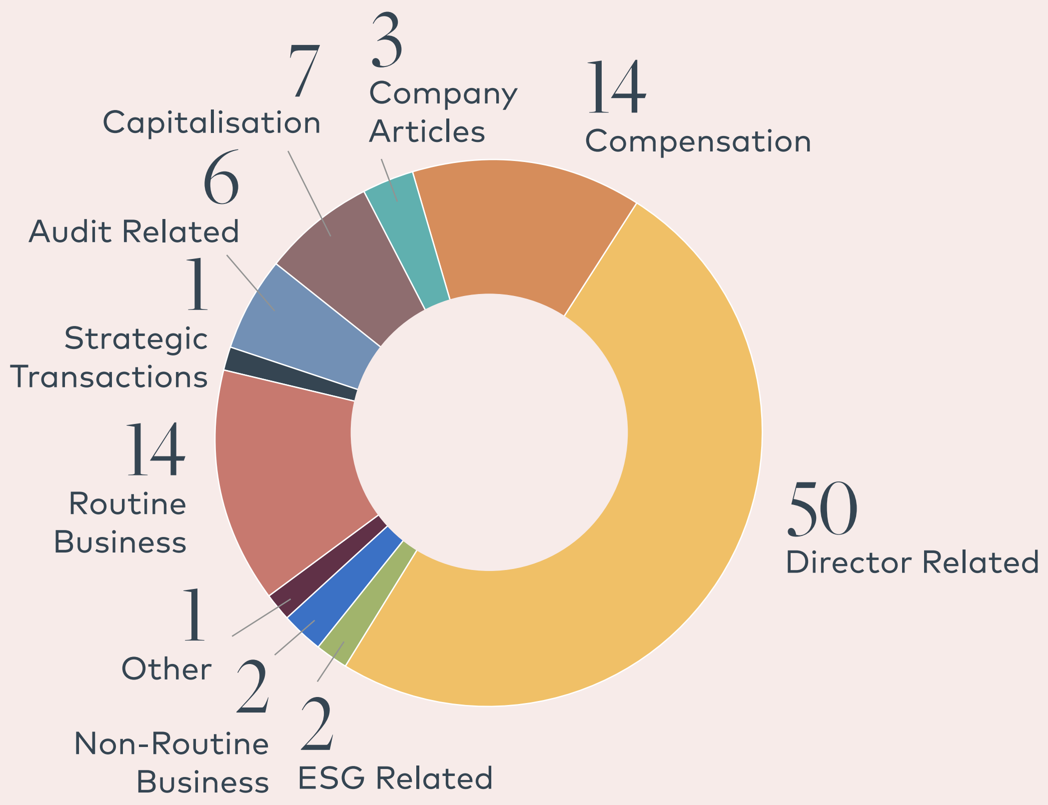
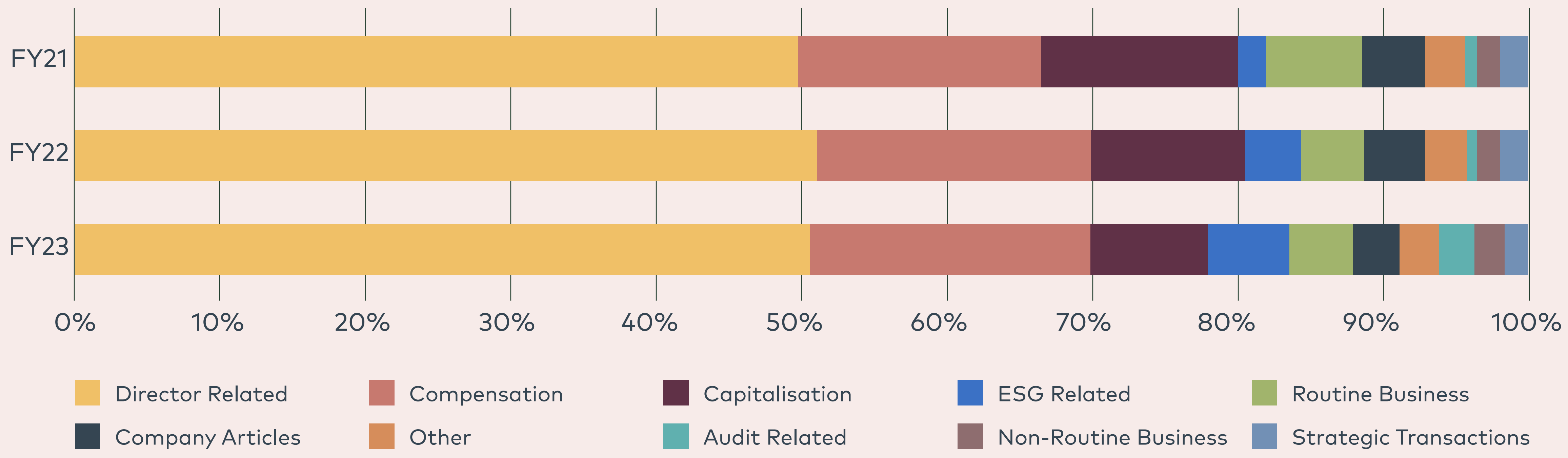



Figure 9: Breakdown of votes in opposition to management (%)




Note: Figures have been rounded.

## Manager selection and monitoring

Our State Investments and Private Equity teams appoint external investment managers and we review their performance each year to ensure their activities continue to align with our expectations. This is initially assessed via an annual survey that may be followed up with more detailed discussions to better understand how our managers are addressing ESG issues on our behalf and evolving their own ESG approaches. Topics of focus include ESG policy and approaches to integration, governance, resourcing, climate commitments and any changes in issues material to the portfolio.

### QIC State Investments external manager ESG survey

QIC State Investments appoints external managers to manage exposures across a range of asset classes. Each year, QIC distributes an ESG survey to all our externally appointed managers, and in 2023 we experienced a 100% response rate from a combined total of 24 listed and unlisted managers.

Respondents were asked questions relating to ESG adoption, resources and frameworks, as well as their diversity and inclusion policies and integration. A number of features are now commonplace amongst our managers, for instance:

- the existence of a ESG/Sustainable Investment or equivalent policy to guide their efforts
- membership of related industry associations, most notably the UN-backed Principles for Responsible Investment (PRI)
- some level of dedicated ESG resourcing to support their efforts.

This year, 58% of managers indicated they report in accordance with the Task Force on Climate-related Financial Disclosures (TCFD). Based on the responses provided, we assess that over 37% of managers have already made some form of net zero commitment with respect to their investments and a further 17% have made commitments specific to their own operations.

### QIC Private Equity external manager ESG surveys

In light of progress made by our existing suite of managers, we have revised our external manager questionnaire for Private Equity. At the time of writing, we were awaiting final responses and will provide an update on developments and insights in our FY24 report. The focus is on more evidence-based application of the policies our managers have in place as well as additional information to support the development and measurement of net zero plans.

Given this progress, we are revising the questionnaire for 2024 to focus more on assessing the efficacy and effectiveness of the policy and processes in place and to better understand the capabilities of managers to address climate risk and action.

This year

58%

of managers indicated they report in accordance with the TCFD.

Over

37%

of managers have already made some form of net zero commitment with respect to their investments.

## Active asset management

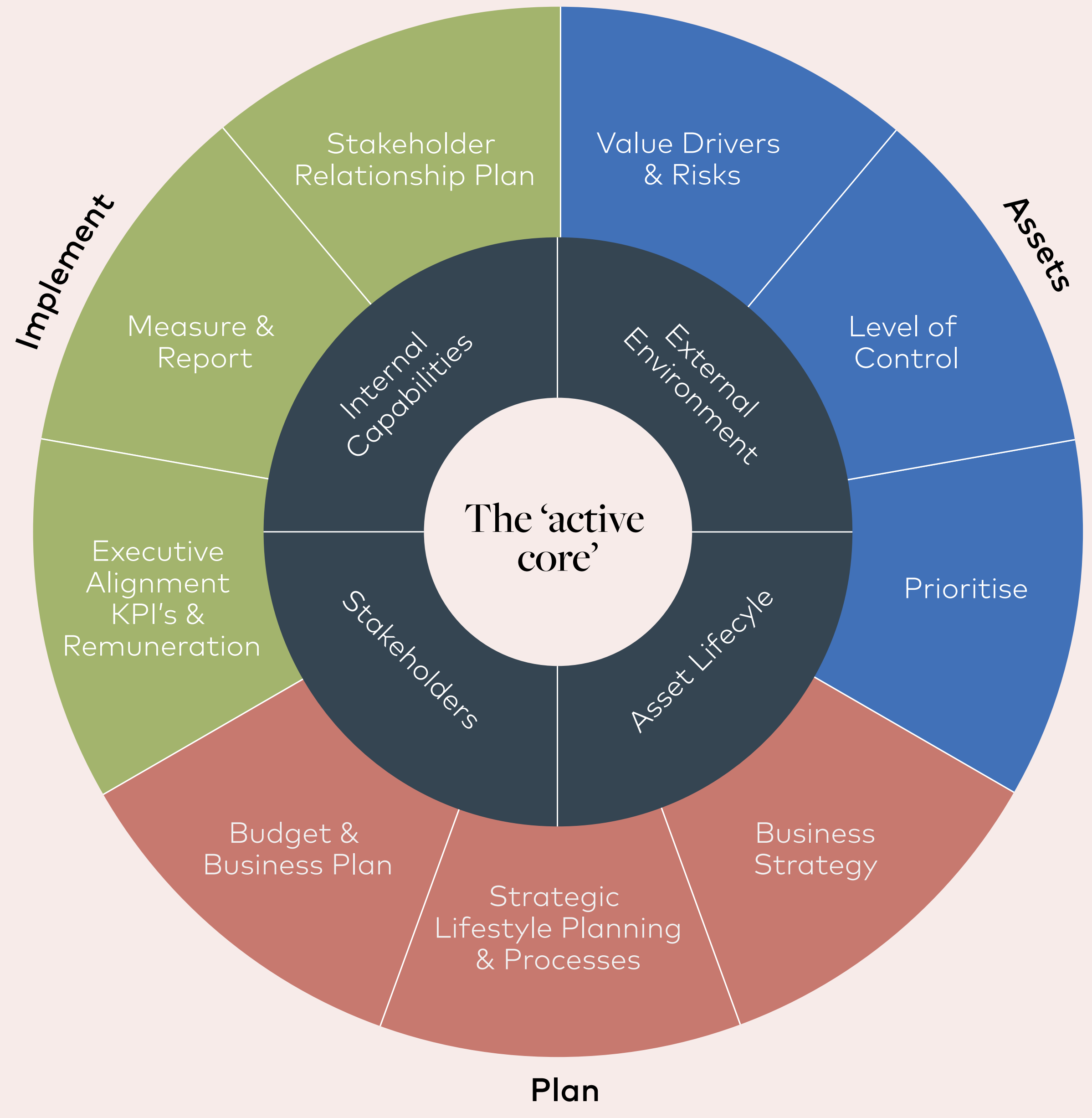
Active asset management is a feature of several QIC investment capabilities.

### Infrastructure

QIC Infrastructure's active asset management approach is focused on continuous improvement to optimise financial performance over the lifecycle of the asset and aims to deliver long-term sustainable outcomes.

This is brought to bear through a focus on the stewardship of assets, centred on active engagement on key environmental, social and governance considerations. This approach is supportive of QIC's social license to operate and reputational risk management. The below diagram illustrates the asset management planning framework.

Figure 10: Asset management framework




Some of the features of this active asset management approach include:

- establish strong frameworks through the respective boards of our portfolio companies, to develop a clear strategy and to subsequently empower a suitable management team to deliver the strategy
- influence management on strategic and key business decisions, to actively evaluate where value can be added to a portfolio company and work collaboratively with its management, key external stakeholders (e.g., regulators, customers) and Co-Investors as to how it can be delivered
- increase the level of interactions with portfolio company management when there are special projects (e.g. bolt-on acquisitions, refinancing, restructuring)
- being proactive in addressing identified issues and undertaking advanced planning, including preparing and maintaining Asset Management Plans to identify issues and initiatives for QIC to work with management to deliver value and mitigate risk, engage with boards of portfolio companies and track progress
- provide appropriate guidance, direction and oversight are through our Asset Management Leadership Team ('AMLT'). The AMLT is also accountable for oversight of asset management of all investments, including strategy and priorities for technology, operations, people and culture, and sustainability. The AMLT escalates material matters to the Infrastructure investment team's IMC, which is also responsible for oversight and review of major investment team asset management decisions once an investment has been made.

### Director appointments

For our direct investments, most notably within our Infrastructure platform, QIC seeks wherever possible, direct appointments to the board of these assets. In the selection and appointment of these Directors, we take into account the current Board composition, diversity, and skills assessment.

During FY23, our Infrastructure team worked with an expanded number of Non-Executive Directors following the addition of new businesses to the portfolio and the end of current Director contracts. A focus has been on the establishment of sub-committees and working groups to enhance sustainability outcomes within our portfolio companies.

### Real Estate

QIC Real Estate's ESG Strategy is integrated throughout its active asset management practices across our property portfolio. Initiatives that support the delivery of the ESG strategy and objectives are incorporated into strategic asset plans, capital plans and annual budgets. Portfolio level initiatives are developed and implemented in collaboration with QIC Real Estate's National Operations and Marketing teams and asset-level management staff are engaged to identify and manage ESG risks and opportunities specific to their assets. Key performance indicators aligned with our ESG strategic objectives are incorporated into business unit plans and individual team member scorecards to incentivise continued commitment to the delivery of our ESG strategy.

QIC Real Estate's ESG Strategy is also integrated into our development projects via our Sustainable Design Brief, which incorporates various criteria to help achieve our objectives across our four priority strategic focus areas of climate change, resource efficiency and circular economy, sustainable value chain and community investment. ESG considerations are incorporated into asset acquisition or divestment opportunities within Real Estate through assessment of how the acquisition or divestment will impact our ability to deliver our ESG strategy.

### Natural Capital

With majority ownership and control of our agricultural assets, we work closely with our highly experienced farm operators with the aim to deliver carbon sequestration, biodiversity preservation and/or enhancement, or water quality outcomes, as well as sustainable agricultural operations.

For more information on our active asset management approach, view our annual sustainability reports for QIC's Infrastructure, Real Estate and Natural Capital capabilities at www.qic.com.

**ACCESS**
QIC Sustainability Reports

## Industry and policy participation

We engage regularly in collaborative efforts with industry groups, clients, academia and government to broaden our understanding of expectations around ESG issues and how others are managing these across their business. This includes actively contributing to the work of these groups, for instance in the development of research papers and public policy positions. From time to time, QIC may also participate directly in public policy consultations where we believe we have a specific contribution in addition to, or distinct from, the industry associations of which we are a member.

We are members of or signatories to the following:

- Australian Sustainable Finance Institute
- Carbon Market Institute
- Financial Services Council
- Australian Investment Council
- ASFA
- UN Global Compact (from September 2023)
- Property Council of Australia
- Green Building Council of Australia
- Climate Action 100+
- Investor Group on Climate Change
- Net Zero Asset Managers (NZAM) Initiative
- World Green Building Council Net Zero Carbon Building Commitment
- GRESB
- Responsible Investment Institute of Australia
- UN-backed Principles for Responsible Investment
- Business for Societal Impact (B4SI).

Across the organisation during 2022–23 period, QIC employees actively served on a range of ESG-related working groups.

Table 2: Participation in industry groups

| Industry initiative | Industry group | Capability represented |
|---|---|---|
| **Investor Group on Climate Change (IGCC)** | Corporate Engagement (previously Climate Action 100+ Australasian Engagement Group) | Corporate ESG |
| | Physical Risk & Resilience | Infrastructure |
| | Paris Aligned Investment Working Group | Real Estate |
| **Financial Services Council (FSC)** | ESG Working Group | Corporate ESG |
| **Australian Sustainable Finance Institute (ASFI)** | Technical Advisory Working Group | Corporate ESG |
| | Leadership Forum / Leadership Working Group | Liquid Markets Group<br>Corporate ESG |
| | First Nations Reference Group | People and Culture (joined FY24) |
| **UN PRI** | Sovereign Debt Advisory Committee | Liquid Markets Group |
| | Global Policy Reference Committee | Corporate ESG |
| | Sovereign Climate Engagement Pilot (joined FY24) | Liquid Markets Group<br>Corporate ESG |
| **UN Office of Disaster Risk Reduction** | Investment Advisory Group (one year appointment) | Infrastructure |
| **Reserve Bank of Australia** | Global Foreign Exchange Committee | Liquid Markets Group |

| Industry initiative | Industry group | Capability represented |
|---|---|---|
| **AFMA** | ESG Risk Forum | Liquid Markets Group |
| | Sustainable Finance Forum | |
| **AFMA** | Sustainability Disclosure Data Working Group | Corporate ESG |
| **S&P** | ESG Leadership Council | Liquid Markets Group |
| **Responsible Investment Institute Australasia** | Nature Working Group | Corporate ESG<br>Natural Capital |
| | Human Rights Working Group | Corporate ESG |
| **Australian Investment Council** | Diversity, Equity & Inclusion Committee | Private Capital |
| **Property Council of Australia** | National Social Sustainability Roundtable | Real Estate |
| | Modern Slavery Reporting Monthly Meeting | Real Estate |
| | National Sustainability Roundtable | Real Estate |
| | Diversity and Inclusion Committees — New South Wales, Queensland and Victoria | Real Estate |
| **ANREV** | Sustainability Committee | Real Estate |
| **World Green Building Council** | World Green Building Council's Net Zero Carbon Buildings Commitment working group | Real Estate |
| **Sustainable Digitalisation Project** | Steering Group & Roundtable | Real Estate |


QIC

## Investments in labelled bonds

This year, we elected not to create a standalone Liquid Markets Group Sustainability Report, instead incorporating a progress and performance update and key highlights in this report. This section addresses our investments in labelled bonds.

### What are labelled bonds?

Labelled bonds are financial instruments that allocate funds to specific projects with positive social and/or environmental impacts or are linked to specific ESG performance metrics. While there are no requirements for an issuer to structure a labelled bond in a particular format, issuers typically align with voluntary global principles and guidelines, providing investors with assurance about the sustainability objectives being financed.

