

2018-19

QIC

ANNUAL REPORT

WHO WE ARE

QIC is a leading long-term specialist manager in alternatives offering infrastructure, real estate, private capital, liquid strategies and multi-asset investments. It is one of the largest institutional investment managers in Australia, with over 1000 employees and more than 110 clients. Headquartered in Brisbane, Australia, QIC also has offices in Sydney, Melbourne, New York, Los Angeles, Cleveland, San Francisco, London and Copenhagen.

ABOUT THIS REPORT

This Annual Report describes QIC's achievements during the 2018-19 financial year. In doing so, it depicts our business, corporate strategy and the important role our people play in delivering strong investment outcomes for our clients.



BRISBANE | SYDNEY | MELBOURNE | NEW YORK | LOS ANGELES | CLEVELAND | SAN FRANCISCO | LONDON | COPENHAGEN

On behalf of the QIC Board, it's my privilege to present our 2018-19 Annual Report on the performance of QIC Limited – my first in the role of Chair.



When I assumed the role of Chair in April 2019, I brought with me a long-standing admiration for QIC as one of Australia's largest institutional investment managers. Since then, my respect for QIC has only grown. It's been an honour to join such a high-quality business with an exceptional leadership team, a strong heritage, and a reputation for putting clients first.

Building on that legacy, QIC's results for 2018-19 represent our ongoing ambition to deliver compelling long-term investment returns for our clients and maximise shareholder value for the Queensland Government.

I am pleased to report QIC has delivered on both counts.

Across our infrastructure, real estate, liquid strategies, private capital, and multi-asset capabilities, we have delivered solid investment performance for our clients, with 84.5% of representative funds having met or exceeded performance objectives, on a Funds Under Management weighted basis, during the reporting period.

We also delivered an above budget net profit before tax of A\$98.5 million and a dividend of A\$59.0 million for the year ended 30 June 2019. These results reflect the well-managed execution of our corporate strategy, including the growth and evolution of our business in Australia and key international markets.

These accomplishments are the result of our constant client focus, ongoing emphasis on strong investment performance, and the acquisition of quality assets on behalf of our clients.

Moreover, our achievements would not be possible without our people, whose talent, dedication, and collaboration have enabled us to make the most of timely opportunities for the ultimate benefit of our clients and our shareholder, the Queensland Government.

This year has also been a year of change for the Board. On 31 March 2019, Don Luke retired, having been Chair since 2013. On behalf of the Board, I would like to acknowledge Don's contribution and leadership over the past five years and his unwavering commitment to delivering for our clients and shareholder.

We continue to have an excellent working relationship with our shareholding Ministers, the Honourable Anastacia Palaszczuk MP, Premier and Minister for Trade and the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships. I'm pleased to express our appreciation for their support for our business and endorsement of our strategy and we look forward to continuing our collaborative partnership.

A handwritten signature in black ink, appearing to read 'Ian Martin', written over a light grey circular pattern.

Ian Martin AM
QIC Chair

At QIC, we are driven by one clear purpose: delivering optimum investment outcomes for our clients.



During the past year, we have been guided by our persistent client focus – a force that has directed QIC since our inception. Our relationships with our clients have strengthened, built on a foundation of trust, and we have delivered the investment outcomes consistent with our strong track record.

In 2018-19, our multi-year corporate strategy has continued to underpin all we do: the targeted growth of our client base and the strategic management of a diverse portfolio of assets, in Australia and around the world.

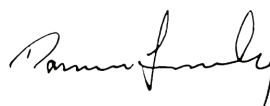
Guided by our corporate strategy and client focus, our investment teams have delivered solid outcomes in 2018-19, as evidenced by these highlights:

- The 2019 financial year saw the Global Infrastructure team's QIC Global Infrastructure Fund (QGIF) continue to secure new investments, including a first-of-its-kind parking concession with Northeastern University in the U.S., and Brussels Airport in Europe.
- Global Real Estate's landmark sale of 80 Collins, a commercial mixed-use development in Melbourne's CBD, for a sale price of A\$1.476 billion, one of the largest commercial property deals in Australia.
- Global Private Capital has grown to A\$6.7 billion of Assets Under Management¹ and has continued to deliver positive returns thanks to exposure to early stage companies via top tier venture and growth managers, global relationships, and a consistently disciplined approach through economic cycles.
- Global Liquid Strategies delivered strong returns to investors, expanding overlay mandates and diversifying to China, becoming one of the earliest Australian investment managers to complete the purchase of an onshore Chinese Government Bond which provides clients access to this market.
- Global Multi-Asset's flagship QIC Growth Fund continued to deliver strong returns for clients with the Fund increasing its Funds Under Management (FUM) from A\$3.4 billion to A\$4.6 billion over the financial year.
- At a corporate level, we began our Reconciliation Action Plan (RAP) journey, showcasing our commitment to reconciling the past with regard to treatment of Aboriginal and Torres Strait Islander peoples, recognising Indigenous peoples' involvement in Australia's history, and working together toward a better future. We have launched the QIC Indigenous Scholarship program; became a member of Supply Nation, Australia's leading database of verified Indigenous businesses; and recognised National Reconciliation Week and NAIDOC week across QIC's Australian offices.

This was another year of growth and change at QIC. I would also like to thank our outgoing Chair, Don Luke, for his years of service to QIC and mentorship to me, and once again welcome our new Chair, Ian Martin AM, to his role. While Mr Luke leaves big shoes to fill, QIC is fortunate to have gained the expertise of a high-calibre Chair and Executive in Mr Martin. I am also grateful to the entire QIC Board, our shareholding Ministers and our clients for their ongoing support of, and confidence in, our business.

Perhaps most of all, I would also like to express my sincere gratitude to each of our employees. Their dedication to our clients and our purpose is crystal clear – I see it in the passion they exhibit, the sense of responsibility they demonstrate, the commitment they bring to their jobs, and the way they partner together on behalf of our clients day in and day out. Our employees live and breathe our Standards of Excellence and it shows in our collective performance.

Outside our walls, the world is changing at an unparalleled pace. Client expectations are heightening and the markets and geopolitical environment we operate in continue to increase in complexity. Our industry is facing headwinds and there is no doubt that there are challenges in raising and deploying capital in the current environment. Like all organisations, QIC will need to evolve and remain agile and disciplined – both strategically and operationally – as we face the year ahead. As CEO, it gives me great assurance, confidence, and pride to know we have committed leaders at all levels of the organisation steering our ship.

A handwritten signature in black ink, appearing to read 'Damien Frawley'.

Damien Frawley
QIC Chief Executive Officer

¹ NAV and unfunded commitments as at 31 December 2018, inclusive of mandates for which GPC does not have responsibility for investment decisions.

STATEMENT OF CORPORATE INTENT

The following table depicts performance against key financial and non-financial measures from QIC's 2018-19 Statement of Corporate Intent (SCI):

Financial Key Performance Indicators	2018 -19 result	SCI target
Cost to Income Ratio (overall)	Overall: 77.8% Overall, excluding U.S. expansion: 71.5% Excluding QICP: 63.4%	Overall: 80.9% Overall, excluding U.S. expansion: 75% Excluding QICP: 68%
Operating Profit before Tax (\$M)	Overall: A\$98.5 million Excluding U.S. expansion: A\$114.4 million	Overall: A\$83.6 million Excluding U.S. expansion: A\$99.1 million
Return on Assets	23.7%	15%
Return on Equity	43.9%	39%

Non-financial Key Performance Indicators	2018 -19 result	SCI target
Deliver investment objectives for clients	84.5% of representative funds met performance objectives, on a FUM weighted basis, as at 30 June 2019	75% of representative mandates meet or exceed their investment objectives and benchmark performance

MEASURING OUR PERFORMANCE

Corporate and individual performance at QIC is measured against four themes in a scorecard of key performance indicators.

