ANNUAL REPORT 2017-18

QIC

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This annual report documents QIC's achievements during the 2017-18 financial year. It describes our business, our corporate strategy and the role our people play in delivering strong investment outcomes for our clients.

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CHAIR'S REPORT

On behalf of the Board, I am pleased to present our annual report on the performance of QIC Limited for the year ended 30 June 2018.

Building on the success of recent years, QIC's results for 2017-18 reflect our continued focus on generating long-term investment returns for our clients and maximising shareholder value for the Queensland Government.

In one of our strongest financial years to date, I am pleased to report that QIC has delivered an above budget net profit before tax of $101.3 million and a dividend of $60.1 million for 2017-18.

We have continued the successful execution of our corporate strategy, growing in a targeted manner in Australia and internationally, with our Assets Under Management at $86.1 billion at 30 June 2018.

Across our infrastructure, real estate, liquid strategies, private capital and multi-asset capabilities, we have delivered outstanding investment performance for our clients, with 86.2% of representative funds having met or exceeded performance objectives, on a FUM weighted basis, during the period.

These achievements are the outcome of our ongoing focus on strong investment performance, the acquisition of quality assets on behalf of our clients, client growth and revenue generation.

They also reflect our people whose leadership, expertise and collaborative efforts have enabled us to seize opportunities as they arise for the ultimate benefit of our clients and our shareholder, the Queensland Government.

Our relationship with our shareholding Ministers, the Honourable Annastacia 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 remains strong. We are grateful for their endorsement of our strategy and their support for our business and we look forward to continuing to work closely together in the year ahead.

2017-18 has been an outstanding year for QIC and one in which we should be very proud of our achievements.

Don Luke
QIC Chair

CHIEF EXECUTIVE OFFICER'S REPORT

Strong returns for our clients, exceptional financial performance and targeted business growth have delivered one of the most significant years to date for QIC in 2017-18.

During this period, we have continued the execution of our corporate strategy through the expansion of our international footprint, growing our client base and managing a diverse portfolio of assets across the globe.

Our relationships with our clients have strengthened and our strong track record of performance has seen us deliver the investment outcomes our clients have come to expect from us.

Each of our investment teams has performed well in 2017-18, with particular highlights being:

- Global Real Estate's acquisition of additional interests of our joint venture partners, Forest City Enterprises, in 10 regional shopping malls in the United States (US)
- Global Private Capital signing a $550 million private equity mandate with one of Australia's largest superannuation funds
- Global Infrastructure's portfolio continuing to deliver strong returns for our clients with an annualised since inception internal rate of return (IRR) of 15.5%
- Global Multi-Asset's flagship QIC Growth Fund delivering a return of 9.36% (gross of fees) for clients over 2017-18, ranking in the top quartile of peers and maintaining a top quartile ranking over a 5-year rolling average, according to Morningstar, and;
- Global Liquid Strategies being rated amongst the top fixed income managers in the annual Peter Lee Associates 2018 client survey.

Clients are the focus of everything QIC does, and the strong financial outcomes delivered for our shareholder result from placing clients' interest first. This is clear in our measured international expansion, especially in the United States, which is now QIC's second largest market in terms of both assets and employees.

During the year, QIC assumed ownership and full operational control of a US mall portfolio with assets combining strong rents as well as upside from redevelopment potential. We are especially pleased to have welcomed to QIC 233 US-based employees whose knowledge of the malls and deep community links will be crucial to the continuing success of our US real estate portfolio.

In a year of growth and change at QIC, I would like to thank our Chair, the QIC Board, our shareholding Ministers and our clients for their ongoing support and confidence in our business.

I would also like to take the opportunity to thank all of our employees for their unwavering commitment to our clients and the enthusiasm and energy that they have provided in what has been the most successful year for the organisation on record. The application and fulfilment of our standards of excellence by the whole team has been instrumental in delivering our stated Key Performance Indicators. Equally, markets continue to be supportive to the achievement of outstanding client outcomes.

As we look ahead, the geopolitical environment promises to remain complex and we will continue to be challenged as an organisation to maintain strategic as well as operational discipline while delivering for our clients and shareholder. I am confident we will be able to do just that based on the sense of purpose and collaboration that is apparent across the whole of QIC.

Damien Frawley
QIC Chief Executive Officer

PERFORMANCE HIGHLIGHTS

STATEMENT OF CORPORATE INTENT

The following table depicts performance against key financial and non-financial measures from QIC's 2017-18 Statement of Corporate Intent (SCI):

Financial Key Performance Indicators	2017-18 result	SCI target
Cost to income ratio (overall)	75.3% overall 66.3% (ex property management)	78.5% overall 68.0% (ex property management)
Operating profit before tax ($M)	$101.3 million	$81.7 million
Return on Assets	26.9%	23.0%
Return on Equity	43.9%	43.0%

Non-financial Key Performance Indicators	2017-18 result	SCI target
Deliver investment objectives for clients	86.2% of representative funds met or exceeded performance objectives, on a FUM weighted basis, as at 30 June 2018	75.0% of representative mandates meet or exceed their investment objectives and comparable benchmark performance

MEASURING OUR PERFORMANCE

In line with previous years, corporate and individual performance at QIC has continued to be measured against four themes in a scorecard of key performance indicators.