QIC has a labelled bond standard that sets out the requirements for labelled bond investments, including the need for a published framework that is aligned with globally accepted principles and guidelines.

Green, Social and Sustainable labelled bonds are also known as 'use of proceeds bonds' where the issuer commits to using the funds raised to finance new green, social, or sustainable projects or outcomes. In contrast, the proceeds raised from a Sustainability-linked Bond issue can be used for anything, including general corporate purposes.

The size of the global labelled bond market has grown rapidly in recent years and was estimated to have reached US$4 trillion in June 2023, according to Environmental Finance.[9] We expect the labelled bond market to continue to grow and evolve as both issuers and investors increasingly look to direct capital towards meeting sustainability goals.

During FY23, we decreased our holdings of labelled bonds due to the closure of several global funds. In remaining funds, holdings (AUD-equivalent market value) of labelled bonds increased.

### Table 3: Total labelled bonds

**AUD equivalent market value held at 30 June 2023:**

| **Total Labelled Bonds** | **$328,950,799** |
|---|---|
| Green Bonds | $243,940,162 |
| Social Bonds | $1,328,111 |
| Sustainable Bonds | $48,329,460 |
| Sustainability-linked Bonds | $35,353,066 |

Source: QIC, Aladdin, Bloomberg, at 30 June 2023.

We remained an active participant in the labelled bond market. During FY23, our AUD-equivalent market value turnover was over A$253 million.

### Table 4: Total turnover in FY23

| **Total Turnover** | **$253,044,223.89** |
|---|---|
| Buy | $183,233,607 |
| Sell | $69,810,616 |
| **Green** | |
| Buy | $145,891,967 |
| Sell | $41,189,589 |
| **Social** | |
| Buy | $1,309,626 |
| Sell | $3,246,272 |
| **Sustainable** | |
| Buy | $17,007,156 |
| Sell | $21,896,754 |
| **Sustainability-linked** | |
| Buy | $19,024,856 |
| Sell | $3,477,999 |

Source: QIC, Aladdin, Bloomberg, at 30 June 2023.

9 www.environmental-finance.com/content/news/sustainable-bond-issuance-reaches-$4trn-milestone.html

## ESG benchmarking results

We recognise that the fast-evolving ESG space requires continual improvement in an effort to keep pace with industry good practice, our clients' expectations and to support effective investment decision making. In this section, we share our available benchmarking results.

### UN PRI

QIC became a signatory to the United Nations-aligned Principles for Responsible Investment (PRI) in 2008.[10] Each year, PRI conducts an annual survey to assess the ESG performance of asset manager and owner signatories from around the world. QIC submits to benchmarking surveys like PRI to transparently report on our progress and to inform continued improvements in our activities.

Due to the delayed PRI reporting period in 2023 (related to the 2022 calendar year), results have not been released at the time of this report. To read our published 2021 results, view our PRI Assessment Report at www.qic.com. Once released, we will also publish our 2022 results on our website.

### GRESB

GRESB[11] is one of many tools used by institutional investors to engage with their investments, with the aim of improving the sustainability performance of their investment portfolio, and the global property and infrastructure sectors.

Our 2023 GRESB results, as included in this section, relate to the CY22 performance period.

**GRESB reporting results — QIC Real Estate**

Improvements were seen in the 2023 scores for QIC Australia Core Plus Fund (QACPF) and QIC Active Retail Property (QARP) Fund when compared to 2022 results. This is largely attributed to improvements in energy performance and the adoption of a broader range of ESG performance targets, which resulted in improved scores within the Energy and Targets sections of the survey's performance component.

QIC Office Fund (QOF) upheld its 2022 score of 92 (out of 100) and maintained its 5-Star rating (out of 5).

QIC Town Centre Fund (QTCF) and QIC Property Fund (QPF) suffered declines in their scores compared to 2022 results. The declines relate to fewer points being achieved in the Energy, Carbon and Water sections of the survey's performance component. GRESB's methodology assesses like-for-like performance across these sections, with a score calculated on how a fund's year-on-year performance compares to the benchmark values reported by other funds in the same peer group.

QTCF and QPF saw an increase in energy and water use in CY22 compared to CY21, driven by a return to 'back to normal' operating hours at Victorian, New South Wales and Australian Capital Territory-based assets in CY22 compared to CY21, when those States/Territories all experienced significant periods of COVID-19-related lockdowns.

QACPF, QARP and QOF did not experience a similar impact due to their portfolios being weighted towards assets outside of Victoria, New South Wales and Australian Capital Territory.

### Table 5: QIC Real Estate GRESB results

| Fund | 2020 score | 2021 score | 2022 score | 2023 score | Overall score vs GRESB average* |
|---|---|---|---|---|---|
| **QIC Property Fund** | 77<br>3-Stars | 83<br>4-Stars | 91<br>5-Stars | 85<br>4-Stars | 85 vs 75 |
| **QIC Town Centre Fund** | 76<br>3-Stars | 82<br>4-Stars | 92<br>5-Stars | 85<br>4-Stars | 85 vs 75 |
| **QIC Australia Core Plus Fund** | 77<br>4-Stars | 82<br>4-Stars | 82<br>4-Stars | 84<br>4-Stars | 84 vs 75 |
| **QIC Active Retail Property Fund** | 79<br>4-Stars | 87<br>5-Stars | 85<br>4-Stars | 86<br>4-Stars | 86 vs 75 |
| **QIC Office Fund** | 89<br>5-Stars | 81<br>4-Stars | 92<br>5-Stars | 92<br>5-Stars | 92 vs 75 |

*average score across all participants.

10 QIC is a UN PRI signatory and pays an annual fee.
11 QIC is an investor member of GRESB and pays an annual fee.

**GRESB reporting results — QIC Infrastructure**

QIC demonstrated strong performance across both the QIC Global Infrastructure Fund (QGIF) and QIC Infrastructure Portfolio (QIP), achieving scores of 92 and 97 respectively out of a possible 100. This includes allocation of the full 30 points available for 'Management', reflecting QIC Infrastructure's commitment to active management and driving sustainability outcomes across our portfolio companies.

While both funds increased their benchmark scores, they also increased their GRESB ranking – QGIF from 3 to 4 stars and QIP from 4 to 5 stars (out of a possible 5).

Also notable this year, three portfolio companies achieved very high results, with Powerco receiving the maximum possible score of 100 out of 100, and Port of Melbourne and Port of Brisbane receiving 99 and 98 out 100, respectively.

The GRESB benchmark is one of a number of ways we evaluate the sustainability management and performance of our funds and portfolio companies. We are pleased to see the effort across the funds to build a strategic approach to sustainability is recognised.

### Table 6: QIC Infrastructure GRESB results

| Fund | 2021 score | 2022 score | 2023 score | Overall score vs GRESB average* |
|---|---|---|---|---|
| **QIC Global Infrastructure Fund** | 49 | 86<br>3-Stars | 92<br>4-Stars | 92 vs 83 |
| **QIC Infrastructure Portfolio** | N/A[12] | 91<br>4-Stars | 97<br>5-Stars | 97 vs 83 |

*average score across all participants.

## NABERS

Across our Real Estate platform, we use the National Australian Built Environment Rating System (NABERS) as one of a number of tools to benchmark against peers and track our performance over time. NABERS is a national environmental rating system measuring the operational efficiency of a building or tenancy (energy and water use efficiency, waste management, indoor environment quality). All of QIC Real Estate's core retail and commercial office assets are assessed annually for energy and water performance ratings. NABERS Waste ratings are additionally performed at our core commercial office assets.[13]

Recent NABERS Energy and Water ratings are based on the FY22 performance period where COVID-19 lockdowns in Victoria and New South Wales may have partially contributed to a score uplift for funds more heavily weighted with assets in these geographies.

Apart from the impact of COVID-19, performance improvements in our NABERS ratings over time are reflective of the various water and energy efficiency initiatives we have implemented, such as the installation of submeters to capture more granular water use data and integrate this into our building optimisation platform (CIM), and the major upgrades to HVAC plant and equipment we have implemented, and which is linked to the achievement of our 2028 net zero carbon emissions targets.

For more details on our activities within our Real Estate portfolio, refer to the Our Progress section in the QIC Real Estate ESG Report, found at www.qic.com.

**ACCESS**
QIC Real Estate ESG Report

12 This was the second year QIP has participated at a whole-of-portfolio level.
13 Lodgement fees are paid on behalf of QIC to NABERS for each individual rating undertaken.

In the NABERS results received in FY23 (covering the FY22 reporting period[14]), the following average portfolio ratings were achieved:

### Table 7: QIC Real Estate NABERS ratings

| Fund | NABERS Energy ratings | | | | NABERS Water ratings | | | | NABERS Waste ratings | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Reporting period** | CY20 | CY21 | CY22 | FY22 | CY20 | CY21 | CY22 | FY22 | CY21 | CY22 |
| **QPF** | 3.6 | 4.1 | 4.4 | 4.6 | 3.1 | 3.9 | 3.9 | 3.8 | N/A | N/A |
| **QTCF** | 3.4 | 4.0 | 4.3 | 4.5 | 3.2 | 4.1 | 4.0 | 3.8 | N/A | N/A |
| **QOF[15]** | 5.1 | 5.3 | 5.3 | 5.4 | 4.1 | 4.2 | 4.6 | 4.8 | 1.3 | 1.2 |

Note: The above table presents self-calculated portfolio ratings based on formal individual asset ratings provided by NABERS, using the NABERS protocol.

## Green Star Performance

Green Star is an internationally recognised sustainability rating system for buildings, fitouts and communities. The Green Star Performance Benchmark provides a holistic sustainability performance measure in relation to the operation of existing buildings.

In FY23, QIC Real Estate submitted all retail and commercial assets (excluding peripherals) for Green Star Performance Year 1 ratings. Due to a lack of availability of Green Star accredited assessors, we are yet to receive our finalised Year 1 ratings, however draft performance analysis indicates QIC Real Estate will achieve a portfolio average performance of 3-Stars (Good Practice).

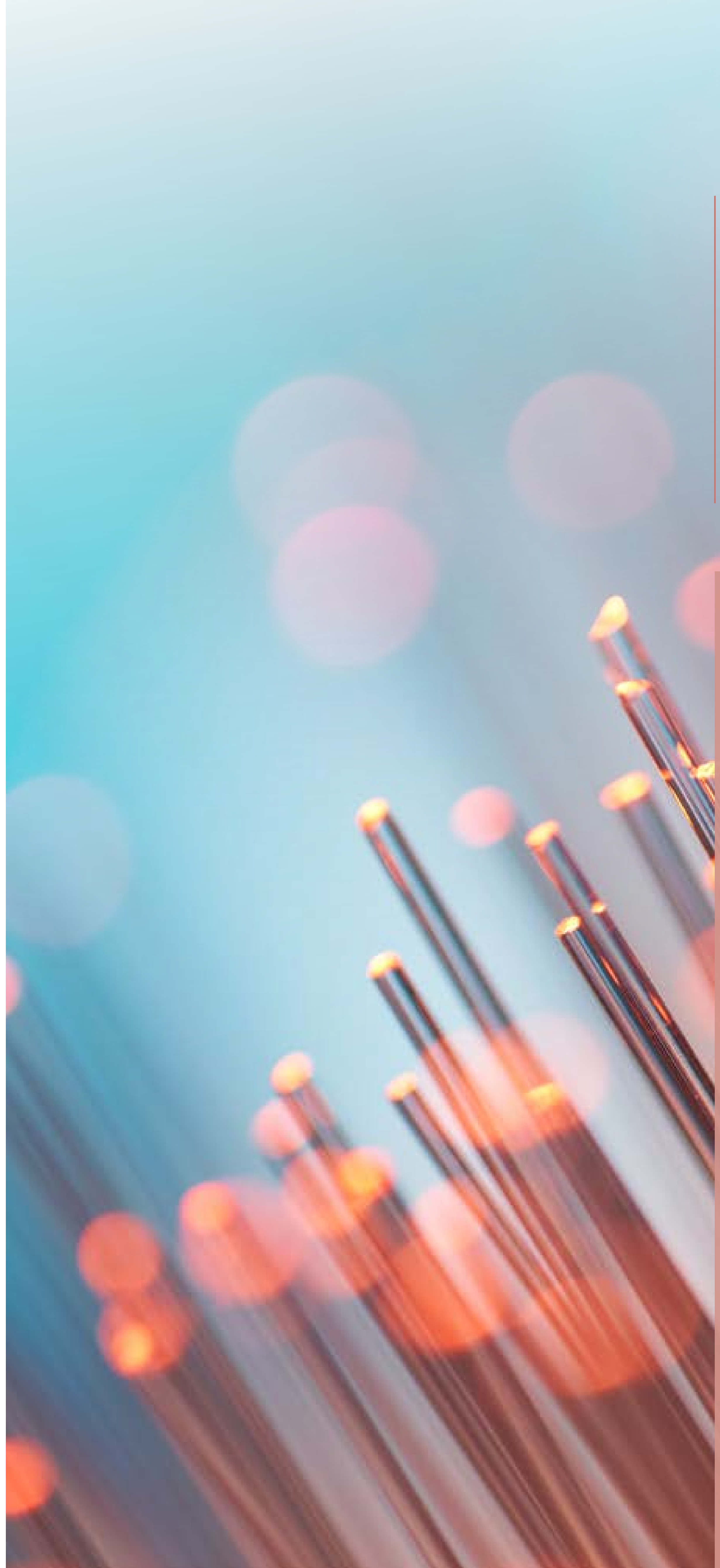
Green Star Performance assesses against nine categories: management; indoor environment quality; energy; transport, water; materials; land use and ecology; emissions; and innovation[16].

14 QIC Real Estate transitioned from the use of calendar year to financial year ratings periods for NABERS ratings in 2022.

15 QOF assets use an annual rating period of September to August.

16 QIC is a member of the Green Building Council of Australia who administer the Green Star sustainable building rating tools, and we pay an annual fee. https://new.gbca.org.au/green-star/rating-system/performance/





Snapshot

# FY23 investment highlights

SMART METERING
**Material issue: Climate Change**

## QIC Infrastructure

QIC and portfolio company, Vector Metering, secured a A$1.6 billion Climate Bonds Initiative certified green loan, the world's first Use of Proceeds instrument under the new Climate Bonds Standard Version 4.0. The deal comprises:

- green term loans to fund QIC's 50% interest in the smart metering company
- green capex facilities to fund the business' ongoing expansion of its electricity smart metering across Australia and New Zealand.

This loan is part of QIC's commitment to the global energy transition, with smart metering playing a role in the decarbonisation of energy supply.

INDIGENOUS PARTNERSHIPS
**Material issues: Social Capital**

## Multi-asset class

In 2022, QIC was appointed investment manager for two Aboriginal organisations. We work closely with the Board Members of these organisations, as well as third-party governance and evaluation groups, to embed their cultural practices and understanding into our investment reporting. Through our face-to-face quarterly reporting and financial literacy sessions, we have a deliberate focus on two-way learning.

This approach aligns with our intention to support greater economic participation for Aboriginal and Torres Strait Islander communities, as part of QIC's Indigenous Strategy.

DAY HOSPITALS
**Material issues: Social Capital**

## QIC Infrastructure

QIC portfolio company, Nexus Hospitals, acquired 100% equity in Montserrat Day Hospitals in December 2022. A combined Nexus and Montserrat group spanning Queensland, Western Australia and New South Wales, it offers a geographically diverse and complementary portfolio, and is one of Australia's leading short-stay platforms with 28 sites. Nexus specialises in non-emergency elective surgeries which are low acuity (risk).

Day hospitals have experienced volume growth over the last decade, underpinned by thematic tailwinds, for example, an ageing population, increased healthcare spend and growth in surgical procedures per capita.

Investing in day hospitals is supportive of a more efficient healthcare system, helping to alleviate some pressure on public hospitals and the large and growing backlog of elective surgeries that built up through COVID. Day hospitals are also about 10–45% less expensive than traditional hospitals, a benefit to the payor.

HYDROGEN
**Material issue: Climate Change**

## QIC Private Equity

Endua, a QIC-backed Queensland company, has an ambition to power remote communities using leading technology their team has developed in their hydrogen power banks. These banks are multi-day energy storage solutions. With off-grid diesel generators accounting for about 200,000 tonnes of carbon emissions in Australia each year, Endua saw an opportunity to contribute to global emissions reduction efforts by producing renewable hydrogen energy, while helping to power and decarbonise remote communities. QIC, through the Enterprise Acceleration Fund, has partnered with other investors to support Endua's contribution to the Queensland economy and environment.

NATURAL CAPITAL
**Material issue: Climate Change and Environmental Sustainability**

## QIC Real Estate

Nature-based solutions are critical to the decarbonisation of our planet. QIC has established a Natural Capital platform focused on investing in high-quality commercial agricultural land, at scale, intended to deliver sustainable agriculture production alongside the ability to deliver environmental outcomes through nature-based solutions, across carbon, biodiversity and/or water quality.

In 2023, QIC has invested in two diversified Queensland properties through its new Natural Capital platform: a sugar cane property south of Queensland city, Mackay, and a pastoral property located outside of central Queensland town, Roma. Our Natural Capital team is now working closely with our farm operators to implement sustainable land management practices and environmental projects that aim to improve productivity, asset resilience and overall returns.



QIC

# 3. Operating responsibly

At QIC, we aim to operate responsibly, and believe it is an important factor in our success.

For us, it is twofold: focusing inwards and striving for improvement in the way we support, protect, encourage and respect our people, and looking outward to reduce our environmental impact on the regions we operate in, and the stakeholders we serve.

## Inclusive employer

At QIC, we aim to provide an environment where our people can thrive, be productive and perform at their best. One important aspect of our workplace is our flexible working arrangements which supports employees as they raise their families, pursue personal passions, and live balanced lives, while also focusing on their careers. Flexible working means having flexibility in how, when or where you work. In FY23, we moved from a 60:40 model (60% of time at work, 40% work from home) to a more flexible hybrid model for all employees. We encouraged our people to discuss with their People Leaders what flexibility means for them.

### New leave standard

In early FY24, we introduced a broader family-inclusive leave standard that recognises more expansive family types. We achieved this through an expansion of our leave benefits, including the below enhancements.
In recognition of our employee offering, QIC has been certified as a Family Inclusive Workplace.