Results from 2018-19



FINANCIAL PERFORMANCE

QIC has delivered a profit of A\$98.5 million against a target of A\$83.6 million and a dividend of A\$59.0 million to the Queensland Government. In a challenging environment, this result is the outcome of a prudent financial management approach across the business, supported by successful strategic cost management, ensuring long-term growth in QIC's enterprise value.



INVESTMENT PERFORMANCE AND CLIENTS

Despite increased global market volatility, investment performance across QIC's capabilities has been solid, with 84.5% of funds meeting or exceeding their performance objectives against a FUM-weighted basis and a 75% target.

Over the past 12 months, we have continued to develop our targeted domestic and international client strategy. Our focus on client centricity has enabled QIC to maintain strong relationships (as measured by the 2019 Peter Lee market research), with the true intent of partnering with our clients to continue to understand and meet their changing investment requirements.



EXECUTION EXCELLENCE AND RISK MANAGEMENT

Execution excellence has been demonstrated across the business this year with the delivery of a number of strategic initiatives and improved operational processes and efficiencies.

During the year, QIC was rated as a top quartile Environmental, Social and Governance (ESG) performer under the United Nations Principles of Responsible Investment (UNPRI) assessment and acknowledged as an organisation that has adopted a leading approach to ESG integration.

QIC continues to be recognised by clients and peers as having an excellent approach to Governance, Risk Management, Compliance, and Risk Culture, with a contemporary approach across all Three Lines of Accountability.



STANDARDS OF EXCELLENCE

Substantial progress has been made on amplifying our focus on diversity and inclusion, with the launch of QIC's Reconciliation Action Plan (RAP) being a significant highlight. Leadership performance has continued to strengthen, with a number of key appointments made to QIC's Executive Committee in 2018-19 and ongoing investment in our emerging leaders and graduate programs.

Our people remain highly engaged and high-performing and are proud to work in a positive and inclusive work environment.

Our high-performing investment capabilities delivered strong results in 2018-19.

GLOBAL INFRASTRUCTURE

The Global Infrastructure (GI) team, on behalf of our clients, actively manages an A\$12.3 billion portfolio (as at 30 June 2019) comprising of 13² direct infrastructure investments diversified across sector, geography, lifecycle, and regulatory regime. On behalf of our clients, the GI team's long-term stewardship of diversified portfolios has continued to deliver strong returns during the financial year.

People

We continue to rely on a committed and experienced team as we grow our activities globally. We grew to 43 investment professionals during the year, enhancing in particular our presence in New York and London. These additions were key in achieving investments in both the U.S. and in Europe during the year and have enhanced our capability in these markets. The team's growth also included key hires to support our active asset management philosophy, deepening our capabilities in business optimisation and operational transitions. With great respect, we acknowledge the passing of Paul Costello, the inaugural independent Chair of the QIC Global Infrastructure Investment Committee, and we are grateful for his valuable contribution to our business and our team throughout his tenure.

Investment Activity

In December 2018, GI, on behalf of the QIC Global Infrastructure Fund (QGIF), and Northeastern University entered into a 50-year partnership providing for QIC's investment in the University's campus-wide parking system and potential future mobility services. GI has formed MasParc and Mobility LLC (MasParc), a new company that will oversee all aspects of the parking system at Northeastern – a large, urban university in the heart of Boston, Massachusetts, with enrolment of approximately 26,000 students. The transaction represented a number of firsts: the first non-Australian investment for QGIF; the first agreement of its kind for a private university in the U.S.; and the first agreement to provide for the future development of technology-enabled mobility solutions, facilitating mobility-as-a-service to meet commuters' travel needs. This will enable MasParc to cater to the campus's changing transportation needs over time. Since acquisition, GI has undertaken significant transitional activities at MasParc, including the recruitment of MasParc's management team and board of directors, establishing its business operations in Boston, and procurement of a parking operator for the concession. These efforts enabled the business to assume full management of operations for the concession on 1 July 2019. Further, GI successfully closed on MasParc's inaugural U.S. Private Placement (USPP) issuance, which saw the business secure long-term financing across 10, 16, and 20-year tenors. This represents further endorsement of the attractiveness of the concession and its structure.

In March 2019, it was announced that a consortium jointly led by QIC and APG were successful in their bid for a 36% equity interest in Brussels Airport. Brussels Airport, which is Belgium's largest airport, is a freehold perpetual airport located in the political capital of Europe, host to EU and NATO headquarters. It has strong traffic demand and growth fundamentals, driven by a large catchment area and significant excess capacity. The transaction, when it reaches financial close in late 2019, will be the first European investment for QGIF, providing further geographic and sector diversification. As a gateway airport, the investment is expected to provide strong downside protection through market cycles due to its diversified airline and traffic mix and stable regulatory regime.

Asset Management

Further key highlights across GI clients' portfolio companies for this financial year include:

- At both Lochard Energy and Epic Energy South Australia (EESA), GI oversaw value accretive bolt-on acquisitions during the year. EESA acquired the Timboon West and Yawong Wind Farms in Victoria (total capacity 14.4MW), each underpinned by long-term contracts. Lochard acquired the depleted Otway gas fields, which offer option value for future gas storage development, and in parallel secured long-term storage contracts with the vendor, further de-risking the business.
- In the Powering Australian Renewables Fund (PARF) portfolio, the Coopers Gap Wind Farm attained 'first generation' in late June 2019 as the first two out of a planned 123 turbines fed electricity into the National Electricity Market (NEM). PARF has actively engaged with the regulator and other market participants around changes to Marginal Loss Factors (MLFs). GI led a multi-disciplined risk review of the business to provide an external perspective on its risk management framework and identify potential prioritised enhancements for the business to implement.
- At Brisbane Airport, the new runway remains on track for completion in 2020. As the largest single shareholder, GI has been heavily involved in the commercial arrangements for this project since its inception. The project is the largest aviation construction project in Australia and will effectively double the current capacity of the asset. Construction has transitioned to Airfield Works following the successful completion of the Dryandra Road diversion during the year. Importantly, the new CEO and the Board have maintained active dialogue with key stakeholders and the community throughout the project and have developed a growth strategy to capitalise on the opening of the runway.

² Excludes Brussels Airport, which reached contractual close in March 2019, with financial close due to occur in FY20.

- GI continues to work with Powerco on the implementation of the customised price-quality path (CPP) agreed with the New Zealand Commerce Commission in March 2018. The CPP will facilitate an estimated NZ\$1.3 billion in network upgrades to Powerco's aging electricity network, while striving to maintain an acceptable balance between system reliability and consumers' bills.

GI was particularly active on the financing front during 2019 across its funds and portfolio companies, refinancing A\$7.9 billion across six assets in both the bank and bond markets, in particular:

- Port of Melbourne, which undertook inaugural issuances into the U.S. Private Placement (USPP) and Australian Medium-Term Note (AMTN) markets in addition to extending the maturities on its existing bank debt, taking its weighted average maturity from 1.9 to 8.5 years over the course of the year.
- Port of Brisbane, which undertook a material refinancing transaction in the USPP and bank markets, extending its weighted average maturity from 4.2 to 7.9 years.
- Epic Energy, which refinanced its existing bank debt, extending its weighted average maturity from 1.7 to 6.4 years.
- The establishment of a new bank facility for the QIC Infrastructure Portfolio (QIP), which will provide efficient access to liquidity at the fund level and refinancing of the existing debt facility for QGIF.

Origination and Research

A key part of GI's sector-driven and thematic approach to investing is the wide range of research we undertake, publish and share with our clients. This year, we released nine Investment Insight papers and two Red Papers exploring key risks and opportunities for infrastructure investors, in particular:

- **Urbanisation 2.0: Emphasising quality of life** – There is an opportunity for cities to do so much more than just 'keep pace' with population growth and urbanisation. This red paper explored the potential role of the private sector in the delivery of infrastructure that improves the liveability, sustainability, and social value of our cities.
- **Social infrastructure: Identifying future healthcare requirements and their infrastructure investment characteristics** – This paper considered the various healthcare sub-sectors through the lens of an infrastructure investor to determine which investments in this space exhibit the characteristics of infrastructure investment.