Results from 2017-18

FINANCIAL PERFORMANCE

QIC's financial performance this year has delivered outstanding results against ambitious targets. Operating profit before tax for 2017-18 was $101.3 million, the largest profit in QIC's history. Net new sales revenue for the year was 36% above target; also, a record result for QIC. These financial results are the outcome of a very solid year for the organisation with ongoing focus on revenue generation, strong investment performance, client retention and operational excellence.

INVESTMENT PERFORMANCE AND CLIENTS

Investment performance across our capabilities has been exceptionally strong during 2017-18, with 86.2% of representative funds meeting or exceeding their performance objectives against a FUM weighted basis and a 75% target.

QIC continued to receive excellent feedback from clients and asset consultants during the period. Feedback reported through the Peter Lee survey showed an increase in our relationship strength alongside a range of other measures such as quality of thought leadership materials. Over the past 12 months we have further diversified our client base as well as extended our relationships with our existing clients; reflecting the positive position of QIC in the market, across all capabilities.

PROCESS AND RISK

Execution excellence has been demonstrated across QIC during the year with a number of major projects and strategic initiatives successfully delivered including the management transition of our United States retail portfolio from Forest City to QIC and the completion of a global cloud computing transformation.

QIC continues to be recognised by clients and peers as having an exceptional risk culture and there is concerted effort to make continuous improvements and apply learnings in this domain.

LEADERSHIP AND CULTURE

With significant focus placed on leadership across QIC, our people have continued to be highly engaged and high-performing, enabling very strong business results to be delivered. The successful onboarding and orientation of 233 new employees in the United States has also been a key achievement. We have continued to amplify our focus on diversity and inclusion during the period and embedded workplace flexibility practices across our teams.

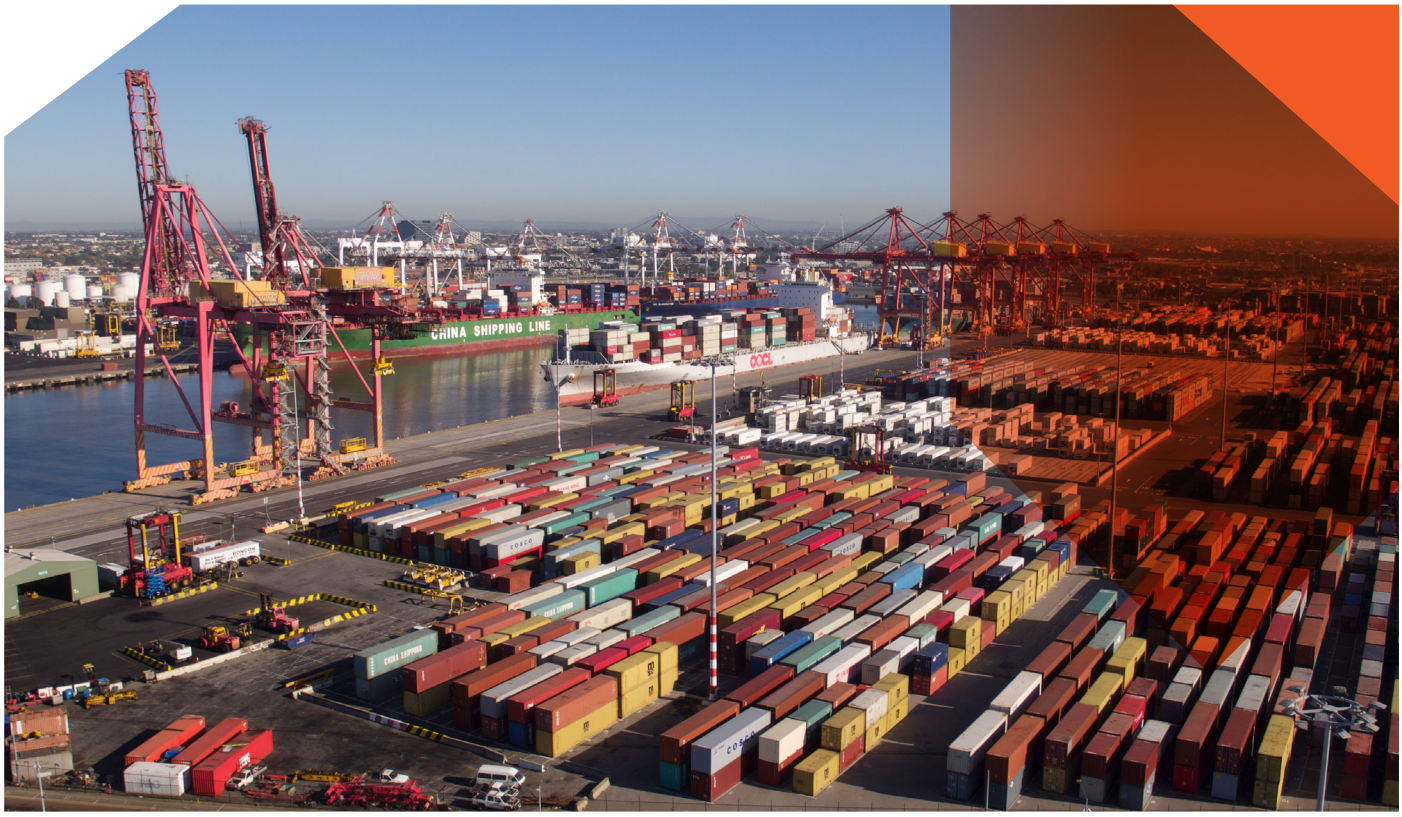
In 2017-18 our high performing investment capabilities delivered some outstanding results