- Parental Leave
  - increase to 26 weeks paid parental leave which can be used within the first 24 months
  - removal of primary and non-primary carer labels for parental leave
  - removal of eligibility service period

- further acknowledging adoption, surrogacy and foster care:
  - 26 weeks paid leave for adoption
  - 8 weeks for gestational carriers undergoing surrogacy
  - emergency care (2 days paid leave), short term placements (10 days paid leave) and long-term placements (26 weeks paid leave) for foster care
- recognising loss of pregnancy/stillbirth with 5 days paid leave (for up to 20 weeks), or 26 weeks paid leave (beyond 20 weeks), and 2 days paid leave for those supporting partners, family or kinship group members
- extending personal and carer's leave to include kinship groups and pets, and attending appointments relating to surrogacy or adoption
- introducing 5 days paid leave for fertility and reproductive health leave for any team members (regardless of gender) undertaking IVF, fertility treatments or experiencing menopause, plus 2 days paid leave for those supporting partners, family or kinship group members

Family Inclusive Workplace™ CERTIFIED 2023/2024 | QIC

- increasing compassionate leave to 5 days paid leave and extending to include Sorry Business for our Indigenous team members, as well as acknowledging kinship groups and pets
- additional 10 days domestic and family violence leave (20 days total) including those who are supporting someone who is affected by domestic and family violence
- formalising our Public Holiday swap to allow team members to swap public holidays for any other cultural days of significance including Men's and Women's business for First Nations employees
- extending our Gender Affirmation leave to include those who are supporting someone who is undertaking gender affirmation.

## DEI strategy

QIC's Diversity, Equity and Inclusion Strategy deepens our commitment across our five pillars of diversity and inclusion — gender, LGBTQ+, accessibility, cultural and linguistic diversity, and our First Nations people. In FY24, QIC will launch our next three-year Diversity, Equity and Inclusion (DEI) Strategy with an enhanced focus on DEI data to further garner insights into the people within our organisation and how we can further support them and build upon our initiatives and successes.

### Five pillars of our DEI strategy

| Gender | LGBTQ+ | Accessibility | Cultural and linguistic diversity | First Nations people |
|---|---|---|---|---|

Below are some of the highlights of QIC's DEI program this year:

- launch of our Domestic & Family Violence (DFV) Purple Ribbon Advocates program, and the Recognise, Respond & Refer e-learning module to create awareness of the 16 Days of Activism United Nations campaign
- completion of the Respect@QIC project, and the launch of a new Sexual Harassment standard with supporting training for all team members focused on sexual harassment and other forms of unwanted behaviours in our workplace
- the commencement of our strategic relationship with the Australian Business and Community Network (ABCN), a not-for-profit organisation that connects businesses with low socio-economic status schools through mentoring and partnership programs. QIC has completed four programs with state schools in South-East Queensland, in addition to six team members taking part in the three year Accelerate program, mentoring students from year eleven through to their first year of tertiary studies
- the continued delivery of QIC's Inclusive Leadership Workshops, which focus on our five pillars of diversity and provides employees with real life examples and practical actions to build on our inclusive culture
- delivery of engagement and awareness campaigns by QIC's employee-led resource groups. These campaigns included creation of new policies to support inclusion, fundraisers for community organisations and online engagement campaigns. Some notable achievements of our employee-led networks are listed on the following page.

## Our employee networks

Throughout the reporting period, QIC's employee-led resource groups delivered engagement and awareness campaigns within QIC. These campaigns ranged from a podcast series to celebrations of days of significance, fundraisers for community organisations and online engagement campaigns. Details on our resource groups and key 2023 achievements follow.

For details on QIC's DEI targets and performance, refer to section 6 of this report.

### QPride

**Purpose**

- Champion an inclusive work environment
- Provide a voice to LGBTQ+ employees
- Raise awareness and celebrate diversity
- Educate our people on LGBTQ+ issues

**FY23 update**

- Launched our Gender Affirmation Guidance Note in November 2022, which provides support and guidance to employees who are undergoing or considering gender affirmation
- Launched QPride Allies network, comprising individuals committed to advocating for LGBTQ+ inclusion within QIC and beyond

### Balance

**Purpose**

- Focus on achieving gender equity in all divisions of QIC
- Balance in gender representation and work life balance for all employees across QIC

**FY23 update**

- Successfully rolled out "Pixii" period products, available for all staff in QIC corporate female and all gendered bathrooms
- Working to provide the same Pixii offering to all QIC Centre Management and Project offices throughout Australia in FY24

### QLife

**Purpose**

- Focus on five key pillars: Emotional and Mental Support, Financial Wellbeing, Physical Movement, Social Connectivity and Connectivity
- Supported by initiatives including fitness challenges, recognition of Men's and Women's health weeks and raising much needed funds for charitable causes

**FY23 update**

- Curated a video featuring interviews with prominent men from QIC on how to form Healthy Habits, the theme for 2023
- Participated in the Cerebral Palsy Alliance campaign, Steptember, which aimed to raise funds and understanding around Cerebral Palsy. In 2022, QIC raised over $8,300 and took over 11,899,768 steps together for the cause

### Q-Ability

**Purpose**

- Focus on creating inclusive environments where every voice is valued and respected, where differences are embraced, and where our people can bring their best selves to work each day

**FY23 update**

- Q-Ability was successfully launched on Global Accessibility Awareness Day (18 May) with a workshop on Disability Employee Networks and Digital Accessibility, plus a presentation from the Australian Network on Disability
- Established the Q-Ability committee, with Executive Sponsorship. Determined FY24 plans which include a review of recruitment practices by Job Network Australia; conducting an employee survey and focus groups; initiating an internal storytelling campaign; and the instigation of a Workplace Adjustments Policy

### QIC Young Professionals

**Purpose**

- Support the career growth of the Young Professional community members by providing access to networking and learning opportunities that are shaped by Young Professionals for Young Professionals

**FY23 update**

- Launched the inaugural Young Professionals Carnival, which brought together over 45 young professionals in a touch football competition. This carnival focused on improving overall health and wellbeing, while continuing to build a community among those in the early stages of their career at QIC

# Operations

## Workplace Health and Safety

At QIC, we believe a safe and healthy work environment is a right of every person. We are committed to maintaining this environment for our employees, and a safe place to visit for those we welcome to our assets and offices. This commitment is underpinned by Board approval of our WHS and Wellbeing Policy.

It is our responsibility and aim to minimise risks that are present within our workplace. We accomplish this through a planned, systematic Workplace Health and Safety (WHS) framework and controls. Similarly, we also provide the resources for successful implementation and continuous improvement, including through WHS specialists embedded across the business. In support of this, QIC has comprehensive WHS policies, procedures and standards to manage our people's safety while at work and complies with all relevant legislative obligations concerning WHS regulations. We also review our internal policies and related procedures on a regular basis to ensure that we continue to meet legislative requirements and reduce risk so far as is reasonably practicable.

To help us continuously improve and review our safety control framework and practices, our WHS and Wellbeing Management Committee provides oversight and direction on initiatives and activities to address WHS issues and risks that arise from time to time.

### Assurance and reporting

QIC continues to strengthen its WHS control framework through the implementation and assurance of a WHS management system aligned to AS/NZS ISO 45001. We are targeting certification to this standard in FY25.

An uplift in data collection through our digital WHS system and suite of reporting has continued to enhance our ability to identify incident trends across the portfolio and implement targeted mitigation measures.

## Cybersecurity

The Global Cybersecurity Outlook 2023, published by the World Economic Forum, identifies key themes relating to geopolitical uncertainty, rapidly evolving and emerging technologies, lack of available talent, and increasing shareholder and regulatory expectations. Themes of previous reports were realised over the past 12 months with significant global resources used to investigate and mitigate supply chain vulnerabilities and ransomware threats.

QIC recognises the importance and urgency of cybersecurity in the current and future digital landscapes and takes a proactive approach to addressing emerging trends through a strong controls framework foundation. QIC is aligned to Tier 3 — Repeatable Cybersecurity Practices of the National Institute of Standards and Technology (NIST) Cybersecurity Framework.

QIC's forward-looking cybersecurity strategy includes significant investment to evaluate the cybersecurity implications and harness the opportunities of emerging technologies, such as Artificial Intelligence, quantum computing and modern cloud computing models.

As part of the strategy, FY23 saw a continued focus on modernising current cybersecurity controls and governing principles, specifically focused on application and data security, detection and response, endpoint security and security quality assurance to confirm ongoing compliance and suitability of security controls.

### Information sharing — a collaborative approach to cyber threats

To address concerns relating to geopolitical uncertainty and the ever-present threat to data security, QIC engages with a global Security Managed Services Provider (MSSP) for 24-hour monitoring, anomaly detection, forecasting and identification of new cybersecurity trends. In addition, involvement in industry and government information sharing forums provides a wholistic view of geopolitical movements and threats.

This information is ingested in real-time to QIC's MSSP for faster detection and response.

To support business resilience, QIC's IT Risk and Security team periodically conducts cybersecurity incident simulations targeting our critical business controls and data handling processes. In the recent financial year, QIC undertook a comprehensive external attack scenario to test the organisational response at each level of management.

### Cybersecurity capabilities

QIC boasts a robust IT Risk & Security team dedicated to embedding security into QIC's technology and standard business practices. A core function of the IT Risk & Security team is to foster a resilient and cyber-aware culture for employees through regular training for staff. This includes scheduled phishing simulations, bi-weekly awareness articles, adhoc advisories, seminars and demonstrations of topical security trends and annual compliance-based e-learning.

Second to this, QIC leverages various cybersecurity partners to supplement internal cybersecurity capabilities. These arrangements provide QIC with diverse skills to address specific challenges as required.

## Procurement

Our procurement objective is to maximise the benefits and value for money that can be delivered through the procurement of goods and services while also advancing the economic, environmental and social objectives of QIC and our clients. To this end, we see procurement as an opportunity for QIC to have a positive impact in our community.

We have continued to embed our Supplier Code of Conduct into our contracts and conducted an annual review of the Code. Changes to the Code this year included alignment to the United Nations Global Compact Ten Principles, an enhanced focus on social expectations, as well as refining our environment expectations to better reflect QIC's own environmental journey.

### Expanding our Indigenous procurement

In FY23, QIC continued to deliver on our Indigenous Procurement Strategy, increasing our spend with Indigenous businesses by approximately 187% to $1.4 million, and facilitating introductions between our internal purchasers to Indigenous businesses through various events and functions. We remained a member of Supply Nation in support of our efforts to increase our Indigenous procurement spend.

Refer to section 4 for more on our Indigenous procurement and Indigenous Strategy developments.

### Managing Modern Slavery risks in our supply chain

We continue to work closely with professional services provider, FairSupply, to understand the modern slavery risk of our supply chain through to Tier 10. For context, Tier 1 in the supply chain represents QIC's direct suppliers, whereas Tier 2 suppliers are the suppliers of Tier 1. Tier 10 suppliers are the suppliers of Tier 9.

This year, we have developed a Modern Slavery Procurement Toolkit to provide our internal purchasers with operational tools to assist with assessing and addressing modern slavery risk in our supply chain. Please refer to our Modern Slavery Statement for more detail regarding our approach to modern slavery risk as an organisation.

We recognise the key role that our suppliers play in helping us to achieve this. We aim to procure responsibly, from suppliers who share our values. It is important to us that our suppliers meet or exceed our minimum standards and performance expectations, and understand our commitment to do business with ethically, environmentally and socially responsible suppliers.

**ACCESS**
QIC Modern Slavery Statement

## Environment

### Corporate emissions

QIC continued to be certified by Climate Active as carbon neutral for our Australian corporate operations for FY22 for our Scope 1, 2 and 3 carbon emissions.[17] QIC has chosen to align with the Climate Active framework to demonstrate our use of externally established methodologies. At the time of this report, we are yet to finalise our FY23 emissions profile, which will be disclosed in our 2024 Sustainability Report.

A key part of improving our performance is assessing our progress. We are tracking our emissions profile over time, identifying key emissions sources and providing insight into activities where efficiency improvements can be made. As evidenced in Table 8, QIC's emissions increased from the previous year, most notably due to the return to work following the extended lockdowns during the COVID-19 pandemic.

Our emissions over time and emissions inventory are profiled in the following tables.

Table 8: Emissions over time

| Emissions since base year (Scope 1, 2 and 3 carbon emissions) | Total $tCO_2$-e |
|---|---|
| Base year: 2020–21 | 8,737.6 |
| Year 1: 2021–22 | 12,002.3 |

Table 9: Emissions inventory

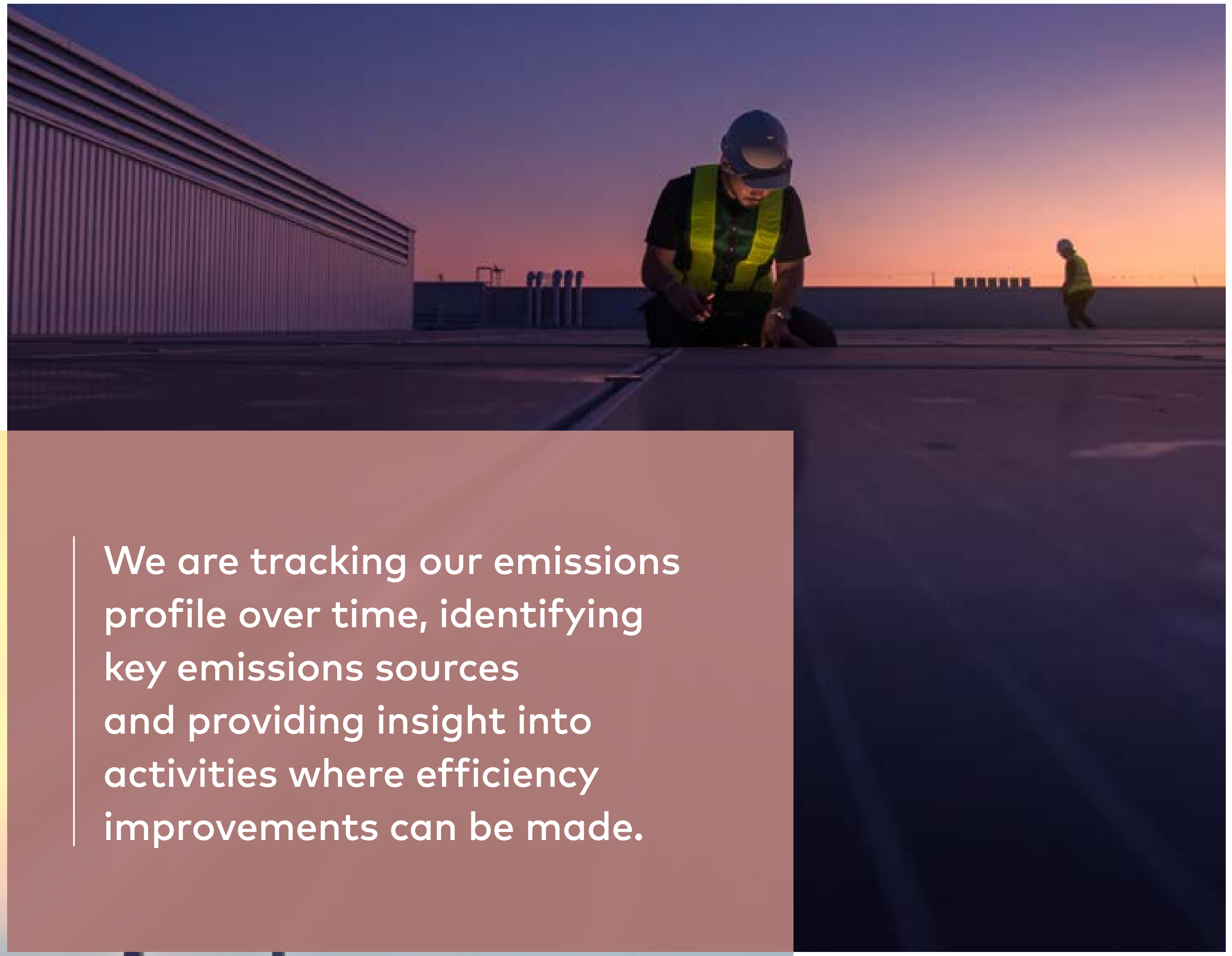
| Emission source category | Total $tCO_2$-e 2023 |
|---|---|
| Accommodation and facilities | 151.1 |
| Cleaning and chemicals | 19.9 |
| Construction materials and services | 98.2 |
| Electricity | 1,090.1 |
| Food | 124.5 |
| ICT services and equipment | 1,722.0 |
| Office equipment and supplies | 84.7 |
| Postage, courier and freight | 21.4 |
| Products | 65.2 |
| Professional services | 6,451.9 |
| Refrigerants | 155.5 |
| Stationary energy (gaseous fuels) | 5.4 |
| Stationary energy (liquid fuels) | 10.3 |
| Transport (air) | 1,354.7 |
| Transport (land and sea) | 428.6 |
| Waste | 14.1 |
| Water | 11.3 |
| Working from home | 193.5 |
| **Total** | **12,002.3** |