GI, through its sector-driven and thematic approach, continues to develop a strong global pipeline of investment opportunities across our three core infrastructure sectors: Transport, Energy and Utilities and Social/Public Private Partnerships. We continue to leverage our market-leading research program to identify emergent technologies, evolving economic and political scenarios and nascent infrastructure sub-sectors, which can be translated into value accretive asset management activities and new investment opportunities. With enhanced dedicated investment teams in QIC's Australian, New York and London offices, GI is well placed on behalf of our clients to continue to execute these new opportunities and asset management strategies across our target Organisation for Economic Co-operation and Development (OECD) markets.



Port of Melbourne, Victoria, Australia.

Environmental, Social and Governance (ESG) Approach

GI has also actively promoted a co-ordinated approach to ESG across the portfolio, supporting our assets in the transition to a low carbon and climate-change-resilient economy. The QGIF fund and its portfolio companies completed their inaugural GRESB Infrastructure Surveys during the year. All performed well above their respective industry averages, with Lochard Energy achieving first place in the Energy Resources category. GI also arranged workshops on diversity and cybersecurity for our investment companies during the year. These events facilitated knowledge-sharing across the portfolio, in addition to the promotion of best practices in these areas.



GLOBAL REAL ESTATE

While headwinds affecting the broader retail sector presented challenges for Global Real Estate (GRE), the team continued to drive investment outcomes for its clients via its active management approach, with GRE's Assets Under Management circa A\$22 billion at 30 June 2019.

On 9 May 2019, GRE settled on the landmark sale of 80 Collins, its commercial mixed-use development in Melbourne's CBD, for a sale price of A\$1.476 billion. This is among the largest commercial property deals in Australia, representing more than triple that of QIC's Board-approved feasibility profit. The result demonstrates GRE's commitment to realising the full potential from this once-in-a-generation transformation project while delivering strong risk-adjusted outcomes for investors. GRE also commenced the divestment of Noosa Civic Shopping Centre.

During the past financial year, GRE has embarked on significant developments at two of its core retail assets – Castle Towers in Sydney and Watergardens Town Centre in Melbourne's west. The circa A\$180 million development at Castle Towers enables the centre to seamlessly connect with the new Castle Hill Station along the Sydney Metro line and incorporates a refurbishment and expansion of the centre's fresh food precinct, as well as a reconfiguration of the existing Coles supermarket. At Watergardens Town Centre a A\$50 million development will create a new modern fresh food marketplace that celebrates the traditions of the community in addition to delivering another major new food retailer to the centre, Aldi.

Coomera Town Centre opened for trade on 11 October 2018, significantly ahead of the feasibility completion target of Q1 2019. The regional shopping centre was developed from a greenfield site in a joint venture with Scentre Group and delivers a combination of retail, dining, lifestyle and entertainment to this fast-growing corridor on the Gold Coast in southeast Queensland.

Asset Creation

Additional examples of GRE's active management approach across the entire investment lifecycle include:

- Signed a strategic partnership agreement with L'Catterton Real Estate (LCRE) to take a 50% interest in GRE's South Bay Galleria asset in Redondo Beach, California following approval from the Redondo Beach City Council for a proposed significant redevelopment of the centre into a mixed-use destination.
- Completed the Central Malls project at Robina Town Centre in August 2019, providing a destination precinct anchored by Apple and H&M.
- Quest Hotel opened for trade at Epping Shopping Centre. The hotel comprises 96 rooms and first floor office accommodation supported by ground floor retail tenancies.
- Completed the first stage of the Athleisure Mall remix at Canberra Centre – a unique opportunity to fill a gap in the Canberra market and expand on the evolving retail offer.

- Attained planning approval for the first stage of a retail town centre for Victoria's largest mixed-use master-planned community, Merrifield. Stage one of the Merrifield City Centre, spanning 7,000 square metres, will deliver a new Coles and approximately 20 specialty retailers. Future stages for the development are expected to see the centre expand to more than 200,000 square metres to become the future epicentre of Melbourne's northern suburbs.

GRE's New Managing Director

Following the retirement of Steven Leigh on 13 May 2019, GRE welcomed its new Managing Director, Michael O'Brien, whose real estate career spans 30 years across real estate funds management, shopping centre management and development, and finance. He joined GRE from Vicinity Centres, where he held the position of Chief Financial Officer. Prior to that, he spent almost 10 years at the GPT Group in a number of senior executive positions, including Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

ESG Approach

A focus on delivering ESG-related priorities continues to pervade GRE's decision-making. In 2015 GRE committed to a 20% reduction in energy, water and waste by 2020 and an average 4-star National Australian Built Environment Rating System (NABERS) rating across the portfolio by 2021; in 2018 GRE committed to sourcing 30% of its controllable energy consumption from renewable energy by 2025.

A key enabler in energy efficiency has been a major redesign of GRE's property operations, including the adoption of the ACE Platform – an advanced new automation system designed by Sydney-based tech innovators CIM Enviro, which was rolled out across all of GRE's managed shopping centres during the past financial year.

Rated by CSIRO as 'best in class' in a worldwide review of software providers for fault detection and diagnostics, ACE Platform's data-driven approach has the potential to reduce building energy consumption by up to 10-15% per annum thanks to its continuous, real-time detection and diagnosis of system faults.

An initial trial of the ACE Platform at Robina Town Centre generated compelling results: it delivered a reduction in the centre's normalised energy consumption in excess of 15% (or 582 megawatt hours), and A\$18,000 in maintenance savings over a six-month period.

Rolling out the system across GRE's retail asset portfolio has helped the team centralise operational management through data-driven analytics, with cost savings resulting from real-time fault identification and root cause analysis to minimise energy wastage, streamline the rectification of issues and improve the lifecycle of equipment.

GLOBAL PRIVATE CAPITAL

The 2018-19 financial year was successful in advancing QIC Global Private Capital's (GPC) critical success pillars, including:

- Providing excellent client experiences;
- Maintaining/improving investment returns;
- Telling the QIC GPC story;
- Continuing business growth with existing and new clients; and
- Evolving with a larger, focussed investment team integrated within QIC.

QIC's global private equity platform has grown to A\$6.7 billion³ of Assets Under Management, a size that enables GPC to be nimble for the best investment opportunities, yet large enough to matter and drive client returns. We are proud our clients experienced another strong year of investment returns. Our modern private equity strategy includes over 40 co-investments, typically co-underwriting beside some of the best managers globally.



Exposure to early stage companies via top tier venture and growth managers has continued to deliver positive returns. Innovation investing has been a core strategy since the program started in 2005. Consequently, clients have benefited from exposure to companies that are now household names when they were private and growing rapidly.

Underlying the entire portfolio is a passion for growing businesses rather than 'cost out' and financial-engineering strategies. Success has also come from a team of seasoned professionals, global relationships, and from consistently investing in a disciplined manner through economic cycles. For example, over the past twelve months, GPC reviewed over 131 co-investments and closed on five⁴.

GPC has been at the forefront of an evolution of private equity investing and today has increased options or 'levers' to build better portfolios for clients. These levers include fund investments, direct secondaries (buying and selling) and direct investments (including co-investments). A pro-active approach has GPC actively seeking the best investment opportunities globally and, for example, using its network to source investment opportunities, mainly Australian companies seeking growth globally. GPC then co-leads transactions with global value-add managers to help these companies grow.

GPC recently invested in a Queensland business, Alpha-H, a developer and manufacturer of premium skincare products. GPC invested alongside The Riverside Company at a growth junction for the business, with opportunities to add value. Identified initiatives include continued expansion of sales outside Australia and supporting or connecting with global relationships to assist the continued growth.

Consistent with business growth, the team continues to expand, with 25 investment professionals located in Australia, the U.S., and Europe. The team is aligned to investment performance and there's a focus on team development including a new structured development program called the GPC Accelerator Program.