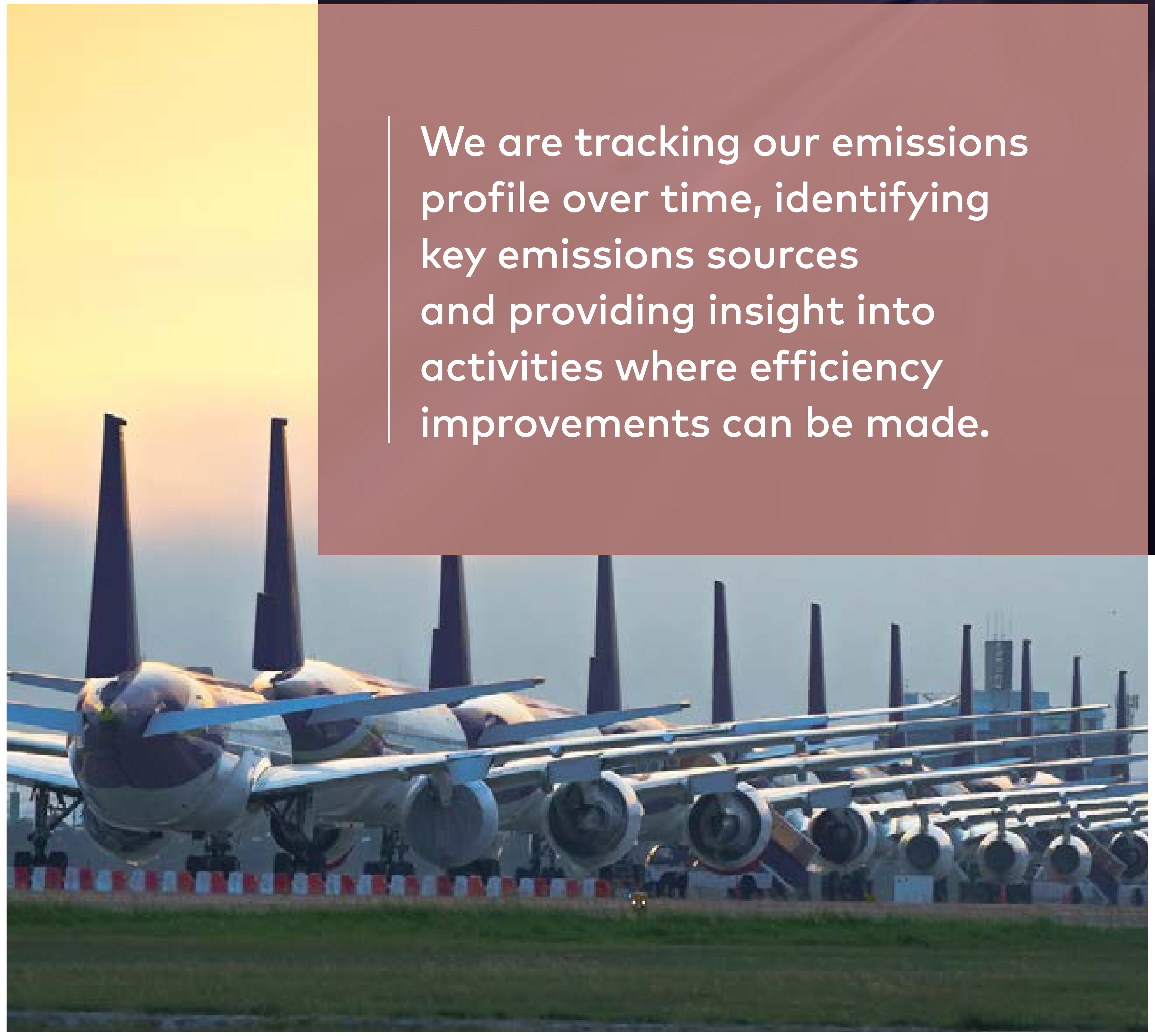
17 Certification and definitions in accordance with assessment criteria applied by Climate Active. Emissions boundary covers QIC Limited's corporate office space (ABN 95 942 373 762) and excludes emissions associated with QIC's financial investments or international offices and electricity/energy emissions from QIC's overseas office spaces.

The below table details the reasons for any significant changes in emissions.

Table 10: Changes in emissions

| Emission source name | Current year ($tCO_2$-e) | Previous year ($tCO_2$-e) | Detailed reason for change |
|---|---|---|---|
| Computer and electrical components, hardware and accessories | 1,538.7 | 2,497.3 | Decreased spend |
| Business services | 600.4 | 2,421.9 | Decreased spend |
| Technical services | 5,093.6 | 0.0 | QIC's emissions inventory has increased because of the return to office work following the extended lockdowns during the COVID-19 pandemic. Some inventory details have been assigned differently to provide more detail in the assessment. |
| Long business class flights (>3,700km) | 735.7 | 0.0 | International travel resumed after the end of lockdowns during the COVID-19 pandemic. |





We are tracking our emissions profile over time, identifying key emissions sources and providing insight into activities where efficiency improvements can be made.



QIC

QIC again used carbon offsets to achieve carbon neutrality, prioritising carbon offsets from projects that deliver positive carbon outcomes alongside co-benefits, such as biodiversity improvements and social or cultural benefits.

We have adapted the Oxford Principles for Net Zero Aligned Carbon Offsetting to incorporate recognition of the environmental, social, and cultural benefits of unique Indigenous Australian approaches to ecosystem management and use this typology to consider the different characteristics of the offsets we purchase. Where feasible, we seek to prioritise our investments in projects that deliver emission removals rather than reductions; create cultural, economic, and environmental co-benefits; support conservation and restoration of biodiversity and natural capital; support initiatives in Australia; and drive sustainable development in communities in our region.

This year we supported three savannah burning greenhouse gas abatement projects in Queensland and the Northern Territory, with credits purchased through the Aboriginal Carbon Foundation. Each of these projects serve to protect or support cultural, social and environmental benefits. QIC has signed a Memorandum of Understanding with the Aboriginal Carbon Foundation for the purchase of quality carbon credits through the Foundation. Purchases made in FY23 are the second annual purchases made under this three-year agreement.

The majority of our offsets support a new run-of-river hydro project in Sumatra which deliver attractive co-benefits.

We also supported a regeneration project with diversity and soil stability co-benefits in Queensland, Australia

All credits purchased were retired between March and June 2023. For more details of our offsets, refer to our Public Disclosure Statement on the Climate Active website.

### Emissions reduction strategy

Our emissions reduction strategy for our corporate operations is centred on several key initiatives, as described below.

- In FY23, we updated our Supplier Code of Conduct to highlight our preference for suppliers that monitor their annual Scope 1 and 2 carbon emissions, commit to achieve net zero carbon emissions (Scopes 1 and 2) by 2050, develop and deliver a program of carbon emissions reduction initiatives to achieve the commitment and provide carbon emissions data as required by QIC, for the goods and/or services provided to QIC.
- It is our ambition to operate with 100% renewable electricity for controlled sources[18] by 2028, thereby eliminating Scope 2 emissions. We are now working to determine targets and timeframes to achieve this ambition.[19]
- In FY24, we will be mapping our professional services suppliers and engaging with them to identify which already provide carbon neutral operations. We expect this to contribute to a reduction in our Scope 3 emissions.

As we establish new office premises in coming years, we will also explore lower-carbon opportunities, including WELL and Green Star interiors.

## Risk management and regulatory affairs

### Regulatory compliance

Our Regulatory Affairs and Compliance (RAC) team provides independent oversight, monitoring and supervision of regulatory risk initiatives throughout QIC.

The RAC team stays abreast of relevant regulatory changes in all jurisdictions in which we operate and market, and works closely with teams across QIC to ensure their knowledge of regulations remains current. In addition, QIC provides feedback either directly or through the industry bodies we are a member of to various consultation papers issued by global regulators in the jurisdictions in which we operate.

### Conflicts of interest

Our regulators and clients alike expect QIC to put our clients' interests ahead of our own interests and to effectively address potential, perceived or actual conflicts of interest that can arise in the ordinary course of business. As part of QIC's risk-based conflicts of interest framework, a number of organisational arrangements, systems and controls are used to identify and manage potential, actual or perceived conflicts of interest.

For more information on our management of potential, perceived or actual conflicts of interest please refer to our Conflicts of Interest Policy linked below.

### Money laundering and terrorism financing risk

QIC plays an important role in preventing, detecting and reporting suspicions of money laundering and terrorism financing activities to competent authorities. QIC's anti-money laundering and counter terrorism financing (AML/CTF) risk-based framework includes processes and procedures to help us identify, mitigate and manage the risks from money laundering and terrorism financing to which we are exposed. The Framework sets out the applicable customer identification procedures that are to be carried out before providing AML/CTF regulated services to relevant third parties, ongoing customer due diligence, transaction monitoring and reporting undertaken by QIC.

**ACCESS**
QIC Conflicts of Interests Policy

18 Controlled sources refers to emissions that are controlled or owned by an organisation (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles that an organisation owns and operates; electricity purchased).

19 Through the purchase of electricity from renewable sources. This ambition relates to QIC's corporate office premises in Australia only. Renewable energy will be explored for international office locations.

### Respecting economic sanctions

We prevent violations of applicable economic or trade sanctions through a framework that establishes the principles for compliance with Sanctions laws and requires the identification and management of Sanctions risk. In addition to complying with the requirements of the Australian sanctions regime, QIC complies with sanctions declared by the United Nations Security Council and, if applicable, those of key jurisdictions where it operates including the European Union, the United Kingdom and the United States.

### Risk management

QIC manages risk in accordance with the QIC Board's Risk Appetite Statement and Risk Management Framework, including the Enterprise Risk Management Policy. The risk management process is consistent with International Standard ISO 31000: Risk Management. Our Risk Management Framework includes an enterprise-wide methodology for rating risks according to the risk consequence and likelihood criteria that are incorporated into the Risk Rating Procedure included in the Board's Risk Appetite Statement.

All risk across QIC is managed in accordance with this approach to ensure consistency. Controls that mitigate identified risks are taken into consideration to determine the residual risk rating.

Identified risks, including ESG risks, are rated according to QIC's risk rating standards and benchmarked against the Board's Risk Appetite to determine if any further action is required to bring residual risks within acceptable tolerable levels.

By incorporating ESG related risks into QIC's Risk Management Framework and assessing them in the same way as other business risks, the QIC Board and Management can oversee that there is a clear understanding of the level of risk throughout the business and oversee that appropriate focus, resources and controls are employed to manage the residual risk in an acceptable way. Given the impact of ESG risks, we recognise the need for these risks to be measured against different time horizons, i.e. assessed on short, medium or long-term basis, depending on the scope of the risk assessment, the type of investment decision, the investor's investment strategy and the type of asset and its lifecycle. The QIC risk assessment methodology supports a systematic, consistent and flexible approach.

### Fraud and corruption

At QIC, we expect the highest ethical standards and conduct from our Board, employees and suppliers and we do not tolerate fraud, bribery or corruption.

QIC has an established framework which includes a Fraud, Bribery and Corruption Policy and related response plan, and our Chief Risk Officer is formally appointed as the QIC Fraud Control Officer responsible for the effective operation of the framework.

All incidents of fraud, bribery and corruption involving employees and contractors may be regarded as misconduct and could warrant summary dismissal. All staff are required to review and acknowledge the Fraud, Bribery and Corruption Risk Policy at the commencement of their employment and annually thereafter as part of the ongoing Risk training. In addition, QIC works with its internal auditors to ensure that areas which are exposed to a higher risk of fraud are included in the internal audit program.

QIC is within the jurisdiction of the QLD Crime and Corruption Commission (CCC) for the investigation of any matters and for the 2023 financial year, QIC has not experienced any material fraud, bribery and corruption requirements violations that warranted reporting to the CCC.

# 4. In the community

## QIC's Indigenous Strategy

**In FY23, QIC remained focused on how we can further reconciliation efforts through our community engagement, employment, procurement and investment capabilities and policies. It is through these pillars and our commitments, highlighted in our Innovate Reconciliation Action Plan (RAP), that we can act to drive meaningful outcomes for Aboriginal and Torres Strait Islander people, communities and organisations.**

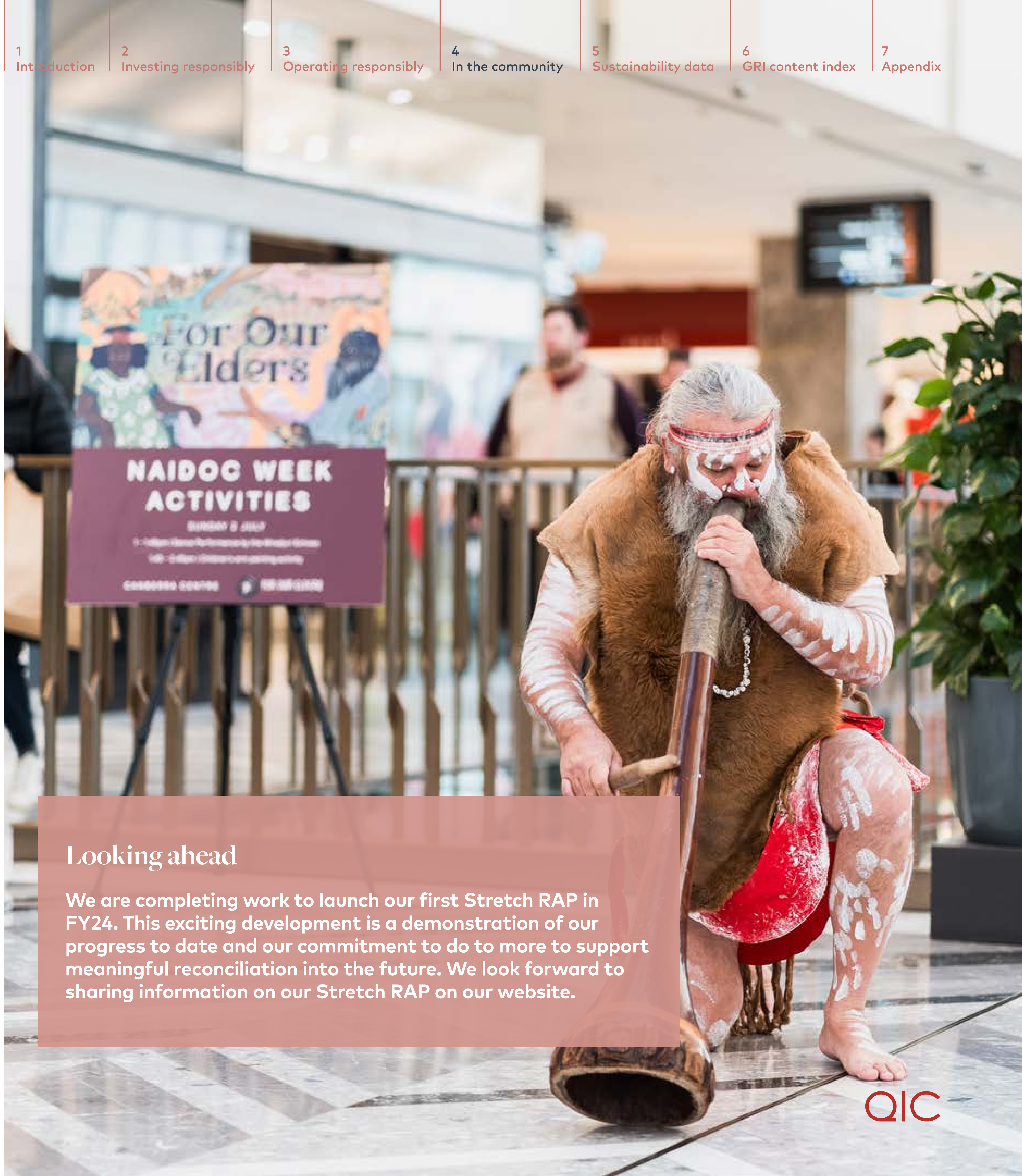
A key achievement, and one that aligns with our ambitions to support greater economic participation of Aboriginal and Torres Strait Islander people, was our appointment as investment manager for two Aboriginal organisations. We view this as meaningful and purpose-aligned, and aligned to our objective of long-term value creation for our clients. Please refer to our Investment Highlights section on page 25.

This year we also launched our Indigenous Employment, Retention and Professional Development Strategy with measurable targets across these domains, and continued to work closely with the Queensland Government's Deadly Innovation team to identify opportunities for investment, procurement and employment. We have also continued our partnership with the Aboriginal Carbon Foundation to purchase Australian Carbon Credit Units (ACCUs) from Indigenous carbon farming operations.

Beyond our own operations, we have also raised funds and donated to Indigenous charities, including the Indigenous Literacy Foundation, Deadly Choices Foundation, Deadly Science and National Indigenous Fashion Awards.

**ACCESS**
QIC Reconciliation Action Plans

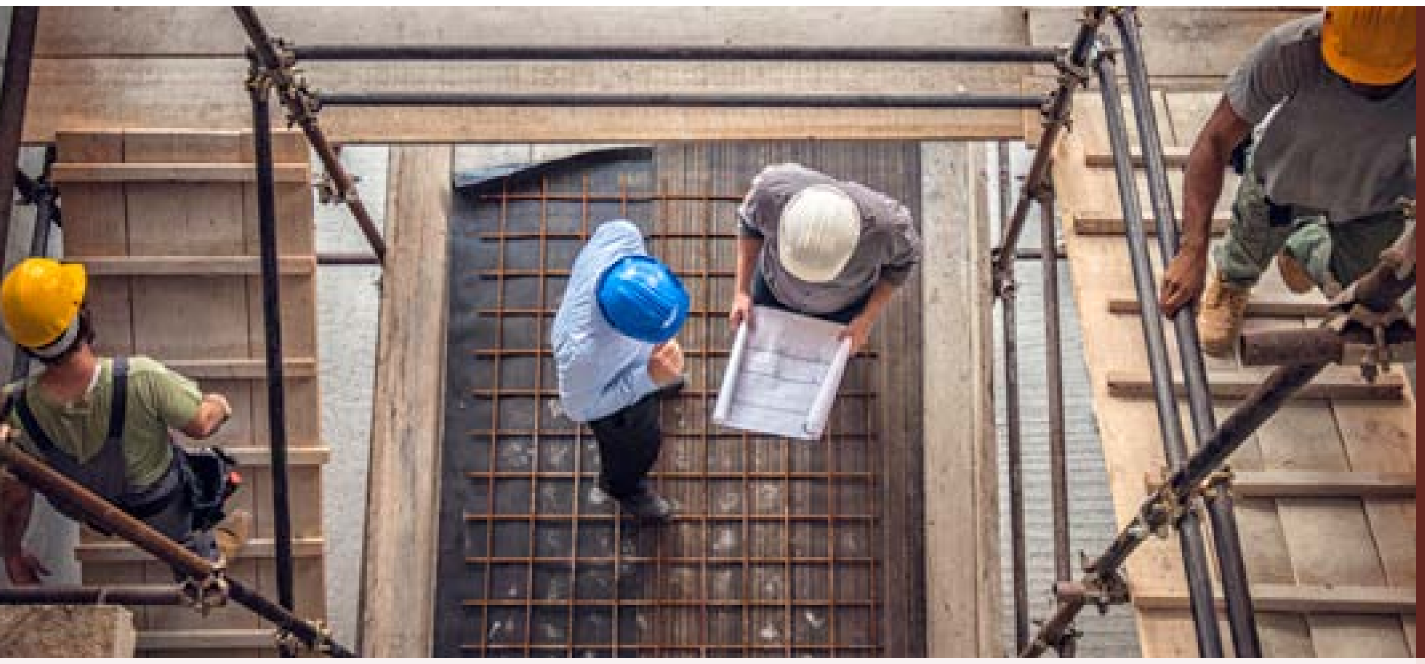
Other key initiatives across QIC in FY23 are detailed overpage.




## Looking ahead

**We are completing work to launch our first Stretch RAP in FY24. This exciting development is a demonstration of our progress to date and our commitment to do to more to support meaningful reconciliation into the future. We look forward to sharing information on our Stretch RAP on our website.**

# Other key initiatives






## Real Estate assets

- developed an Indigenous Delivery Plan for FY23 outlining the key areas of focus where our Real Estate assets and teams can make a real and positive difference towards achieving our broader RAP deliverables. The QIC Real Estate Indigenous Delivery Plan FY23 includes all the focus areas of the QIC Innovate RAP, including community engagement and awareness, investment, procurement, employment, and governance and reporting.
- successfully launched QIC's Indigenous Design Framework which is a practical guide to build culturally responsive processes to ensure that Indigenous design inputs are included in our development projects. The Indigenous Design Framework is already in use on our projects and will be incorporated into the Real Estate Sustainable Design Brief during FY24.

## Procurement

- continued to focus on QIC's Indigenous Procurement Strategy, which has resulted in a significant increase in our spend with Indigenous businesses up to A$1.4 million in FY23
- renewed our Supply Nation membership
- partnered with Black Coffee to host networking events and facilitate introductions between Indigenous businesses and QIC buyers in an informal environment.

## Education and employment

- continued our partnership with CareerTrackers to provide three internships for Indigenous university students
- created an opportunity for an Indigenous school-based trainee, in partnership with ATW, at one of our shopping centres
- awarded the QIC Indigenous Tertiary Scholarship to two more worthy recipients (bringing our total to nine awarded since inception)
- donated over 300 laptop devices to Indigenous organisations and communities in need.

## Employee engagement

- provided all-staff education sessions on The Voice to Parliament
- continued to raise cultural awareness among our staff, through Indigenous walking tours, lunch and learn sessions, and celebration of key Indigenous calendar events
- continued the QIC Reconciliation Award which recognises the outstanding achievements of QIC staff that have actively contributed to QIC's Reconciliation journey.

## QIC Real Estate's Community Investment Program

QIC Real Estate launched its Community Investment Program focused on the flagship theme of physical health and wellbeing in FY22. This area was chosen as the program's strategic focus following extensive evidence-based research that identified it as the most materially relevant need across many of the communities in which our real estate assets are located.

The program is based on the idea that by introducing consumers to healthy eating practices and exercise through in-centre activations we might educate and change behaviours, potentially reducing the likelihood of community members developing longer term chronic illness. Focusing on this theme also responds to growing consumer trends and preferences by leveraging programs targeted at improving physical activity and diet, amplifying customer experience and driving positive commercial results across our asset portfolio.


To deliver this initiative, QIC Real Estate co-designed a bespoke program with Nutrition Australia and YMCA which was rolled out through Wellness Hubs across the real estate portfolio in FY23. The Wellness Hubs delivered a range of activities designed to empower customers to make healthy lifestyle choices, including free body composition scans, cooking demonstrations, nutritional shopping tours, yoga classes, mindfulness workshops, child nutritional information sessions for parents and 1:1 sessions with personal trainers from YMCA and nutritionists from Nutrition Australia, to provide information and guidance on how participants could support their physical health and wellbeing.

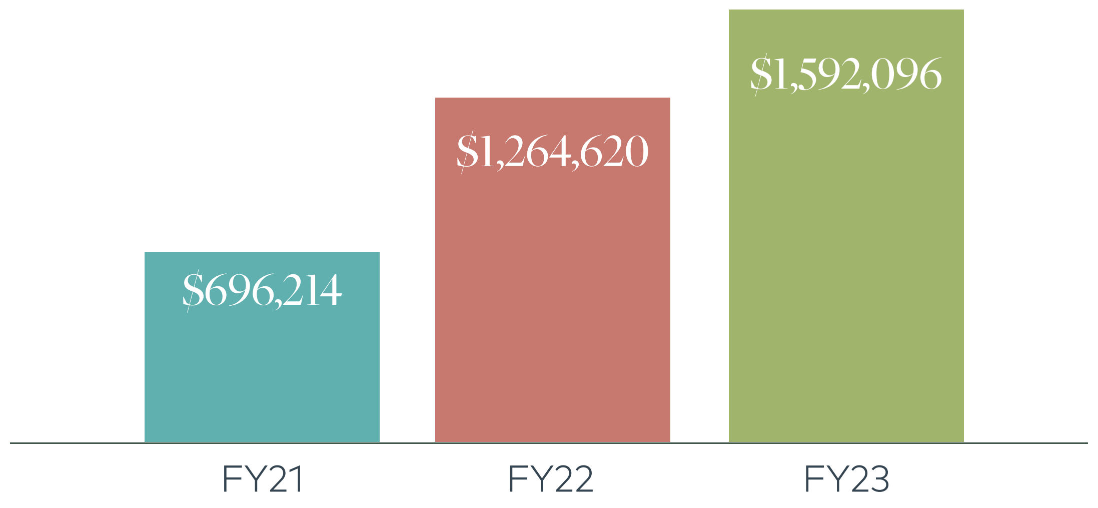
A measurement framework for the program, based on a theory of change, has been developed with support from Deloitte with the initial aim of helping to design activations across our asset portfolio that deliver value to community participants. Over time, the measurement framework will be used to understand the program's longer-term success so that we may continue to drive measurable positive impact aligned with the program's objectives. Participant surveys have revealed an overwhelmingly positive response towards the program, with strong support from customers for centres to continue these wellbeing initiatives in the future. Survey response results have been used to further enhance the rollout of the program for next year.

### Community contributions

In FY23, QIC Real Estate contributed over $1.59 million to its communities, through a mix of cash, time, in-kind and management-related efforts across the portfolio. This 26% increase from FY22 is due in part to FY23 being the first year our new community investment program was implemented across the portfolio, as well as ongoing improvements in our reporting processes.

#### Figure 11: QIC Real Estate total community contributions FY21–23

Includes cash, management-related efforts, in-kind and time




ACCESS
QIC Real Estate ESG report

# Corporate and employee giving programs

## QIC Charitable Foundation

QIC works to engage with the communities our assets are a part of, building meaningful community partnerships that make a real difference. This year, QIC continued to build the QIC Charitable Foundation, a perpetual fund that will grow over time, investing donations to provide ongoing support to a wide range of worthy causes each year. In the second year of operation, our employees donated over $10,000 to the Foundation, with donations made to Friends with Dignity, and our new charity partner, The Carers Foundation.


## Sponsorship of the Queensland Community Foundation

QIC is proud to be a founding sponsor of the Queensland Community Foundation (QCF). This leading Australian State and National Charitable organisation is responsible for building a permanent trust fund to generate a continuous income stream for a wide range of Queensland charities.

We have worked with QCF since 1997 to help create real and meaningful impacts for communities right across Queensland. In FY23, we again provided $137,000 in cash contributions to QCF, in addition to in-kind contributions of dedicated office space as well as employee volunteering.

The Founding Sponsors play an important role for QCF, covering the operating costs so all funds raised can be directed towards those who need it most.

**For more details about the QCF, visit their website at www.queenslandgives.org.au.**

## Corporate volunteering

QIC's Community Day provision enables our people to donate a day of their time to assist a charity or cause they are passionate about.

During 2022–23, over 80 employees utilised this opportunity, providing over 550 hours to causes related to medical and health research, food insecurity and domestic and family violence.

## Mentoring

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

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

# 5. Sustainability data

## QIC Real Estate consumption data

Table 11 presents aggregated data from QIC Real Estate's portfolio of retail, office and industrial assets.

FY23 was the first financial year since FY19 without COVID-19 related lockdowns. The return to 'back to normal' operating hours and foot traffic experienced at our Victorian, New South Wales and Canberra-based assets in FY23 compared to recent years resulted in increases in energy and water use, and a reduction in our waste recycling performance.

**ACCESS**
QIC Real Estate Limited Assurance Statement

Note: The FY23 data in the table has received limited assurance. Data from assets that QIC does not have operational control over is excluded, including our joint venture assets, Westfield Coomera and Claremont Quarter.

Intensity metrics are calculated by dividing annual usage data by gross lettable area, allowing presentation of relative annual performance while accounting for changes in portfolio structure over time.

With reference to the Greenhouse Gas Protocol 'Corporate Value Chain (Scope 3) Accounting and Reporting Standard', Real Estate reported Scope 3 carbon emissions include Category 3, 5, 13 and 15 emissions from fuel and energy related activities, waste generated in operations, downstream leased assets and investments.

### Table 11: Real Estate consumption data

| | | FY21 | FY22 | FY23 | Year on Year Variance | |
|---|---|---|---|---|---|---|
| **Energy** | Total energy use (GJ) | 492,671.7 | 495,903.0 | 507,639.0 | 11,736.0 | ↑ 2.4% |
| | Intensity (MJ/m²) | 333.4 | 312.7 | 320.7 | 8.0 | |
| **Water** | Total water use (KL) | 899,995.5 | 1,026,204.4 | 1,218,912.0 | 192,707.6 | ↑ 18.8% |
| | Intensity (KL/m²) | 0.61 | 0.65 | 0.77 | 0.12 | |
| **Recycling** | Waste recycling rate (% of total waste) | 44% | 39% | 37% | | ↓ 2% |
| **GHG Emissions** | Total Scope 1 emissions ($tCO_2$-e) | 11,379.4 | 12,497.8 | 9,520.0 | -2,977.8 | ↓ 23.8% |
| | Total Scope 2 emissions ($tCO_2$-e) | 83,618.8 | 75,331.6 | 66,433.0 | -8,898.6 | ↓ 11.8% |
| | Scope 1 & 2 intensity (kg $CO_2$-e/m²) | 64.3 | 55.4 | 48.0 | -7.4 | |
| | Total Scope 3 emissions ($tCO_2$-e) | 226,588.3 | 237,449.2 | 236,004.0 | -1,445.2 | ↓ 0.6% |
| | Scope 3 emissions intensity (kg $CO_2$-e/m²) | 153.3 | 149.7 | 149.1 | | ↓ 0.6% |
| **Intensity Factor** | Gross Lettable Area (m²) | 1,477,866.1 | 1,586,064.1 | 1,582,746.0 | -3,318.1 | ↓ 0.2% |

To calculate the emissions related to major tenants' energy use, QIC Real Estate has:

1. Used actual FY23 energy use figures provided by the tenant, or
2. Used actual CY22 energy use figures provided by the tenant, or
3. Estimated FY23 energy use based on actual FY23/CY22 energy intensity (kWh/m2) of an alternative tenant that most closely matches the expected operational profile of the tenancy that requires estimation. This method was applied to approximately 31% of the total gross lettable area occupied by major tenants across the portfolio of retail assets which accounts for 11% of scope 3 emissions.

## QIC Liquid Markets Group financed emissions data

Table 12 presents LMG's financed emissions data for FY23 by sector.

### Table 12: Financed emissions data

| Sector | Segment | Product Type | Absolute Scope 1 + 2 ($tCO_2$-e) | Absolute Scope 3 ($tCO_2$-e) | Activity intensity ($tCO_2$-e/$M sales) | Emissions relative to the amount of financing provided to the sector |
|---|---|---|---|---|---|---|
| **Oil & Gas** | Exploration & Production, Integrated Oil | Investing | 0 | 0 | – | 0.00% |
| **Oil & Gas** | Gas Pipelines | Investing | 25,902,747 | – | 179.25 | 100.00% |
| **Industrials** | – | Investing | 8,378,720 | – | 28.58 | 100.00% |
| **Transportation** | – | Investing | 93,639,226 | – | 130.71 | 100.00% |
| **Real Estate** | – | Investing | 908,512 | – | 32.83 | 100.00% |
| **Metals & Mining** | – | Investing | 2,550,000 | – | 1.04 | 100.00% |
| **Power Generation** | Power Generation | Investing | 15,492,507 | – | 8.06 | 11.80% |
| **Power Generation** | Electricity Transmission & Distribution | Investing | 14,575,334 | – | 550.89 | 88.20% |



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# Other QIC sustainability data

## Table 13: Economic value

| QIC | $'000 |
|---|---|
| Direct economic value generated | 654,492 |
| **Economic value distributed** | |
| Operating costs | 219,766 |
| Employee wages and benefits | 306,006 |
| Payments to providers of capital | 69,325 |
| Payments to government | 38,953 |
| Community investments | 441 |
| Total economic value distributed | 634,492 |
| Economic value retained | 20,000 |

## Table 14: People data

| Focus area | Description and/or target | Performance as at 30 June 2022 | Performance as at 30 June 2023 |
|---|---|---|---|
| **Inclusion** | At least 80% of our people think the culture in their team is positive and inclusive, measured annually | 89% | 87% |
| **Flexibility** | QIC supports and encourages flexible working for all employees through a trust-based and leader led approach.<br>Formal flexible work arrangements are only required where employees alter their contractual/payroll arrangements such as compressed work week or part-time arrangements. | 100% | 100% |
| **Reconciliation** | Implementation of our Reconciliation Action Plan | 84% of actions in Innovate RAP strategy are complete | 96% of actions in Innovate RAP strategy are complete |
| **Gender balance** | Gender balance across QIC to be +/- 5% | 49% female | 49% female |
| | Gender balance in the senior leadership of QIC to be +/- 10% | 39% female | 36.6% female |
| | Board gender balance of 50/50 composition | 44% female | 44% female |
| **Gender pay equity** | In 2023, QIC has evolved its gender pay equity review to include position, job levels and job functions. We believe this multi-factor approach will support more accurate gender parity assessments in the future.<br>Gender parity is monitored through the annual remuneration review cycle and promotion appointment processes, with targeted adjustments prioritised, where appropriate. | 1.04% (against an historical +/- 2% target | N/A for reasons as per the Description |

## GRI 2-7 — Employees

Data as at 30 June 2023

**a. Total number of employees by employment contract (permanent and temporary), by gender**

| Person Type | Female | Male | Total |
|---|---|---|---|
| Demand | 6 | 5 | 11 |
| Maximum Term | 33 | 24 | 57 |
| Open Term | 417 | 442 | 859 |
| Project Workforce | 0 | 3 | 3 |
| | **456** | **474** | **930** |

Excludes consultants, directors and agency contractors

**b. Total number of employees by employment contract (permanent and temporary), by region**

| Person Type | AU | UK | US | Total |
|---|---|---|---|---|
| Demand | 11 | 0 | 0 | 11 |
| Maximum Term | 57 | 0 | 0 | 57 |
| Open Term | 805 | 22 | 32 | 859 |
| Project Workforce | 3 | 0 | 0 | 3 |
| | **876** | **22** | **32** | **930** |

Excludes consultants, directors and agency contractors

**c. Total number of employees by employment type (full-time and part-time), by gender**

| Employment Basis | Female | Male | Total |
|---|---|---|---|
| Casual | 6 | 5 | 11 |
| Full-time | 387 | 457 | 844 |
| Part-time | 63 | 12 | 75 |
| | **456** | **474** | **930** |

Excludes consultants, directors and agency contractors

## GRI 401-1 — New employee hires and employee turnover

Data Reporting period is 01 July 2022 to 30 June 2023

**a. Total number and rate of new employee hires during the reporting period, by age group, gender and region**

| By number | AU | | | UK | | | US | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Age Range | F | M | Total | F | M | Total | F | M | Total | |
| <30 | 25 | 38 | 63 | 1 | 3 | 4 | 1 | 2 | 3 | 70 |
| 31-40 | 36 | 22 | 58 | 0 | 1 | 1 | 1 | 0 | 1 | 60 |
| 41-50 | 17 | 17 | 34 | 1 | 0 | 1 | 0 | 2 | 2 | 37 |
| 51-60 | 4 | 6 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 10 |
| 60+ | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | **82** | **84** | **166** | **2** | **4** | **6** | **2** | **4** | **6** | **178** |
| **By percentage** | | | | | | | | | | |
| <30 | 40.3% | 52.8% | 47.0% | 100.0% | 85.7% | 100.0% | 40.0% | 44.4% | 42.9% | 48.3% |
| 31-40 | 21.0% | 19.6% | 20.4% | 0.0% | 28.6% | 15.4% | 20.0% | 0.0% | 8.0% | 19.8% |
| 41-50 | 12.0% | 10.6% | 11.3% | 66.7% | 0.0% | 22.2% | 0.0% | 50.0% | 30.8% | 11.8% |
| 51-60 | 8.9% | 8.7% | 8.8% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 8.4% |
| 60+ | 0.0% | 4.7% | 3.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 3.0% |
| | **19.1%** | **19.3%** | **19.2%** | **28.6%** | **33.3%** | **31.6%** | **14.8%** | **23.5%** | **19.7%** | **19.5%** |

Percentage reflects proportion of new hires to the average headcount for the relevant category.

FY23 turnover was 16.5%* (10.9% voluntary turnover and 5.6% involuntary turnover).

**b. Total number and rate of employee turnover during the reporting period, by age group, gender and region**

| By number | AU | | | UK | | | US | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Age Range | F | M | Total | F | M | Total | F | M | Total | |
| <30 | 15 | 16 | 31 | 0 | 0 | 0 | 1 | 1 | 2 | 33 |
| 31-40 | 24 | 20 | 44 | 0 | 0 | 0 | 1 | 3 | 4 | 48 |
| 41-50 | 18 | 26 | 44 | 0 | 2 | 2 | 1 | 0 | 1 | 47 |
| 51-60 | 10 | 9 | 19 | 0 | 0 | 0 | 0 | 0 | 0 | 19 |
| 60+ | 1 | 3 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 4 |
| | **68** | **74** | **142** | **0** | **2** | **2** | **3** | **4** | **7** | **151** |
| **By percentage** | | | | | | | | | | |
| <30 | 24.2% | 22.2% | 23.1% | 0.0% | 0.0% | 0.0% | 40.0% | 22.2% | 28.6% | 22.8% |
| 31-40 | 14.0% | 17.8% | 15.5% | 0.0% | 0.0% | 0.0% | 20.0% | 40.0% | 32.0% | 15.8% |
| 41-50 | 12.7% | 16.3% | 14.6% | 0.0% | 66.7% | 44.4% | 40.0% | 0.0% | 15.4% | 15.0% |
| 51-60 | 22.2% | 13.0% | 16.7% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 15.9% |
| 60+ | 11.8% | 14.0% | 13.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 12.1% |
| | **15.9%** | **17.0%** | **16.4%** | **0.0%** | **16.7%** | **10.5%** | **22.2%** | **23.5%** | **23.0%** | **16.5%** |

Excludes end of contract and casual termination.
Percentage reflects terminations to the average headcount for the relevant category.