ESG Approach

The QIC due diligence process continues to deepen, with a growing focus on ESG. Private equity is uniquely placed to make active decisions and influence and track improvements in ESG. QIC's ESG approach is one of continuous improvement. Every investment is reviewed by the QIC Responsible Investment team and the QIC Private Market Risk team for operational due diligence. Post close, the process changes to monitoring via manager surveys, industry sector mapping and, most recently, feedback via an Artificial Intelligence web platform, scouring for ESG-related concerns associated with GPC investments. Each process influences and deeply informs the next, enabling value protection and creation.

³NAV and unfunded commitments as at 31 December 2018, inclusive of mandates for which GPC does not have responsibility for investment decisions.

⁴Co-investments reviewed up to 31 July 2019. Closed co-investments include deals which clients have been called for but remain unfunded.

GLOBAL LIQUID STRATEGIES

After a steady start to the financial year, markets became spooked in the December quarter 2018 as U.S.- China trade tensions and a hawkish U.S. Federal Reserve raised fears of a U.S. recession, resulting in increased volatility and a risk-off tone. This predicated a six-month rally in bonds driven by a U-turn in central bank policy from early in 2019, and with markets pricing in significantly lower cash rates, global and Australian yields finished the year significantly lower. The Australian 10-year yield fell to an all-time low of 1.3% in June 2019. The sharp fall in yields and tighter credit spreads resulted in strong absolute returns across Fixed Income sectors, with the Bloomberg AusBond Composite Index returning over 9.5% for the financial year. The dynamic investment management approach of the QIC Global Fixed Interest team worked well in this rapidly changing environment, adapting credit and interest rate risk exposures in the portfolios to benefit from the global bond rally.

As we approach the late stages of the business cycle, and extraordinary central bank policy remains in uncharted waters, we believe skilled management is critical in mitigating fixed interest portfolio drawdowns looking forward. With yields in many countries at historic lows and credit spreads tight, active management will be crucial to deliver excess returns whilst maintaining defensiveness and liquidity. Given this backdrop, we have engaged with clients on the forward-looking expectations for portfolios and interrogating the inherent risks associated with benchmarks and return targets. To ensure funds remain positioned to deliver for clients, we have evolved objectives and mandates where required.

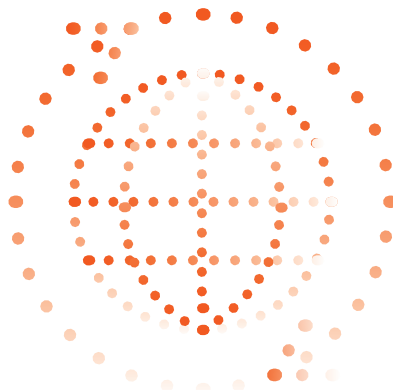
As we assess the global bond market landscape, the opening up of the China Bond market is an attractive opportunity to access and diversify bond market exposures in a market which performs differently to the rest of the developed world. The GLS team works closely with Ping An Asset Management to access local knowledge, credit research, and identify onshore China Bond market opportunities.

As superannuation funds grow in size and sophistication, we continue to see demand for our Overlay Solutions capability as clients seek the ability to tailor their fund's exposures. Onboarding new clients and transforming the management of their currency risk through a customised hedge program has been a key highlight of the last twelve months. During this time, we have also seen more existing clients with a currency hedging overlay expand the scope of their mandates to incorporate the ability to manage asset exposures with an overlay as well.



ESG Approach

QIC GLS has an established asset class-specific ESG process, guided by our Responsible Investment Policy and ESG framework. As the focus and importance on Responsible Investment continues to grow and evolve, our GLS team strive to be at the forefront of the latest developments and will continue to embed consideration of ESG factors holistically into our investment decision-making process.



GLOBAL MULTI-ASSET

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

The GMA team delivered performance outcomes in excess of objectives for whole of fund clients over the course of the financial year. The Liquid Alternatives Fund (LAF) had a more difficult year, underperforming its benchmark objective. Global economies in general continued to grow over the year, although growth was at a slower trajectory as the effects of Quantitative Easing (QE) diminished. Investment markets were heavily influenced by both central bank policy and in particular the U.S. Federal Reserve policy; along with escalating trade wars led by the U.S. government. While trade wars gave markets pause for thought, the supportive behaviour of the Federal Reserve in the latter part of the financial year boosted market confidence and saw equity markets finish the financial year in positive territory. Bond markets, concerned with the global growth outlook, saw bond yields fall significantly with many major markets yields at, or close to, historic lows. This was supportive for bond market returns over the year.

Despite financial market volatility, managers with well-diversified portfolios and disciplined approaches to risk management continued to deliver robust returns over financial year 2018-19. GMA's flagship QIC Growth Fund continued to deliver strong returns for clients during 2018-19. The Fund increased its Funds Under Management (FUM) from A\$3.4 billion to A\$4.6 billion over the financial year. This growth was from investment returns and increased investments from both new and existing clients.

The QIC Liquid Alternatives Fund (LAF) achieved its fourth anniversary on 15 June 2019. LAFH, a higher volatility version of LAF, was established for a single client in March 2019. The combined FUM of the two LAF Strategies is A\$666 million (as at 30 June 2019) when measured at LAF's volatility, up from A\$616 million last financial year.

Looking forward, the new financial year will provide the additional challenge of even lower interest rates, on average, than had persisted over 2018-19. Diversification and robust risk-management processes will continue to prove essential in ensuring positive performance.

The Economics and Research team continued to lead forecasters of Australian economic activity, remaining number one among Bloomberg's panel of expert forecasters for Australian GDP. This represents a three-year unbroken run as number one forecaster of Australian GDP dating back to June 2016.



ESG Approach

QIC GMA have established asset class-specific ESG considerations, guided by our Responsible Investment Policy and ESG framework. We also review and assess integration of ESG issues into our investment processes and monitor this on a regular basis. GMA delegates the exercising of proxy voting rights to external investment managers, each of whom at this time use independent advice from Institutional Shareholder Services to guide votes on ESG matters. GMA retains the ability to override an external manager's voting intentions as appropriate.

QIC'S RECONCILIATION ACTION PLAN

In October 2018, QIC released its first Reflect Reconciliation Action Plan (RAP). The Reflect RAP represents QIC's effort to reconcile the history of Queensland with regards to its treatment of Aboriginal and Torres Strait Islander peoples.

The Reflect RAP, the first of four stages, has a large emphasis on raising internal awareness of Aboriginal and Torres Strait Islander people, culture, history and achievements. For 2018-19, QIC has largely focussed on how the organisation can better partner with Indigenous people through procurement, employment and investment activities. Since the launch, QIC has achieved a number of objectives, including:

- Becoming a member of Supply Nation, an organisation that is dedicated to creating opportunities for Indigenous suppliers in commercial supply chains through their online platform and database.
- Launching the QIC scholarship program, offering two scholarships to Indigenous university students each year.
- Recognising National Reconciliation Week across the business and at all QIC Shopping Centres in Australia.
- Celebrating NAIDOC week with our employees in all Australian offices.

For more information on QIC's Reconciliation Action Plan, please visit www.qic.com/about-qic/about-us/in-the-community.



'One Journey' by Cheryl Moggs. QIC Reconciliation Action Plan Commission 2018.

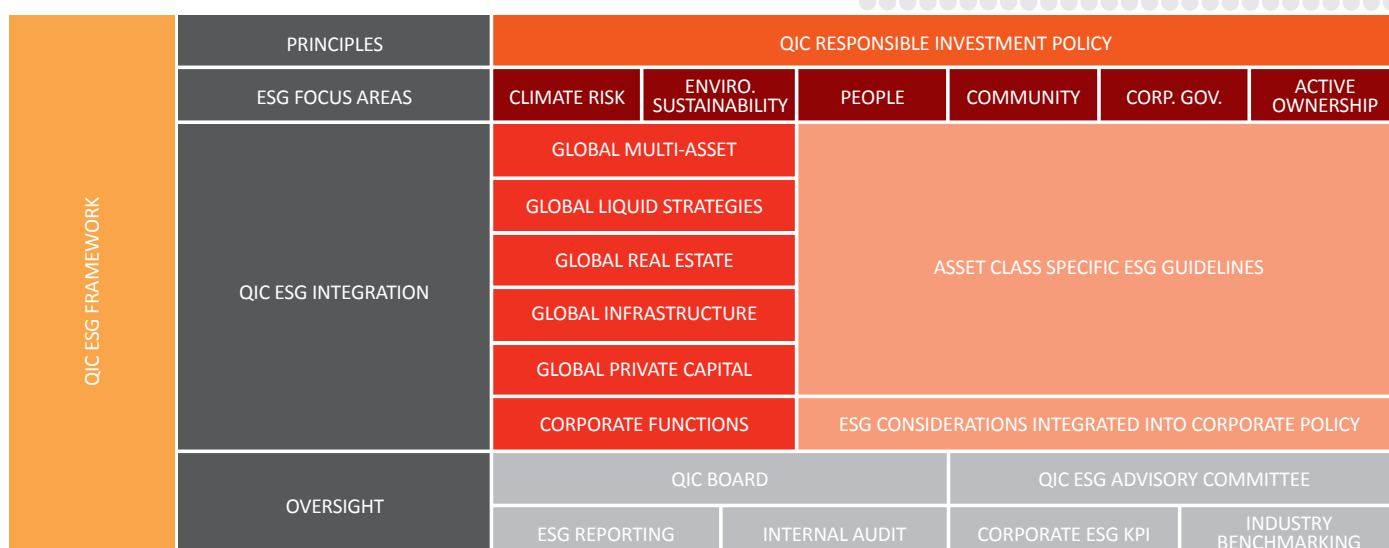
RESPONSIBLE INVESTMENT

During 2018-19, QIC continued to roll out initiatives and projects that support our belief that ESG factors can have a material impact on the long-term outcomes of investment portfolios and the assets we invest in. These have been concentrated on the six key ESG focus areas contained within our ESG framework (see Figure1). Key initiatives have included completing the pilot project for our physical climate change risk assessment, analysing our corporate supply chain in preparation for the first reporting period under Australia's Modern Slavery Act, and working with clients to better understand how we are managing ESG risks and opportunities on their behalf. We have continued to engage and work collaboratively with our shareholder on key issues including the Land Restoration Fund and Draft Climate Transition Green Paper, along with attending workshops on both to provide relevant input.

We have also turned our eye to the future and developed a Responsible Investment Roadmap that identifies key areas that QIC must continue to develop skills and knowledge in to continue to deliver on shareholder and client expectations. The Roadmap is supported by an implementation plan and progress will be reported quarterly at the internal ESG Advisory Committee.

Furthermore, we continue to participate in external benchmarking to understand how we are tracking against our peers and identify potential areas for improvement while addressing client expectations. This has included responding to the United Nations Principles for Responsible Investment (UNPRI) Survey, and our Real Estate and Infrastructure teams responding to the annual GRESB Sustainability Survey. Additionally, we engage an independent third party to assess our standing against key peers to further monitor our performance.

Figure 1



QIC's performance is supported by a contemporary and effective approach to governance that permeates the entire organisation. QIC's Board and committee structure and its tailored policies and standards provide a robust framework to ensure that efficiency is optimised and integrity is paramount.

Our practices reflect best practice corporate governance principles such as the ASX 'Corporate Governance Principles and Recommendations' and comply with the Queensland Government's 'Corporate Governance Guidelines for Government-Owned Corporations'.

Included here is a summary of the roles, processes and practices in place at QIC to respond to our dynamic operating environment and ensure the interests of shareholders, clients, employees and other stakeholders are effectively managed.

CORPORATE GOVERNANCE DURING 2018-19

QIC's growing client base and international expansion has seen the Board continue to strengthen QIC's governance arrangements.

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

- Pro-actively reviewing our corporate governance frameworks to ensure a contemporary, efficient and fit-for-purpose approach.
- Bolstering our ESG and our Responsible Investment strategies and overall approach.
- Enhancing our Investment Valuations policy, our annual Valuations workshop, and our Valuations framework for ensuring independence and assurance to our stakeholders on the independent valuations of our private markets assets.
- Reviewing our delegations of authority systems, how those delegations are exercised, and their use monitored and reported appropriately.
- Ensuring our calibrated strategy is interwoven with the Board's risk appetite.
- Further strengthening workplace health and safety (WHS) accountabilities and WHS compliance frameworks with the appointment of a dedicated senior WHS qualified expert into the Risk Management Group.
- Further developing refined ways of setting our appetite for risk, and proactively monitoring our key risks through a framework of comprehensive risk documents.
- Ensuring QIC's business activities are carried out in a way that fully satisfies our regulatory, risk management, legal, fiduciary and corporate social responsibility obligations.

OUR REGULATORY ENVIRONMENT

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

QIC Limited does not hold an Australian Financial Services (AFS) licence and certain provisions (including the financial product disclosure

provisions) of the Corporations Act do not apply to QIC. A subsidiary of QIC Limited, QIC Private Capital Pty Ltd, holds an AFS Licence and has appointed various other QIC subsidiaries to act as authorised representatives.

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

A QIC subsidiary is registered as investment advisor with the U.S. Securities and Exchange Commission, while another QIC subsidiary is authorised with the UK Financial Conduct Authority. One subsidiary is also authorised by the Korean Financial Supervisory Service.

OUR SHAREHOLDERS

As a Queensland GOC, QIC's shareholding Ministers are the Honourable Anastacia Palaszczuk MP, Premier and Minister for Trade and the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships. QIC reports to the shareholding Ministers and regularly liaises with the Shareholder and Structural Policy Division of Queensland Treasury to inform our shareholding Ministers on various matters as required by the QIC Act, the GOC Act and other Government guidelines. QIC aims to provide its shareholding Ministers with the information they need to make informed assessments of the operations, financial performance and financial position of QIC and its subsidiaries.

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

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

FOUNDATIONS OF MANAGEMENT AND OVERSIGHT

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

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

Board Independence

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

1. In the last three years, the director has been employed in an executive capacity by QIC.
2. In the last three years, the director has been a principal of a material professional adviser, or a material consultant to QIC or an employee materially associated with a service provided to QIC.
3. The director is a material supplier, a customer of QIC or associated with a material supplier or customer.
4. A material contractual relationship exists between QIC and the director, other than in their capacity as a director.
5. The director has any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of QIC.

Family ties and cross-directorships may be relevant in considering interests and relationships that may compromise independence and directors must disclose these to the Board. The Board determines materiality thresholds relevant for the purposes of assessing

independence on a case-by-case basis. In supporting this view, but not in isolation, the Board refers to generally accepted accounting principles for materiality. In line with these principles, a relationship may generally be considered material when, over a 12-month period, it represents more than 10 per cent of fee revenue or more than 10 per cent of costs (excluding salary expenses) of either QIC or the entity/person being considered.

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

Board Oversight

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

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

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

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

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

The Chair commits further time and meets with the Chief Executive Officer and their direct reports on a regular basis.

Board Delegations

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

An extensive independent probity review, insolvency check and criminal history check are also undertaken. The Board ensures this team is appropriately qualified and experienced to discharge its responsibilities, and has procedures in place to assess the performance of the Chief Executive Officer and the senior executives, which are outlined in the 'Alignment of Performance with Remuneration' section of this report.

Employee Code of Conduct

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

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

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

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

BOARD COMMITTEES

Board committees operate to assist the Board to oversee and monitor certain policies and controls within the QIC Governance, Risk and Compliance (GRC) Framework.

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

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

Audit Committee

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

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

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

The Committee receives advice from the management Financial Reporting Committee, which provides subject matter expertise and challenge to the financial statements review process.