* Turnover rates based on Open Term employees

## GRI 401-2 — Benefits provided to full-time employees that are not provided to temporary or part-time employees

**a. Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum:**

**i. life insurance;**
**ii. health care;**
**iii disability and invalidity coverage;**
**iv parental leave;**
**v retirement provision;**
**vi stock ownership;**
**vii others.**

i. life insurance — US employees only, notwithstanding default life insurance within Australian Superannuation Plans held by individual.

ii health care — US employees only.

iii disability and invalidity coverage — US employees only, notwithstanding disability/TPD and income protection insurance within Australian Superannuation Plans held by individual.

iv. parental leave — available to any employee who has met the required 6 months of service eligibility criteria, excluding causal employees.

v. retirement provision — AU is 11% mandatory contribution via superannuation, US is 3% 401k, UK is currently up to 10% Employer and 5% Employee contribution unless otherwise negotiated.

vi. stock ownership — nil.

vii. Critical illness insurance — available for US employees.

**b. The definition used for 'significant locations of operation'**

Defined by geography of QIC offices e.g. Australia, United States of America and United Kingdom.

## GRI 401-3 — Parental leave

**a. Number of employees that were entitled to parental leave, by gender**

Throughout the period, QIC employees (excluding casuals) with tenure of six months or longer were eligible for paid parental leave entitlements, which equates to 818 employees (89%). Moving forward, QIC has eliminated the requirements for a minimum service period to be eligible for parental leave. Consequently, all employees (except casuals) will now have access to parental leave benefits regardless of tenure.

**b. Total number of employees that took parental leave, by gender**

In Australia, 54 employees (33 female and 21 male) accessed the paid parental leave benefit as a primary carer and 23 employees (all male) accessed the non-primary carer parental leave benefit. In addition, 3 US employees (2 female and 1 male) accessed the primary carer benefit meaning, that throughout FY23 a total of 80 employees took primary carer's parental leave.



QIC

**c. Total number of employees that returned to work in the reporting period after parental leave ended, by gender**

| Gender | Number of Employees that returned to work after Parental Leave |
|---|---|
| Female | 29 |
| Male | 39 |
| **Total** | **68** |

**d. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender**

Of the 22 employees that returned to work in FY22, 22 are still employed as at the end of FY23.

**e. Return to work and retention rates of employees that took parental leave, by gender**

- Return to work rate: 95.6%
- Retention rate: 94.1%[20]

## GRI 403-2 — Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

**a. Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by:**
**i. region;**
**ii. gender.**

Absentee rates (AR) for QIC employees at enterprise level and per gender and region:

QIC Enterprise Absentee rate: 1.59%

| Gender | Absentee rate (%) |
|---|---|
| Female | 1.89% |
| Male | 1.30% |

| Region | Absentee rate (%) |
|---|---|
| AU | 1.61% |
| UK | 0.26% |
| US | 1.86% |

Rates of injury, occupational diseases, lost days, and number of work-related fatalities for QIC employees at enterprise level:

- Injury rate (IR): 0%
- Lost Day Rate (LDR): 0%
- Occupational Disease Rate (ODR): 0%
- Work Related Fatalities: 0

**b. Types of injury, injury rate (IR), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organisation, with a breakdown by:**
**i. region;**
**ii. gender.**

Rates of lost time and number of work-related fatalities for all non-employees (e.g. contractors) for QIC at enterprise level:

- Lost Time Injury Frequency Rate (LTIFR): 6.30%
- Work Related Fatalities: 0

**c. The system of rules applied in recording and reporting accident statistics**

In accordance with internal OHS incident reporting and legislative state-based workers' compensation requirements.

## GRI 404-2 — Programs for upgrading employee skills and transition assistance programs

**a. Type and scope of programs implemented and assistance provided to upgrade employee skills**

At QIC, we are committed to the professional development of our people. We believe that investing in their skills and knowledge will help them grow and achieve their full potential, as well as contributing to QIC's success. We focus on the professional development of our people as a key commercial strategy, as well as an engagement and retention strategy. QIC has recently refreshed our professional development communications and intranet page to ensure people are able to quickly locate upcoming opportunities and explore offerings. The programs offered are aligned to the needs of our people, and to the needs of the business in order to support embedded and emerging skill sets.

At QIC we recognise that the quality of the leadership provided within our business is a key factor in the success of our people and of our organisation. We have had programs in place since 2015 to support enhanced leadership, including the Leadership Excellence Program and the Emerging Leaders Program. We have also recently entered an RFP process to refresh our offerings on leadership. We intend to further enhance and expand our leadership offerings to include learning, which spans from individual contributor to executive leadership and provides a consistent framework for development within our context across all levels.

20 Voluntary retention only

We anticipate that our refreshed leadership offerings will include immersive experiences, practice assignments, digital resources, and coaching support. We expect to launch the refreshed offering set in early 2024.

Professional skills programs which are currently offered include the below.

- Foundational Finance
- Financial Modelling
- Unit Pricing
- Writing with Impact
- Service Excellence
- Communicate with Influence
- Negotiation Skills
- Powerpoint Skills
- Momentum
- Personal Brand

Additionally, QIC provides opportunities for people to join webinars on relevant topics, with some recent examples being:

- Habit Hacking
- Building Better Mental Health
- Better Sleep
- Information and Q&A session on The Voice upcoming Referendum

These webinars are typically recorded and shared for on-demand access via the Professional Development page.

QIC offers access to a range of items in support of our Diversity, Equity and Inclusion strategy. These are delivered either in-house or through a partner, and include:

- Inclusive Leadership
- Domestic and Family Violence Awareness and Response
- LGBTQ awareness

Further to the programs above, QIC allocates additional development budget within Business Units, which is available where opportunities are identified specific to particular roles, skillsets or individuals and which are not required at the scale for an in-house offering to be valid. With appropriate approvals, our team members may identify and enrol in any development opportunity which they believe will be valuable for their development.

QIC provides every team member unlimited access to on-demand learning through LinkedIn Learning which offers courses on a variety of topics, such as business, creative, and technology skills, taught by experts and industry leaders. LinkedIn Learning provides personalised recommendations based on the user's interests, skills, and goals. It has content in multiple languages, is globally available 24/7.

**b. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment**

Outplacement services by an expert third party are provided to this group.

## GRI 404-3 — Percentage of employees receiving regular performance and career development reviews

**a. Percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period**

QIC performance reviews occur on a biannual basis and all employees participate. These take place through self-assessments and reflective conversations with employees and their direct managers. Informal performance conversations also occur informally throughout the year, and it is QIC's expectation that these 1:1 manager/employee catchups occur at least monthly.

## GRI 405-1 — Diversity of governance bodies and employees

**a. Percentage of individuals within the organisation's governance bodies in each of the following diversity categories:**

**i. Gender;**
**ii. Age group: under 30 years old, 30-50 years old, over 50 years old;**
**iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).**

### Directors

i. Gender

| Gender | % |
|---|---|
| Female | 44.4% |
| Male | 55.6% |

ii. Age group

| Age range | % |
|---|---|
| <30 | 0.0% |
| 31-50 | 0.0% |
| 50+ | 100.0% |

iii. N/A

**b. Percentage of employees per employee category in each of the following diversity categories:**

**i. Gender**

| Gender | Full time | Part time | Casual |
|---|---|---|---|
| Female | 41.6% | 6.8% | 0.6% |
| Male | 49.1% | 1.3% | 0.5% |

**ii. Age group**

| Age Range | Full time | Part time | Casual |
|---|---|---|---|
| <30 | 13.7% | 1.4% | 1.2% |
| 31-50 | 74.0% | 6.1% | 0.0% |
| 50+ | 3.1% | 0.5% | 0.0% |

**iii. Other indicators of diversity where relevant (such as minority or vulnerable groups).**

Data as at 30 June 2023

## GRI 405-2 — Ratio of basic salary and remuneration of women to men

**a. Ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation**

QIC assesses gender pay equity at least annually, with the pay gap historically measured using a single measure of the average compa-ratio of the external benchmark with the goal of +/- 2% average compa-ratio. Gender parity is closely monitored through the annual remuneration review cycle and promotion appointment processes, with targeted adjustments prioritised where appropriate.

In 2023, QIC evolved this review to include position, job levels and job functions. We believe this multi-factor approach will support more accurate gender parity assessments in the future.

**b. The definition used for 'significant locations of operation'**

N/A

## GRI 2-30 — Collective bargaining agreements

**a. Percentage of total employees covered by collective bargaining agreements**

N/A

## Engagements

This year, QIC undertook 48 engagements with issuers of debt. The table below provides an overview of the nature of these engagements.

| ENGAGEMENT | | | | | |
|---|---|---|---|---|---|
| **Date** | **Issuer listing** | **Industry** | **Format** | **Areas covered** | **Purpose** |
| Jul-22 | Listed | Financials | QIC arranged (1 on 1) meeting | Climate<br>Net zero<br>Transition risk<br>Governance | Thematic |
| Jul-22 | SSA | Sovereigns / Semis | Debt Investor Update | Climate<br>Social<br>Labelled bond programs | Thematic |
| Aug-22 | Private Company | Financials | Debt Investor Update | Social Purpose (no poverty, reduced inequalities)<br>Financial wellbeing<br>Climate<br>Sustainable housing<br>Net Zero | Thematic |
| Aug-22 | Listed | Real Estate | Debt Investor Update | Green bonds<br>Climate<br>Renewable energy | Thematic |
| Aug-22 | Listed | Real Estate | Debt Investor Update | Climate<br>Renewable energy | Thematic |
| Aug-22 | Listed | Real Estate | Debt Investor Update | Renewable energy | Thematic |
| Aug-22 | Listed | Real Estate | Debt Investor Update | Renewable energy<br>Social | Thematic |

**ENGAGEMENT**

| Date | Issuer listing | Industry | Format | Areas covered | Purpose |
|---|---|---|---|---|---|
| Aug-22 | Listed | Financials | QIC arranged (1 on 1) meeting | Labelled bond market<br>Greenwashing<br>Climate Risk<br>Decarbonisation<br>Data | Thematic |
| Sep-22 | Listed | Consumer Staples | Debt Investor Update | Reporting<br>Climate<br>Governance<br>Remuneration | General ESG Update |
| Sep-22 | Listed | Financials | Debt Investor Update | Board<br>Climate<br>Governance<br>Reporting | General ESG Update |
| Sep-22 | Government | Communications | QIC arranged (1 on 1) meeting | Reporting<br>Climate<br>Governance<br>Data | Thematic |
| Oct-22 | Listed | Industrials | Correspondence | Climate<br>Deal structure<br>Transition risk | Thematic |
| Oct-22 | Listed | Financials | QIC arranged (1 on 1) meeting | Net Zero<br>Climate Risk<br>Reporting | Thematic |

**ENGAGEMENT**

| Date | Issuer listing | Industry | Format | Areas covered | Purpose |
|---|---|---|---|---|---|
| Oct-22 | Listed | Real Estate | QIC arranged (1 on 1) meeting | Net Zero<br>Climate Risk<br>Reporting | Thematic |
| Oct-22 | Private Company | Industrials | Debt Investor Update | Indigenous Heritage<br>Net Zero | Thematic |
| Oct-22 | SSA | SSA | QIC arranged (1 on 1) meeting | Corporate Structure<br>Climate<br>Environment<br>Social<br>Labelled bonds | Thematic |
| Oct-22 | SSA | SSA | QIC arranged (1 on 1) meeting | Social<br>Climate<br>Environment<br>Labelled bonds | Thematic |
| Oct-22 | SSA | SSA | QIC arranged (1 on 1) meeting | Labelled bonds<br>Social | Thematic |
| Nov-22 | Listed | Financials | QIC arranged (1 on 1) meeting | Climate<br>Net zero<br>Biodiversity<br>Governance<br>Social | Thematic |
| Nov-22 | Private Company | Industrials | Debt Investor Update | Diversity & Inclusion<br>Net Zero<br>Climate Risk<br>Reporting | Thematic |

**ENGAGEMENT**

| Date | Issuer listing | Industry | Format | Areas covered | Purpose |
|---|---|---|---|---|---|
| Nov-22 | Government | Utilities | QIC arranged (1 on 1) meeting | Net Zero<br>Physical & Transition Climate Risk<br>Labelled bonds<br>Reporting | Thematic |
| Nov-22 | Listed | Financials | Debt Investor Update | Diversity & Inclusion<br>Whistleblowing | Thematic |
| Nov-22 | Listed | Financials | Debt Investor Update | Diversity & Inclusion<br>Climate<br>Net Zero<br>Governance | General ESG Update |
| Nov-22 | Listed | Financials | Debt Investor Update | Diversity & Inclusion<br>Board Diversity<br>Physical Risk<br>Climate Risk<br>Labelled bonds<br>Cyber Risk | General ESG Update |
| Nov-22 | Listed | Financials | Debt Investor Update | Net Zero | Thematic |
| Nov-22 | Government | Sovereigns / Semis | Debt Investor Update | Diversity & Inclusion<br>Net Zero<br>Climate Risk<br>Reporting | Thematic |

**ENGAGEMENT**

| Date | Issuer listing | Industry | Format | Areas covered | Purpose |
|---|---|---|---|---|---|
| Dec-22 | Listed | Financials | QIC arranged (1 on 1) meeting | Diversity & Inclusion<br>Net Zero<br>Physical & Transition Climate Risk<br>Labelled bonds<br>Reporting | Thematic |
| Dec-22 | SSA | SSA | QIC arranged (1 on 1) meeting | Diversity & Inclusion<br>Social programs<br>Net Zero<br>Physical & Transition Climate Risk<br>Nature<br>Labelled bonds<br>Reporting | Thematic |
| Dec-22 | Listed | Industrials | Debt Investor Update | Governance<br>Controls | General ESG Update |
| Mar-23 | Listed | Industrials | Other | Sustainability | Thematic |
| Mar-23 | Listed | Energy | QIC arranged (1 on 1) meeting | Sustainability | General ESG Update |
| Mar-23 | Listed | Financials | QIC arranged (1 on 1) meeting | Social Purpose<br>Climate | General ESG Update |
| Mar-23 | Listed | Industrials | Debt Investor Update | Governance<br>Controls | Thematic |
| Mar-23 | Listed | Real estate | Debt Investor Update | Funding<br>Sustainability | General ESG Update |

**ENGAGEMENT**

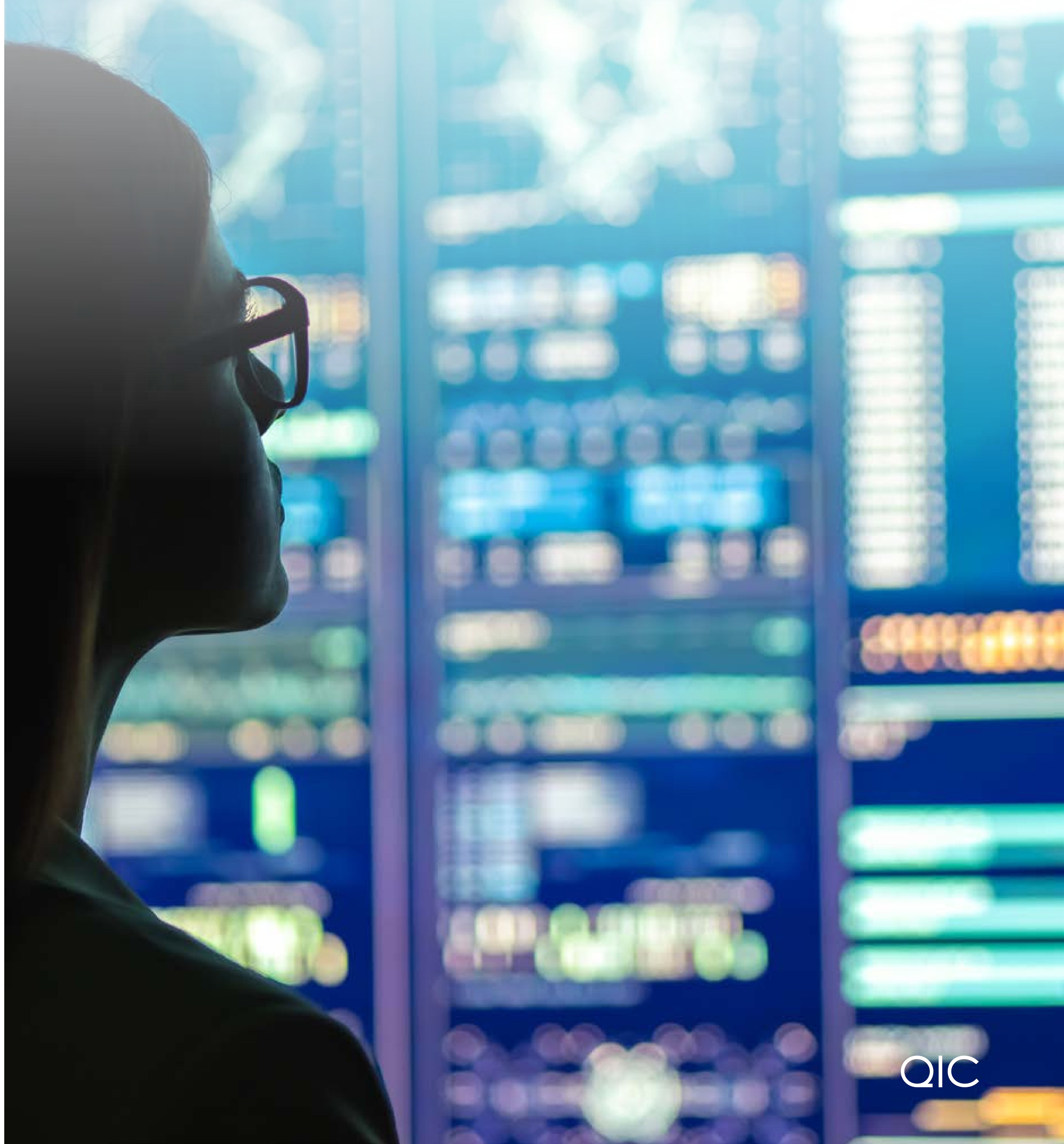
| Date | Issuer listing | Industry | Format | Areas covered | Purpose |
|---|---|---|---|---|---|
| Mar-23 | Listed | Real Estate | Debt Investor Update | Funding<br>Sustainability | General ESG Update |
| Apr-23 | Listed | Real Estate | QIC arranged (1 on 1) meeting | New AMTN issuance<br>Sustainability<br>Financial Performance | Thematic |
| May-23 | Listed | Financials | QIC arranged (1 on 1) meeting | Labelled bonds<br>Social | Thematic |
| May-23 | Listed | Consumer Discretionary | QIC arranged (1 on 1) meeting | New AMTN issuance<br>Sustainability<br>Financial Performance | Thematic |
| May-23 | Listed | Financials | QIC arranged (1 on 1) meeting | Funding<br>Sustainability | General ESG Update |
| May-23 | Listed | Financials | QIC arranged (1 on 1) meeting | Funding<br>Sustainability | General ESG Update |
| May-23 | Government | Consumer Staples | Debt Investor Update | Funding, sustainability, labelled bonds | General ESG Update |
| May-23 | Private Company | Utilities | Debt Investor Update | New AMTN issuance<br>Sustainability<br>Financial Performance | General ESG Update |