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

The Auditor-General of Queensland is the external auditor of QIC and its controlled entities in accordance with the *Auditor-General Act 2009* (Auditor General Act). The Auditor-General of Queensland has also been appointed as the external auditor for a number of QIC's investment trusts on a by-arrangement basis or in accordance with the Auditor General Act where that trust meets the definition of a public-sector entity. KPMG has been appointed as external auditor for a number of companies and trusts within the QIC Private Capital

Audit Committee (continued)

investment structure. The Audit Committee considers external audit reports and management letters and monitors action by management in respect of these reports. The Audit Committee periodically meets separately with QIC's external auditors who are also regular invitees to Audit Committee meetings.

Risk Committee

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

- The company's enterprise-wide GRC Framework, ensuring the executive team has identified and assessed all the risks the organisation faces and to ensure there is alignment between risk management and the company's strategy, business plans and financial objectives.
- Risks, such as strategic, financial (including those relating to debt covenants), credit, market, liquidity, security, operational, IT, cyber, workplace health and safety, legal, regulatory, reputational, and other risks, in conjunction with other Board-level committees or the full Board, if applicable.
- The division of risk-related responsibilities to each Board committee or sub-committee as clearly as possible and performing a gap analysis to determine that the oversight of any risks is not missed.
- QIC's compliance with its regulatory and contractual obligations, except for financial and tax related regulatory and contractual obligations for which the Audit Committee is responsible.

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

The Committee works in parallel with the Board's Human Resources & Remuneration Committee in relation to compliance and risk oversight of workplace health and safety and any non-compliance with the Code of Conduct and Ethics.

The Committee receives advice from the management Risk & Valuations Committee (RVC), which provides subject matter expertise and challenge to the GRC Framework. For clarity, valuation-related matters as overseen by the RVC are reportable to the Audit Committee. The RVC is chaired by the Chief Risk Officer, with a standing invitation open to members of the Risk Committee.

QIC has appointed Deloitte to provide internal audit services and provides Deloitte with direct, unfettered access to the Board and with a reporting line direct to the Risk Committee. The Board, in consultation with the Risk Committee, approves the annual internal audit program, which adopts a risk-based approach to provide assurance over risk management and control activities across QIC. The results of internal audit reviews are reported to both the Risk Committee and

management, who are held accountable for ensuring recommendations made by our internal auditors are actioned. QIC's policies and procedures are supplemented by the internal audit program, which provides assurance over the design and implementation of key controls, including controls that have been established to monitor risks and compliance obligations. The internal auditor is independent and acknowledges this independence annually as required by the QIC Auditor Independence Policy.

Human Resources & Remuneration Committee

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

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



OTHER COMMITTEES

QIC's Chief Executive Officer is Chair of the Corporate Management Group (CMG), which consists of the Chief Executive Officer and the corporate senior executives. CMG addresses strategic corporate issues, including major projects, change management and corporate risk issues, and gives assistance and advice to the Chief Executive Officer, the QIC Chair and the Board. The CMG members also form part of the Executive Committee (ExCo) with the investment team heads.

The CMG and ExCo are supported by several management committees. Key committees include the:

- Private Markets Committee (PMC), which is chaired by Leonie Wilkinson, Executive Director, Global Clients and Marketing. PMC's remit is to:
 - o Consult and advise on the establishment and variation of QIC's private markets products.
 - o Oversee the governance and monitoring of existing private market products and coordinate reviews of capabilities.
- Liquid Markets Committee (LMC), which is chaired by David Clarke, Chief Risk Officer. The LMC's remit is to:
 - o Review the current suite of liquid markets products, mandates and capabilities, making recommendations to CMG as to their profitability and strategic merit.
 - o Enhance portfolio risk management by providing an open and transparent forum for peer review and challenge of liquid market portfolios.
 - o Collaborate and advise on the implementation of decisions by CMG regarding liquid market products, client mandates or investment capabilities.
- QIC Operating Committee, which is chaired by Mark McDonald, Executive Director of Operations and Technology, and oversees day-to-day business operations.

Several other management and committee forums exist to ensure appropriate oversight of QIC's internationalisation, its strategic pursuits and appropriate governance to support investment decisions. QIC has the following management committees to support the Board:

- The Risk and Valuations Committee (RVC), which is chaired by David Clarke, Chief Risk Officer. The RVC is an advisor to the Risk Committee for the oversight and management of key risk and compliance, regulatory, legal and debt-related matters within QIC, except for valuation-related matters, which are reported to the Audit Committee.

- The Financial Reporting Committee (FRC), which is chaired by Claire Blake, Chief Financial Officer. The FRC supports the Audit Committee in satisfying its obligations regarding financial reporting. It does this by ensuring the application of a robust financial reporting assurance framework and fulfilling a detailed financial statement review function for the Audit Committee.
- The ESG Advisory Committee, which is chaired by a QIC Board Director. This committee focusses on QIC's ESG strategy to enhance its footprint as a responsible investor and to integrate ESG strategies on an enterprise-wide basis.
- The Diversity and Inclusion Committee, which is chaired by Crystal Russell, Principal, Global Private Capital.
- The U.S. Senior Leadership Group, which is chaired by Brian Delaney, Senior Managing Director (U.S.).

RISK MANAGEMENT

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

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

The QIC Board has established Board committees, each of which is responsible for overseeing specific risks facing QIC.

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

RISK MANAGEMENT APPROACH AND INITIATIVES FOR THE YEAR

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

EXPECTATIONS OF	QIC CLIENTS	SHAREHOLDING MINISTERS		LEGISLATION		REGULATORS			
OVERSIGHT	QIC LIMITED AND SUBSIDIARY BOARDS								
	QIC BOARD COMMITTEES				QIC INTERNAL COMMITTEES				
	Audit Committee	Risk Committee	HR & Remuneration Committee	Corporate Management Group					
	QIC SUB-COMMITTEES		QIC PRIVATE CAPITAL (QPC) COMMITTEES		Executive Committee				
	Risk & Valuations Committee		QIC Global Private Capital Investment Committee		Private Markets Committee	Liquid Markets Committee	Operating Committee	ESG Advisory Committee	Diversity and Inclusion Committee
			QIC Global Infrastructure Investment Committee						
	Financial Reporting Committee		QIC U.S.A. GRE Investment Committee and GRE Investment Advisory Panel						
1ST LINE OF ACCOUNTABILITY <i>Manage</i>	QIC Executives, Management and Staff (Risk Management and Execution Excellence KPIs)								
2ND LINE OF ACCOUNTABILITY <i>Challenge</i>	QIC Governance, Risk Management, Compliance and Regulatory teams								
3RD LINE OF ACCOUNTABILITY <i>Assurance</i>	Internal Audit (Deloitte) External Audit (Queensland Audit Office, KPMG)								

First line of accountability: Executives and employees within our investment teams and supporting business units are accountable for identifying risks within their area of responsibility and for establishing effective controls to manage these risks. Investment team personnel also have a percentage of their remuneration linked to risk and compliance Key Performance Indicators (KPIs). All employees are required to report breaches and incidents to the Risk, Governance and Tax (RGT) division. Management is required, as part of the monthly management reporting process, to report any breaches of our policies, standards, laws, regulations and client mandates. All employees have KPIs that measure risk and compliance which are linked to their remuneration.

Second line of accountability: The Chief Risk Officer reports directly to the Chief Executive Officer. The RGT division provides investment teams and supporting business units with tools, training and advice to assist them to effectively manage their risks and compliance obligations. It also monitors and challenges the business, where appropriate, to provide the Chief Executive Officer 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 RGT division also produces regular risk and compliance reports for the ExCo, the Board's sub-committees and the Boards of QIC Limited and key operating subsidiaries.