**ENGAGEMENT**

| Date | Issuer listing | Industry | Format | Areas covered | Purpose |
|---|---|---|---|---|---|
| May-23 | Private Company | Utilities | Debt Investor Update | New AMTN issuance<br>Sustainability<br>Financial Performance | General ESG Update |
| May-23 | Private Company | Real Estate | QIC arranged (1 on 1) meeting | New AMTN issuance<br>Sustainability<br>Financial Performance | General ESG Update |
| May-23 | Listed | Consumer Discretionary | Debt Investor Update | Sustainability | General ESG Update |
| May-23 | Private Company | Utilities | Debt Investor Update | New AMTN issuance<br>Sustainability<br>Financial Performance | General ESG Update |
| Jun-23 | Private Company | Utilities | Debt Investor Update | New AMTN issuance<br>Sustainability<br>Financial Performance | General ESG Update |
| Jun-23 | Private Company | Utilities | Debt Investor Update | New AMTN issuance<br>Sustainability<br>Financial Performance | General ESG Update |

# 6. GRI Content Index

The GRI Standards create a common language for organisations and stakeholders through which the economic, environmental, and social impacts of organisations can be communicated and understood. This index provides a reference between the GRI Standards indicators to which this report aligns, and the content of the report.



**GRI AND REPORT ALIGNMENT**

| GRI Indicator | Title | Relevant Section |
|---|---|---|
| GRI 2-1 | Organizational details | Cover Page; Important Information; Introduction; About QIC |
| GRI 2-3 | Reporting period, frequency and contact point | About This Report; Introduction; CEO Statement |
| GRI 2-4 | Restatements of information | Nothing to Note |
| GRI 2-6 | Activities, value chain and other business relationships | Introduction; CEO Statement; Investing Responsibly; Operating Responsibly; In the Community; Appendix 1; QIC Annual Report |
| GRI 2-7 | Employees | Sustainability Data |
| GRI 2-9 | Governance structure and composition | Introduction; Investing Responsibly; Task Force for Climate-related Financial Disclosures; QIC Annual Report |
| GRI 2-11 | Chair of the highest governance body | Investing Responsibly |
| GRI 2-12 | Role of the highest governance body in overseeing the management of impacts | Investing Responsibly |
| GRI 2-13 | Delegation of responsibility for managing impacts | Investing Responsibly |
| GRI 2-14 | Role of the highest governance body in sustainability reporting | Investing Responsibly |

**GRI AND REPORT ALIGNMENT**

| GRI Indicator | Title | Relevant Section |
|---|---|---|
| GRI 2-15 | Conflicts of interest | 2-15 a. Operating Responsibly; Conflicts of Interest Policy |
| GRI 2-18 | Evaluation of the performance of the highest governance body | QIC Annual Report |
| GRI 2-19 | Remuneration policies | QIC Annual Report; QIC Board — Key Arrangements |
| GRI 2-22 | Statement on sustainable development strategy | Sustainable Investment Policy |
| GRI 2-24 | Embedding policy commitments | Investing Responsibly; Operating Responsibly; Task Force for Climate-related Financial Disclosures; Sustainable Investment Policy |
| GRI 2-26 | Mechanisms for seeking advice and raising concerns | Investing Responsibly; Operating Responsibly; QIC Annual Report |
| GRI 2-28 | Membership associations | Investing Responsibly |
| GRI 2-29 | Approach to stakeholder engagement | Investing Responsibly; Operating Responsibly; Task Force for Climate-related Financial Disclosures |
| GRI 3-1 | Process to determine material topics | Investing Responsibly; Operating Responsibly; In the Community; Task Force for Climate-related Financial Disclosures |
| GRI 3-2 | List of material topics | Investing Responsibly |

# Appendix: TCFD Report

# A1. Introduction

## Introduction

Acknowledging the systemic risks of climate change, QIC considers climate-related risk both within individual investments and across portfolios and we are increasingly investing throughout the value chain to help drive the energy transition.

This Task Force on Climate-related Financial Disclosure Report provides QIC's climate-related risk and opportunity disclosures aligned to the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. We have structured this report around the TCFD's eleven key climate-related financial disclosures across four pillars: governance, strategy, risk management, and metrics and targets.

The 2023 reporting period has seen notable progress in QIC's ESG climate-related activities. We have continued to develop our integration of ESG factors, including climate, into investment decisions and processes, including through:

- Application of industry tools and frameworks such as the Net Zero Investment Framework
- Consideration of climate risk through the lens of Network for Greening the Financial System (NGFS) modelling
- Increasing the level of detail required in our ESG questionnaires to understand the practices of our external managers
- Capacity building within our investment teams and across QIC more broadly.

We have also cemented climate change as a key priority to better position QIC to meet reporting mandates and client expectations and to identify and embrace climate-related opportunities.

As the world moves toward more robust and transparent reporting on sustainability issues, we closely monitor Australian and international trends and developments in climate and environment issues. The International Sustainability Standards Board (ISSB) has recently issued its inaugural standards — IFRS S1 and IFRS S2 on sustainability-related financial information and climate disclosures, respectively. The S2 standard is built on the Task Force on Climate-related Financial Disclosures framework, however, extends this to require even greater detail. Climate-related financial reporting in line with the IFRS framework is expected to become mandatory in Australia in FY25. Since our last report we have enhanced our TCFD reporting in preparation for these new disclosure standards.

We welcome the introduction of more consistent global standards for sustainability reporting and will continue to develop our reporting and practice and have regard to these emerging standards.

## Our commitment

On 30 June 2023, QIC became a signatory to the Net Zero Asset Managers initiative (NZAM). NZAM is a leading net zero coalition in the finance sector, committed to supporting the goal of net zero carbon emissions by 2050 or sooner. Our NZAM commitment will be made at an enterprise level with components delivered by different investment teams as appropriate. Work has now commenced to formulate interim emissions reduction targets and decarbonisation pathways, which we plan to finalise by the end of June 2024 in line with NZAM requirements.

### Net zero protocols

Our intention is to use the Net Zero Investment Framework (NZIF) as the overarching approach toward decarbonising our portfolios. The NZIF encourages five key targets to be set:

1. Portfolio decarbonisation target (portfolio level)
2. Climate solutions allocation target (portfolio level)
3. Portfolio coverage target (asset level)
4. Engagement threshold target (asset level)
5. Operational emissions reduction target (operational level).

While QIC has existing net zero targets in our Infrastructure and Real Estate portfolios, we are now assessing whether and how NZIF targets can be applied by investment teams as not all NZIF targets are relevant to all asset classes. As required and allowed by the NZAM partners, we will apply protocols for target setting as appropriate, potentially including other GHG Protocols such as the Science-Based Targets initiative (SBTi), in addition to NZIF.

In addition to mapping decarbonisation pathways for investment portfolios, QIC has been certified as carbon neutral in our Australian corporate operations since FY21 under the Australian Government's Climate Active standard. We are now exploring opportunities to expand our certification to include our international offices and QIC's suite of professional services. Further information can be found in Section 3 of this report.

# A2. Governance

| Pillar | Key aspects |
| --- | --- |
| **Describe the Board's oversight of climate-related risks and opportunities.** | The QIC Board has ultimate responsibility for overseeing QIC's activities, however it is assisted by Board Committees in fulfilling its responsibilities.<br>All risks, including climate risk, are managed via QIC's Risk Management Framework (RMF). Within the Framework the Board's risk appetite sets the level of risk the Board is prepared to accept. This considers key risk categories within which ESG risks are contemplated.<br>QIC has a corporate structure with clearly drawn lines of accountability and delegations of authority, and the Board actively promotes a culture of risk awareness, quality, and integrity. Adherence to QIC's policies and standards is required at all times.<br>The Board Risk Committee (RC) role includes monitoring, reviewing and making recommendations to the Board on matters including the:<br>• design of the RMF and annual review of its effectiveness and relevance to current and future strategic business risk exposures of QIC, including systems, controls and processes and ensuring that QIC is operating with due regard to the Board's risk appetite<br>• risks included in the Key Risk Register including mitigating actions, strategies, measures and assumptions<br>• allocation of responsibilities across the three lines of accountability<br>• ongoing assessment and (if required) recalibration of the Risk Appetite Statement<br>• compliance with its regulatory, contractual, and other obligations, except for financial and tax related regulatory and contractual obligations for which the Audit Committee is responsible<br>• material risk incidents, including ESG matters.<br>QIC operates in a predictive risk management manner across a three lines of accountability model. Investment teams and business units are required to present their risk profile to either the Executive Committee or as part of a Quarterly Business Review (QBR) process. The Chief Risk Officer presents the collective QIC Key Risk Register, including ESG risks where relevant, to the RC on a frequent basis, including details on actions being undertaken to help ensure that QIC is operating within its risk appetite.<br>The RC (which is comprised of Board members) receives regular reporting on risks, including ESG risks, and receives independent assurance from Internal Audit regarding the performance of the risk and control environment, including elements of the RMF.<br>The QIC Board has also received briefings on climate-related issues and emerging opportunities, including climate science and carbon markets, and natural capital.<br>In addition to the RC, there are other governance forums that have responsibilities with regards to sustainability including Investment Committees which are required to make investment decisions in accordance with the Sustainable Investment Policy. |
| **Describe management's role in assessing and managing climate-related risks and opportunities.** | **Executive ESG position**<br>In FY23, QIC's commitment to action on climate change and ESG more broadly was demonstrated by the appointment of QIC's first Executive Director, ESG. This role is a member of the Executive Committee (ExCo) and participates in an Executive-level origination forum to provide an ESG lens on potential deals across the business.<br>The responsibilities of this role also include overseeing the management of climate-related issues. The Executive Director, ESG provides a quarterly update to the Board Risk Committee about progress against the ESG strategy, including progress on engagement and decarbonisation planning related to our NZAM commitment.<br>**QIC's corporate ESG team**<br>QIC's corporate ESG team develops the corporate ESG strategy, focusing on our strategic priority areas, including climate action, and has an oversight accountability for climate risk. The ESG team works with nominated ESG leads across QIC's investment teams as required to develop and provide oversight of ESG strategy, including with respect to climate change.<br>QIC has a dedicated Climate and Environment Lead who reports to the Executive Director – ESG. This role has responsibility for climate risk and opportunity assessment and reporting, including TCFD; capacity building on climate issues across the organisation; and ensuring we are positioned to consider emerging topics such as the Task Force on Nature-related Financial Disclosures (TNFD). |



QIC

| Pillar | Key aspects |
|---|---|
| | Our investment teams have specific Investment Committees and/or other governance mechanisms that consider risks and opportunities including, where relevant or material, climate risk. As mentioned above, all risks are required to be managed in accordance with QIC's Risk Management Framework. There are necessary nuances to governance forums within teams due to the differences in asset classes and ownership structures. |
| Highlights of investment teams' governance | |
| Infrastructure | Key QIC Infrastructure decision-making bodies — the Investment Management Committee and Asset Management Leadership Team — have documented accountability for the relevant sustainability elements. |
| | In our Infrastructure platform, where possible, QIC seeks non-Executive Director positions on portfolio company boards. Portfolio companies have established governance forums, including many with sustainability sub-committees and working groups within boards that focus on sustainability issues and performance, report regularly to the relevant portfolio company board on material sustainability issues, and oversee sustainability policies, such as diversity and inclusion, safety, and modern slavery, and the establishment of net zero targets. |
| Liquid Markets | Within Liquid Markets Group (LMG), our Head of Liquid Markets reports to the QIC CEO and is responsible for ensuring ESG risks and opportunities are considered in the investment and counterparty process, including evaluation of climate-related issues. Investment assessments include consideration of TCFD pillars and climate metrics. |
| | The LMG Investment Committee, which reports to the QIC Board, meets quarterly, and is appraised on climate-related governance and strategy as it relates to liquid markets investments. |
| Natural Capital | Within Natural Capital, our Head of Natural Capital oversees strategy development and execution, which incorporates assessing and managing risks and opportunities associated with QIC's natural capital assets. |
| | The Natural Capital Investment Committee is responsible for reviewing and endorsing strategy along with approving asset purchases. An assessment of climate-related risk and opportunity is included in each committee paper. |

| Pillar | Key aspects |
|---|---|
| Private Debt | Investment Committees (IC) for Multi-Sector Private Debt (MSPD) and Private Debt Infrastructure (PDI) report to independent Chairs, respectively. Climate factors are considered through due diligence processes by both Private Debt teams, using tools such as ESG questionnaires. These questionnaires are typically completed by the borrower or sponsor.<br>For QIC's Luxembourg domiciled private debt funds, the Carne Investment Committee applies the same IC processes as the MSPD and PDI teams. Carne reports to the Luxembourg CSSF (the regulator) as part of its role as QIC's alternative investment fund manager in this jurisdiction.<br>The respective ICs are informed on an ad-hoc basis when a concept and/or final paper is submitted for the relevant IC review and approval, incorporating results of the ESG assessment undertaken during loan investment due diligence. |
| Private Equity | QIC's Private Equity Regional Investment Teams (North America, Australia, Europe) report to Head of Private Equity and the Private Equity Investment Committee. The appropriate Private Equity Regional Investment Team undertakes investment due diligence and conducts portfolio monitoring which includes identifying, assessing, and monitoring climate-related risks and opportunities, and in this respect the teams are supported by the corporate ESG team. An ESG due diligence assessment is completed for each external manager and co-investment and forms part of the submission to the Private Equity's Investment Committee to ensure they are informed on ESG risks prior to making an investment decision. An ESG questionnaire is also issued every 12–18 months to our external managers with the aim of assessing the maturity of their ESG practices. In light of progress made by our existing suite of managers, we recently revised our questionnaire to focus more on evidence-based application of the policies our managers have in place as well as to gather additional information on climate management and metrics to support the development and measurement of investees' net zero plans.<br>There are no set metrics or targets used to evaluate climate-related issues, but if these are of relevance to investment diligence quantitative and qualitative analysis will be used as appropriate. |

| Pillar | Key aspects |
|---|---|
| Highlights of investment teams' governance | |
| Real Estate | QIC Real Estate's governance and risk management approach is guided by QIC investment policies and procedures, including the Real Estate Trustee Governance Committee, Real Estate Delegations of Authority, Real Estate Sustainability Committee, the QIC Valuations Oversight Committee, Project Control Group meetings, and Investment Portfolio Review meetings.<br><br>The Real Estate Trustee Governance Committee (TGC) is responsible for all investment related decisions within the real estate business. Such decisions encompass several considerations, including how an investment decision will impact our ability to achieve our Real Estate ESG Strategy, including our objectives put in place to manage climate related risks across the real estate business. The TGC also monitors performance against our ESG objectives, including those related to climate risk, on a quarterly basis. |
| State Investments | The QIC State Investments Committee reviews and considers for approval all material investment matters on behalf of the QIC State Investments Team ensuring appropriate consideration is given to client objectives and identifying the investment, operational and reputational risks associated with the Investment Strategies.<br><br>Concept and Final Approval papers must include a risk management review of the proposal and if the Chief Risk Officer (or delegate) determines that any aspect of the proposal is outside the Board's Risk Appetite Statement, the proposal must be referred to the QIC Limited Board for further consideration. |



QIC

# A3. Strategy

| Pillar | Key aspects |
|---|---|
| **Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.** | QIC's investment teams are stewards of our clients' capital, and operate in diverse asset classes. As our investments range from real assets in infrastructure and real estate to liquid market solutions, the time horizons applied vary across teams. For example, in Liquid Markets Group, the time horizons applied are short term (0–1 years), medium term (2–5 years) and long-term (6–30 years), whereas in Real Estate the time horizons are longer given the longer-term nature of our investments. Here the short-term horizon is 2023 to 2030, medium term is from 2031 to 2050 and long term from 2051 to 2070.<br>We seek to identify physical and transition risks and opportunities in different portfolios. In this reporting period, some examples include work conducted by our:<br>• Real Estate team — which owns and operates real assets – that has conducted modelling of the financial implications of physical climate change impacts on our assets in Australia.<br>• Infrastructure team that has used the Munich Re Location Risk tool in asset diligence processes to determine hazard exposure and resulting investment risk.<br>• Liquid Markets Group who conduct scenario analysis to identify climate-related risks and opportunities for corporate bonds of listed companies, physical bond holdings, and real estate and infrastructure bonds in Australia, the US, Europe, and the UK, and for government bonds in Australia and Japan. This year the LMG team also developed a process for modelling decarbonisation pathways under multiple scenarios, each with 2030 interim targets, assessing the implications for mandate parameters, decarbonisation metric measurements and net zero alliance requirements for bond investors. |

| Pillar | Key aspects |
|---|---|
| | We have identified risks and opportunities over short, medium, and long-term horizons for our investment capabilities. The below risks and opportunities may not be relevant to each individual asset class; however, they do represent the range of risks and opportunities identified across QIC.<br>ESG risks fall within our broader Risk Management Framework which requires teams to assess both likelihood and consequence in determining the risk rating. The Board's Risk Appetite guides the business on the level of risk the Board is prepared to take whilst the risk appetite of QIC's clients is defined by fund documentation and Investment Mandate Agreement.<br>Opportunities are assessed on a case by case basis by each respective investment team. |
| Risks | |
| | The following is a combined list of risks nominated by our investment teams.<br>**Transition risks**<br>**Policy and Legal:** enhanced emissions reporting obligations; investing that could create or contribute to systemic risk for the economy; carbon pricing mechanisms; mandates on and regulations of existing products and services; substitution of existing products and services with lower emissions options; costs to transition to lower emissions technology; exposure to regulatory action and litigation.<br>**Technology:** substitution of existing products and services with lower emissions options; loss of clients due to a fund's poor environmental performance outcomes (e.g., if a fund has suffered climate-related write-downs); changes in client requirements and systems; costs to transition to lower emissions technology.<br>**Market:** changing customer behaviour; increased cost of raw materials; availability of data for financed emissions. |

| Pillar | Key aspects |
|---|---|
| | **Reputation:** negative press coverage related to support of projects or activities with negative impacts on climate (e.g. GHG emissions, deforestation, water stress); increased stakeholder concern or negative stakeholder feedback; stigmatisation of sectors; investing that could create or contribute to systemic risk for the economy.<br>**Physical risks**<br>We have nominated physical risks as they relate to potential impacts on our own operations and investments, and the potential longer term impacts on economies. We have considered these in more detail in our real asset portfolios. For example, for our real estate assets, we have conducted modelling of the financial implications of extreme events including heatwaves and floods. In our Infrastructure portfolio, we recognise that individual assets can be affected by short- and long-term physical impacts of climate change. We work with portfolio companies to consider these at the asset level, and seek to take a balanced approach across our portfolio to minimise risk for our clients.<br>**Acute:** increased severity of extreme weather events such as cyclones, floods, droughts and heatwaves.<br>**Chronic:** changes in precipitation patterns and extreme variability in weather patterns; water stress; soil degradation; rising mean temperatures. |
| Opportunities | |
| | The following is a combined list of opportunities nominated by our investment teams.<br>**Opportunities**<br>**Resource efficiency:** reduced water usage and consumption; use of more efficient production and distribution processes; use of more efficient modes of transport; move to more efficient buildings; use of recycling.<br>**Energy systems:** use of supportive policy incentives such as the Small-scale Renewable Energy Scheme in Australia; participation in carbon markets; use of lower emission sources of energy; use of new technologies; shift toward decentralised energy generation.<br>**Products and services:** shift in consumer preferences; development and/or expansion of low emission goods and services; ability to diversify business activities; reputational benefits resulting in increased demand for goods/services. |

| Pillar | Key aspects |
|---|---|
| | **Markets:** labelled bonds financing a range of green and sustainable projects and sustainability linked KPIs such as carbon emission reduction targets; increased diversification of financial assets (e.g., green bonds and infrastructure); climate factors considered in investment decision making may improve performance through reduced risk of asset stranding or the impacts of physical risks; improved ratings by sustainability/ESG indexes; increased demand for funds that invest in companies that have positive environmental credentials; the development of new revenue streams from new/emerging environmental markets and products; anticipation and early action on emerging regulation may provide competitive advantages as we can better support our clients in relation to financial disclosures and fiduciary duty; enhanced financial performance of investee companies as a result of being able to access new markets and develop new products to meet consumer demand.<br>**Resilience:** increased reliability; climate resilience of investment chain; new products and services related to ensuring resiliency; participation in renewable energy programs and adoption of energy efficiency and demand measures to be resilient to both price increases and physical impacts of extreme events. |
| **Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.** | QIC has a dedicated ESG strategy which is recalibrated on a regular basis as ESG risks and opportunities evolve. Climate-related risks and opportunities are a priority for QIC, as demonstrated by this enhanced TCFD-aligned reporting, our requirements under the Net Zero Asset Manager's (NZAM) initiative, our work to understand the economic impacts of climate change through the lens of the Network for Greening the Financial System (NGFS) models, and our continuing commitment to responsible investment more broadly.<br>Our approach to climate risk and opportunity, including any existing emissions reductions targets and plans, is discussed throughout this report and our Infrastructure and Real Estate sustainability reports.<br>Climate considerations are increasingly factored into decision making through voluntary and emerging regulatory disclosure requirements, portfolio analysis and construction, asset due diligence and management, and strategic considerations. This is to manage both inherent risks within the portfolio as well as acknowledging client expectations, including in helping them meet their own climate commitments. |



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| | QIC's engagement with the opportunities presented by the net zero transition has become increasingly prominent in the FY23 period. In the last year, a number of our investment teams have engaged with climate solutions as an investment thematic. As well as our stewardship of natural capital assets, we are now working to identify climate solutions within existing funds and portfolios, including nature-based solutions and the energy transition.<br>Some highlights of our investments in climate solutions can be found in this Sustainability Report, as well as our separate Infrastructure and Real Estate sustainability reports.<br>As a signatory to NZAM, we intend to clarify the proportion of climate solutions in our existing portfolios and establish targets to grow the allocation of funds under management into these sectors over time. |
| Information and education | |
| | In this reporting period, the QIC Board requested a dedicated information session on climate change from our internal subject matter expert. The corporate ESG team extended this capacity building approach to include an all-employee briefing and the development of e-learning modules on climate change science and policy, carbon and biodiversity markets, and our NZAM commitment. These modules are planned to be rolled out in FY24. |
| **Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.** | Since 2022, QIC has been exploring the macroeconomic scenarios undertaken by the Network for Greening the Financial System (NGFS) to understand how different combinations of long-term climate policy ambition, short term policy settings and technological innovations drive alternative outcomes for the global economy. These scenarios capture some (though not all) physical and transition risks associated with climate change.<br>There are six NGFS scenarios, four of which have a target of limiting global heating to below 2 degrees. The scenarios illustrate the benefits of acting quickly and cooperatively. Delaying the implementation of climate policies or acting in an uncoordinated manner across industries or geographies results in more costly outcomes. |

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| | We also acknowledge that some analyses[1] suggest climate scenario models in financial services may significantly underestimate economic impacts. Real-world effects of climate change including the systemic impacts of passing tipping points (both positive and negative, transition and physical risk related), sea-level rise, and forced mass migration, are largely excluded from many models. We view the uncertainty about climate change scenarios as extremely high.<br>Constructing portfolios that are intended to maximise returns under a range of NGFS scenarios, we believe helps build climate resilience, while also informing our baseline projections of the evolution of the global economy as it deals with climate change.<br>To date, NGFS scenarios are being used or considered for use in QIC's real asset capabilities, Infrastructure and Real Estate. Further details on this work are outlined in their sustainability reports. |
| | In addition to NGFS scenarios, examples of work undertaken by other teams include scenario analysis using IPCC scenarios undertaken by Liquid Markets Group using tools such as Bloomberg, MSCI ESG Research, MSCI Climate Risk & Carbon Footprint tools and Munich Re Location Risk Intelligence. The Liquid Markets Group has also previously assessed parts of its portfolio using the Net Zero Investment Framework.<br>QIC's Natural Capital team also draws on IPCC scenarios for physical climate risk assessments applying tools and methodologies such as the Queensland Climate Futures Dashboard. |

1 Trust, S., Joshi, S., Lenton, T., and Oliver, J. (2023). The Emperor's New Climate Scenarios — a warning for financial services. Institute and Faculty of Actuaries, UK and University of Exeter. Available at https://actuaries.org.uk/emperors-new-climate-scenarios; Monasterolo, I., Nieto, M.J., and Schets, E. (2022). The Good, the Bad and the Hot House World: Conceptual Underpinnings of the NGFS Scenarios and Suggestions for Improvement. Banco Espana Working Paper No. 2302. Available at SSRN: https://ssrn.com/abstract=4211384 or http://dx.doi.org/10.2139/ssrn.4211384.

# A4. Risk management

| Pillar | Key aspects |
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| **Describe the organisation's processes for identifying and assessing climate-related risks.** | In addition to the physical risks of climate change, emerging regulatory, legal and technology requirements present transition risks that contribute to the cost to decarbonise the global economy. In line with these societal and economic shifts, the finance sector is looking at ways to transition investment portfolios and businesses. At QIC, our understanding of transition risks continues to evolve and, as with physical risks, requires a nuanced approach to identifying, assessing and mitigating these risks across our diverse investment portfolios.<br><br>Our approach to climate risk management varies according to asset class but is broadly underpinned by a fundamental assessment of physical and transition risks identified through third-party platforms, asset-specific modelling and other risk review and assessment processes, where appropriate.<br><br>Our Risk Management Framework includes an enterprise-wide methodology for rating risks according to the risk consequence and likelihood criteria that are incorporated into the Risk Rating Procedure included in the Board's Risk Appetite Statement.<br><br>All risk across QIC is managed in accordance with this approach to ensure consistency. Controls that mitigate identified risks are taken into consideration to determine the residual risk rating. Identified risks, including ESG risks, are rated according to QIC's risk rating standards and benchmarked against the Board's Risk Appetite to determine if any further action is required to bring residual risks within acceptable tolerable levels. |

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| | QIC's Sustainable Investment Policy requires our investment teams to consider and manage relevant and material ESG risks and opportunities in investment decision making processes.<br><br>Our investment teams consult with corporate ESG, Risk, and Legal teams as appropriate in consideration of climate and other related emerging risks in investment due diligence processes. For our Private Equity, Private Debt and State Investments portfolios we issue ESG questionnaires which include climate-related questions to help in our assessments of our external managers and borrowers/sponsors.<br><br>For our corporate bond portfolios, the same third-party datasets mentioned on page 61 are used to assess physical risks and inform our understanding of transition risks, providing an assessment of:<br>• company specific estimates of future cost, revenue and valuation impacts under various scenarios, and<br>• an overview of the robustness of risk management strategies for the portfolio holdings.<br><br>We are working to improve our ability to identify and manage risks across more challenging portfolios including unlisted equities and private debt. |



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| **Describe the organisation's processes for managing climate-related risks.** | We manage climate-related risk in accordance with the QIC Board's Risk Appetite Statement and Risk Management Framework, including the Enterprise Risk Management Policy. For details, refer to Section 3 of this report. |
| | By incorporating climate-related risks into QIC's Risk Management Framework and assessing them in the same way as other business risks, the QIC Board and Management can oversee that there is a clear understanding of the level of risk throughout the business and that appropriate focus, resources and controls are employed to manage the residual risk in an appropriate way, in line with QIC's Risk Appetite as approved by the QIC Board. The risk assessment process requires an evaluation of both the likelihood and consequence in determining the risk rating, ensuring materiality of the risk is taken into consideration. Investment teams and business units are required to present their own risk profile to either the Executive Committee or as part of a Quarterly Business Review (QBR) process. The Chief Risk Officer presents the collective QIC Key Risk Register to the RC on a frequent basis, including details on actions being undertaken to help ensure that QIC is operating within risk appetite. |
| | Given the impact of ESG risks, including climate risks, we recognise the need for these risks to be measured against different time horizons, i.e. assessed on short, medium or long-term basis, depending on the scope of the risk assessment, the type of investment decision, the investor's investment strategy and the type of asset and its lifecycle. The QIC risk assessment methodology supports a systematic, consistent and flexible approach. |
| | Investment teams integrate relevant ESG factors, including climate, into their investment processes, including via due diligence and active asset management in our real asset portfolios in Infrastructure, Real Estate and Natural Capital.<br><br>Our integration processes vary depending on several factors including our level of control and/or influence over the investment. For more information on our integration processes refer to Section 2 of this report.<br><br>Oversight of asset-specific risks and opportunities are managed as described under Governance within this TCFD report. |

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| **Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.** | Climate-related risk identification, assessment and management are integrated into our broader risk management approach and are included in the QIC Risk Management Framework. The Board has ultimate accountability for risks, including climate-related risks, and is responsible for setting QIC's corporate strategy and risk appetite and identifying and monitoring risks that may affect QIC's ability to achieve strategic objectives.<br><br>QIC operates a three lines of accountability model, the first line of accountability includes executives and employees within QIC's investment teams and supporting divisions who are accountable for identifying and effectively managing risks within their area of responsibility. Employees are required to report and manage incidents, including near-misses and uncontrolled risks, in accordance with QIC's Escalation Policy. When it comes to ESG risks, including climate-related risks, employees are supported by the corporate ESG team as required in doing so.<br><br>The second line of accountability sits with the Risk Management Group (RMG), led by the Chief Risk Officer who reports directly to the CEO, who provide investment teams and supporting business units with tools, training, and advice to assist them to effectively manage their risks and compliance obligations. RMG work closely with the Legal team to monitor and challenge the business where appropriate, and to provide the CEO and the Board with assurance that risks are being managed effectively and in accordance with QIC policies and standards, laws, regulations, and client commitments. The third line of accountability sits with QIC's internal audit function who undertakes a program of work to provide assurance over risk management and control activities across QIC.<br><br>For further information on how risk is incorporated into the due diligence processes of our investment teams, refer to Section 2 of this report. |

# A5. Metrics and targets

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| **Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.** | Absolute emissions metrics are the foundation of carbon accounting. Measuring absolute emissions allows for assessment of real-world impacts and provides advantages including transparency of accounting, regulatory compliance, ease of target setting, and comparison across international geographies and jurisdictions. However, absolute metrics may be insensitive to efficiency or productivity improvements in a facility or industry, challenging to achieve in the short term (particularly for emissions-intensive industries or sectors), insensitive to efficiency improvements in a growing company. Absolute metrics can also make it difficult to compare results across sectors since total emissions vary greatly across regions, business types, and organisation size.<br><br>Intensity metrics provide a more nuanced view that may reflect efficiency improvements, provide comparisons across industries, and allow investors to track emissions reduction progress over time, regardless of changes in overall production or activity levels. Intensity metrics can also be used to set intensity targets for emissions reduction, for example reducing carbon dioxide equivalent emissions per unit of energy produced ($CO^2$-e/kWh).<br><br>Absolute metrics provide a complete picture of emissions at a particular level – company, geography, source, or scope. Intensity metrics provide a better understanding of emissions regarding a specific activity. QIC investment teams operate across a diversity of asset classes, jurisdictions, and timeframes. Appropriate metrics are therefore selected and applied for each asset class and investment context.<br><br>In our real asset classes, Infrastructure and Real Estate, we use absolute carbon dioxide equivalent emissions as our key climate-related risk metric. Full details are provided in the separate Sustainability Reports of both teams. |

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| | Our Liquid Markets Group applies the Global GHG Accounting and Reporting Standard Part A: Financed Emissions (Second Edition) to calculate emissions of corporate bonds though revenue is used as the denominator for carbon intensity given the difficulty in sourcing Enterprise Value Including Cash (EVIC) of financial companies such as banks (and the differences in output between third party data providers). LMG also uses GDP/GSP as the denominator in lieu of revenue when calculating carbon intensity of carbon intensity of government and semi-government bonds.<br><br>For underlying QIC client requirements, QIC's Private Equity team may request Scope 1, 2, and 3 emissions and datapoints on energy consumption from underlying co-investment positions so that these may be provided to QIC clients as look-through data to support those client's internal reporting purposes.<br><br>For the QIC Natural Capital team, forward-looking metrics include assessment of Scope 1 and 2 greenhouse gas emissions (measured in metric tons of carbon dioxide equivalent) using investee asset data (e.g. carbon footprint calculated annually considering $kgCO^2$-e per kilogram liveweight sold and absolute emissions) and Australian National Greenhouse Accounts Factors. The Natural Capital team also considers climate-related opportunities for carbon storage and sequestration using the FullCAM carbon accounting tool.<br><br>The State Investments team considers absolute emissions at asset level, carbon reserves, and portfolio carbon intensity. These metrics are drawn from emerging industry practice.<br><br>We are currently working to ensure that all metrics used by different investment teams are consistently applied in line with international standards and warming scenarios well below 2 degrees, and in line with the Global GHG Accounting and Reporting Standard, developed by the Partnership for Carbon Accounting Financials (PCAF). |



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| **Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.** | Our energy and emissions data for the teams with net zero targets can be found in our QIC Infrastructure Sustainability Report and QIC Real Estate ESG Report. Details of financed emissions for our Liquid Markets Group can be found in Section 6 of this report. |
| **Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.** | Our investment teams have climate targets in place, in development or under consideration for select parts of portfolios as appropriate to each asset class. As part of our decarbonisation mapping under NZAM, we are in the process of assessing all portfolios to determine options for portfolio decarbonisation reference targets and, where relevant, allocation of funds to climate solutions. At the asset level we are considering targets for portfolio coverage and engagement. We are also planning the decarbonisation pathway for our corporate operations, with an overview of our emissions reduction approach included in this report.<br>**Established targets**<br>Prior to joining NZAM, QIC had already established net zero targets for seven of our real asset funds across Real Estate and Infrastructure:<br>• Our Real Estate portfolio intends to minimise our contribution to climate change and achieve net zero carbon emissions in its five core funds by 2028 (Scope 1 and 2)[2].<br>• Our Infrastructure team has established net zero targets for 2040 for its core portfolios, and a proactive approach to decarbonisation with its portfolio companies.<br>Further details on their targets and progress against them can be found in their respective sustainability reports. |

2 Net zero carbon emissions targets apply to assets that are 100% owned and managed by QIC (making up 88% of QIC Real Estate's portfolio value). Net zero carbon emissions target relies on an increase in renewable energy consumption through onsite solar roll out and purchase of grid sourced renewable energy (~69%) and reduction in electricity consumption through efficiency upgrades (~25%). Baselines vary for individual funds and range from 2015 to 2021. Carbon offsets will be purchased for residual emissions from sources with no existing fossil fuel free alternatives (~6%). Progress is quantified and receives limited independent assurance annually, in accordance with the Australian Standard on Assurance Engagements (ASAE3000). All figures as at 30 June 2022. Net zero emission (NZE) 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 QIP and QGIF I. The NZE 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.

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