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

QIC's risk management maturity continues to evolve and deepen as a response to its changing operating environment, new regulatory requirements and to meet the fiduciary obligations QIC has to clients as well as stakeholder expectations. QIC continues to proactively manage initiatives to support its continuing maturity, including:

- Further refining QIC's risk appetite statement;
- Enhancing risk reporting, analysing emerging trends and responding to them;
- Communicating throughout the business about the importance of our risk and compliance frameworks and educating users on systems and tools;
- Continuing to refine our risk governance structures;
- Ensuring our GS007 standard for internal controls responds to new areas of potential risk and changes in QIC's business;
- Building on existing compliance capability and supplementing with additional skills where needed for our overseas authorisations, registrations and licences;
- Increasing the sophistication of our risk reporting and increasing sample testing activities;
- Building out our counterparty exposure monitoring and reporting; and
- Increasing our use of electronic training tools and other communication methods.

GOVERNANCE, RISK MANAGEMENT AND COMPLIANCE FRAMEWORK

QIC has a robust and comprehensive framework to ensure best practice in managing risk and ensuring compliance with QIC's obligations to its stakeholders. The key risk types incorporated into QIC's systems measure, manage and mitigate across a broad category of risk types, including:

- Strategic;
- Investment (including market, credit and liquidity);
- Product;
- Project;
- Legal, tax, fiduciary and regulatory;
- Operational;
- Business continuity;
- People and culture;
- Financial;
- Compliance;
- Fraud, corruption and bribery; and
- Cyber and information security.

Responsibility for managing and overseeing each risk category is clearly articulated through:

- Specific Board policies;
- Executive standards and procedures;
- Board and committee charters;

- Corporate and investment delegations;
- GS007 (internal controls) compliance and reporting;
- Applicable legislation;
- Key performance indicators;
- Position descriptions; and
- Authorised dealer lists.

ALIGNMENT OF PERFORMANCE WITH REMUNERATION

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

QIC's remuneration practices must be competitive within the funds management industry to attract and retain the high-quality employees we need to give our clients market-leading investment services. However, this must be balanced with strategic cost management imperatives, QIC's accountability as a government owned corporation (GOC), and to ensure QIC's culture aligns with the Board's conduct and ethical requirements.

REMUNERATION POLICIES AND PRACTICES

QIC's remuneration policies and practices:

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

PERFORMANCE AND REWARD

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

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

PERFORMANCE AND REWARD (continued)

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

EMPLOYEE INVESTMENT IN QIC PRODUCTS

Eligible employees may invest in a limited selection of QIC's products via the QIC Employee Investment Scheme. Liquidity and trading windows apply and QIC reserves the right to veto any transaction, transfer or other action that would result in undesirable consequences for QIC or any of its products or clients.

ONGOING ASSESSMENT AND APPROVAL OF REMUNERATION

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

DIRECTORS' FEES

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

BOARD PERFORMANCE EVALUATION

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

A formal performance evaluation is required at least every two years, with a review last undertaken across 2017 and early 2018. Evaluation is undertaken using a variety of techniques, including formal questionnaires completed by directors, feedback from stakeholders including peers, one-on-one discussions between each director and the Chair and a full Board discussion and reflection. Board evaluation incorporates consideration of many factors to ensure a fulsome view of performance, including the Board's:

- Role, its strategy and planning;
- Structure;
- Meeting processes and efficiency;
- Subsidiary and committee reporting;
- Performance monitoring and evaluation functionality; and

- Induction and continuing education to deepen performance and business knowledge.

It also incorporates Board and senior management behaviour and relationships, and suggestions to improve the Board's effectiveness.

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

TRUSTEE STEWARDSHIP

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

INDEPENDENT ADVICE AND ACCESS TO QIC INFORMATION

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

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

CONFLICTS OF INTEREST

Our Conflicts of Interest Policy applies to all QIC employees and contractors.

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

OUR CULTURE, CONDUCT AND ETHICS

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

As outlined in the Code, QIC's reputation in the marketplace and community is critically important in terms of our shareholders'

expectations, our ability to operate a successful funds management business and the professional standing of our employees. QIC employees and others working at QIC are expected to exercise good judgement in their professional life and adhere to the core values and principles of ethical conduct set out in the Code.

The Code outlines expectations in key areas, including:

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

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

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

QIC'S WORKING ENVIRONMENT

QIC is committed to developing a progressive, high-performing, engaging and caring culture that evidences fairness, respect for diversity and recognition of individual talents. This underpins our ability to attract and retain talented and committed professionals. The QIC Standards of Excellence are the framework that allows each member of QIC to understand what is expected from them from a behavioural standpoint, and are used extensively in hiring, promotion and recognition programs.

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

and Safety Policy establishes our framework for managing our obligations to provide a safe working environment for all.

Workplace Health and Safety (WHS)

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

The focus which QIC has upheld since its establishment is the provision of an environment, systems, processes and programs which allow for the appropriate management of WHS risks and reported incidents together with a proactive employee proposition to support the health and wellbeing of employees.

Regular WHS reports are reported to the QIC Risk Committee (with reporting to the QIC Board).

RIGHT TO INFORMATION

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

CORPORATE GOVERNANCE IN THE SHAREMARKET

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

INSURANCE AND INDEMNITIES

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

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

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

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

Chair appointed 1 April 2019

Current term to 30 September 2022

Chair of: QIC Limited, QIC Private Capital Pty Ltd., U.S. Shopping Center Fund Investment Committee

Director of: Nil

Other appointments: Chair, UniSuper; Chair, Wayside Chapel Foundation

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

QIC Committees: Member of the HR & Remuneration Committee, the Audit Committee (Ex-officio), and the Risk Committee (Ex-officio)

John Battams B.Econ, Dip Ed, MAICD - Director

Director appointed 1 October 2015

Current term to 30 September 2021

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

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

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

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

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

Director appointed 15 December 2016

Current term to 30 September 2019

Director of: QIC Limited, QIC Private Capital Pty Ltd

Other appointments: Director, Australian Rail Track Corporation; Consultant, Minter Ellison

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

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

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

Director appointed 12 October 2017

Current term to 30 September 2020

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

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

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

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

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

Director appointed 1 October 2016

Current term to 30 September 2019

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

Other appointments: Managing Director, Montrose Advisory Pty Limited, Consultant, Herbert Smith Freehills, Advisory Board Member (via Montrose Advisory) of Roberts Pizzarotti Pty Limited

Previous appointments: Australian Consul-General, Italy, Senior Trade & Investment Commissioner, Italy and Cyprus; Vice President, Lazard, Vice President, Deutsche Bank, General Counsel, Runge Pincock Minarco, Senior Associate, Minter Ellison, Senior Associate, Gilbert + Tobin Lawyers

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

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

Director appointed 12 May 2016

Current term to 30 September 2021

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

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

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

QIC committees: Member of the HR & Remuneration Committee and the U.S. Shopping Center Fund Investment Committee, and Chair of the Environment, Sustainability and Governance Advisory Committee

Paul Gallagher BCom, FCA, GAICD - Director

Director appointed 11 December 2014

Current term to 30 September 2020

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

Other appointments: Chair and Director, Catholic Church Insurance Limited; Chair and Director, Edmund Rice Foundation Limited; Director, BDO Australia Limited; Partner, Audit and Assurance Services Division, BDO

Previous appointments: Director, BDO Group Holdings (QLD) Ltd, Director, Brisbane City Council – Field Services Division

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

Andrew King Dip Bus (Prop. Val) - Director

Director appointed 12 December 2013

Current term to 30 September 2019

Director of: QIC Limited, QIC Private Capital Pty Ltd, QIC Retail Pty Ltd, QIC Investments No. 1 Pty Ltd, QIC Investments No. 3 Pty Ltd, QGIF Co No. 1 Pty Ltd, QGIF Co No. 1A Pty Ltd.

Other appointments: Chair, Asher Capital; Director, Brisbane City Council Urban Futures; Member, ANZAC Square Committee; Member, Queensland Advisory Committee for the Commemoration of the ANZAC Centenary; Member, Board of Trustees, Brisbane Girls Grammar School

Previous appointments: QIC Investments No. 1 Pty Ltd, Founder and Joint Managing Director, DTZ Queensland; Director, SEQ Domaine Funds Management; Group Executive Director, PRD nationwide; Member, Queen's Wharf Precinct Committee; Member, Queensland Government Precinct Advisory Committee; Divisional Manager, Project Leasing for Jones Lang Wootton; Director, Nudgee Estates Pty Ltd; Director, RFD Financing Pty Ltd, Director, RFG Middleswan Pty Ltd.

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

Jane Perry BSc, BA, Dip Ed - Director

Director appointed 1 October 2018

Current term to 30 September 2021

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

Other appointments: Chair and Director, Fund Executives Associations Limited; Director, BT Funds Management Limited; Director, BT Funds Management No. 2 Limited; Director, Westpac Securities Administration Limited; Director, Sydney Financial Forum

Previous appointments include: Association of Superannuation Funds of Australia (ASFA), Australian Brandenburg Orchestra, Victorian Arts Centre Trust, J.P. Morgan Nominees, AXA Business Services (India), National Mutual Superannuation Pty Ltd, National Mutual Staff Superannuation Plan, The Salvation Army Advisory Board Southern Territory, The Salvation Army Advisory Board Eastern Territory

QIC committees: Member of the Risk Committee

Directors whose terms expired during the financial year 2018-2019

Don Luke, BSc, BA (Econ) - Chair

Chair appointed 12 December 2013

Term ended on 31 March 2019

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

Director of: QIC Retail Pty Ltd, QIC Investments No. 1 Pty Ltd, QIC Investments No. 3 Pty Ltd, QIC Infrastructure Management No. 2 Pty Ltd, QGIF Co No. 1 Pty Ltd, QGIF Co No. 1A Pty Ltd, QGIF Co No. 2 Pty Ltd, QGIF Co No. 2A Pty Ltd.

Other appointments: Chair, MH Carnegie & Co.

Previous appointments include: Chief Executive Officer, Sunsuper; Director, AMP Capital Holdings Limited; Chair, AMP Capital Holdings Limited Audit Committee; Executive Director, Anglicare South Queensland; Director, FIIG Securities Limited; Chair, Anglicare North Queensland Limited; Member, Managed Investment Scheme Compliance Committee of AMP Capital Funds Management Limited, National Mutual Funds Management Ltd and IPAC Asset Management Limited

QIC committees: Member of the HR & Remuneration Committee, Audit Committee (Ex-officio), Risk Committee (Ex-officio), and Chair of the U.S. Shopping Center Fund Investment Committee

Andrea Staines B.Econ, MBA, FAICD - Director

Director appointed 1 October 2015

Term ended on 30 September 2018

Director of: QIC Limited.

Other appointments: Director, Tourism Australia, Director, Sealink Travel Group, Director, UnitingCare Queensland, Director, National Disability Insurance Agency, Director, Australian Rural Leadership Foundation

Previous appointments include: Director, Aurizon, Director, North Queensland Airports, Director, Allconnex Water, Director, Australian Rail Track Corporation, Director, Gladstone Ports Corporation, Member, NSW Transport Advisory Board, Director, Early Learning Services, Director, Goodstart Early Learning, Director, Brisbane Royal Children's Hospital Foundation, Chief Executive Officer, Australian Airlines (mark II, a Qantas subsidiary)

QIC committees: Member of the Audit Committee and Risk Committee

This is an overview of QIC's 2018-19 financial results and should be read in conjunction with the financial report.

PROFITABILITY

QIC has continued to deliver strong outcomes, with a profit before tax of A\$98.5 million for 2018-19.

This has been achieved through outstanding investment performance, the acquisition of assets domestically and internationally on behalf of our clients and a continued focus on building operational efficiency and prudent cost management.

QIC continues to support Indigenous and social impact initiatives via its investment in the Social Venture Australia's (SVA) Diversified Impact Fund and the Newpin Social Benefit Bond. In addition, QIC in collaboration with Domain Central Shopping Centre donated A\$100,000 of household goods to Townsville flood victims and A\$30,000 in partnership with the North Australian Pastoral Company to local communities in North Queensland who had also been affected by floods.

As part of QIC's commitment to long-term investment performance for our clients, alignment is essential. We currently have over A\$85 million of corporate money invested in QIC products across a number of asset classes and an additional A\$31.9 million of undrawn corporate commitments to QIC products.

During the year, QIC returned a total of A\$93.3 million to the Queensland government, including a final dividend of A\$59.0 million for 2018-19.

The Board remains committed to a long-term focus on outstanding investment returns for our clients and increasing shareholder value for the Queensland government.

REVENUE

Total revenue for 2018-19 was A\$445.3 million, an increase of A\$35.2 million on the prior year.

QIC has a broad mix of revenue sources across our investment and property management businesses. Investment management fees are dependent on Assets Under Management and investment performance. Performance fee revenue is dependent on positive investment outperformance against client objectives. A significant proportion of total revenue is based on fixed fee arrangements with clients, which insulates QIC and our clients from market movements.

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

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

EXPENSES

Total expenses of A\$346.8 million in 2018-19 increased by A\$38.0 million compared to the prior year.

The majority of QIC's cost base relates to employee expenses. The increase in employee benefits expense during the year relates to additional resourcing required to support the revenue activities outlined above and the full year impact of the employees who joined QIC during 2017-18 in the United States.

QIC has continued to invest in operating platforms to provide scalable, efficient and fit for purpose solutions to support our investment management services.

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

BALANCE SHEET

Assets

Total assets at year-end were A\$441.5 million, an increase of A\$45.6 million compared to the prior year.

The major contributions to this change were:

- An additional A\$37.7 million in receivables due largely to an increase in performance fees receivable at year-end;
- An increase of A\$9.6 million in relation to current work in progress for corporate wide projects; and
- An increase of A\$14.0 million in deferred tax assets as a result of the transitional impacts of new accounting standards adopted in 2018-19.

Liabilities

Total liabilities at year-end were \$296.9 million, an increase of \$63.1 million compared to the prior year.

The main contributors to this increase were:

- An increase of A\$48.0 million in deferred revenue as a result of the transitional impacts of new accounting standards adopted in 2018-19 and particularly the new revenue recognition accounting standard; and
- An increase of A\$7.0 million in borrowings used to facilitate corporate investment alongside clients in new mandates.

DIVIDEND

A dividend of A\$59.0 million has been declared for the year which represents a dividend payout of 100% of adjusted net profit after tax.

CASH FLOWS

Cash at year-end of A\$76.6 million represents a decrease of A\$18.1 million when compared to the prior year.

Operating activities generated net cash inflows of A\$50.8 million, a decrease of A\$20.1 million from the previous year. This decrease is largely due to our continued investment in United States operations.

Cash outflows from investing activities this year were A\$15.7 million, consistent with the prior year. Investing activities include corporate investments into QIC products, payments for corporate wide projects and payments for property plant and equipment.

Cash outflows from financing activities were A\$53.1 million, which includes the payment of the 2017-18 dividend.

CORPORATE ENTERTAINMENT AND HOSPITALITY COSTS

QIC undertakes a limited number of corporate and client hospitality activities. QIC operates in a commercial and competitive environment. These activities are solely for the purposes of building and maintaining relationships with existing and prospective clients, strengthening QIC's brand both domestically and internationally and enhancing employee engagement.

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

As a government owned corporation, QIC must disclose all corporate entertainment and hospitality costs greater than A\$5,000.

Event	Date	Cost (A\$)
Employee – conference – Brisbane	02/08/2018	6,221
Employee – mid-year function – Brisbane	05/08/2018	13,139
Client function – Melbourne	20/10/2018	32,205
Employee – year-end function – Brisbane	29/11/2018	23,529
Employee – year-end function – Los Angeles	29/11/2018	7,296
Employee – year-end function – Brisbane	30/11/2018	17,132

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