GLOBAL INFRASTRUCTURE

The Global Infrastructure (GI) team, on behalf of our clients, actively manages a $10.5 billion portfolio (as at 30 June 2018) comprising of 12 direct infrastructure investments diversified across sector, geography, lifecycle and regulatory regime. The GI team's long-term stewardship of the portfolio continues to deliver strong returns for our clients with an annualised since inception internal rate of return (IRR) of 15.5%.[1]
As a team, GI grew to 40 investment professionals during the year. This enhances our global footprint to originate a pipeline of high quality infrastructure investments and execute new investments for our clients. The team's expansion also deepened our asset management capabilities in technology, business improvement and operational transitions.

Transitional activities relating to the Port of Melbourne (PoM), in which QIC on behalf of its clients acquired a c.40% interest in October 2016, continued throughout the year. Working with PoM's management and fellow shareholders, QIC has directly led a number of initiatives including a post transition risk review of the organisation, a technology and business improvement scoping exercise and an environmental, social and corporate governance (ESG) project which included PoM's inaugural participation in the GRESB survey (the global ESG benchmark for real assets). More broadly, other key highlights included the significant progress made on PoM's rail access strategy (recognising the increasingly important role rail will play in accommodating trade volumes at Australia's largest container and general cargo port) and the extensive broadening of PoM's stakeholder engagement activities.

As a founding partner in the Powering Australian Renewables Fund (PARF), QIC, on behalf of its managed clients including the Future Fund, together with the QIC Global Infrastructure Fund (QGIF) and co-investors, continues to explore opportunities to unlock investment in large scale renewable energy generation. In August 2017 it was announced that PARF had reached financial close on the $850 million Coopers Gap Wind Farm in South East Queensland. This project will have an installed capacity of 453 MW across 123 turbines and will produce sufficient renewable energy to power over 250,000 average Australian homes. This will make Coopers Gap one of the largest wind farms in Australia upon its completion in 2019. The investment also took PARF's total committed capacity to over 800 MW, representing more than 80% of its 1,000 MW target.



Port of Melbourne, Victoria, Australia

[1] IRR since inception in 2006 on all realised and unrealised investments, net of all fees and expenses.

Besides PARF, a number of GI's portfolio companies continue to undertake major expansion projects:

- After four years of extensive ground preparation, Brisbane Airport's (25% interest owned) $1.35 billion new parallel runway commenced construction in 2018 and is scheduled to be fully operational in 2020.
- NorthWestern Roads Group (25% interest owned) is continuing to develop the $2.9 billion NorthConnex toll road in Sydney which is expected to open to traffic in 2019.
- During the year, the Port of Brisbane (27% stake managed) received government approval to build, and commence construction works on, the $158 million Brisbane International Cruise Terminal at Luggage Point.
- The year also saw continued capacity enhancements at Lochard Energy with the drilling of a new gas storage well in June 2018. The new storage well will help support growing demands for peak energy in South East Australia, continuing Lochard Energy's role in supporting energy security for Australia's east coast markets.

GI was particularly active on the financing front during 2018, with activity across its funds and portfolio companies including:

- extending the weighted average debt maturity within the QGIF portfolio from 2.8 years to 6.5 years, with the first maturity of drawn debt within the fund now being October 2021
- raising $930 million of new debt facilities to support construction of the Coopers Gap wind farm in PARF, as well as supporting the activities of the QGIF
- refinancing a total of $3.4 billion across four assets in both the bank and bond markets; in particular:
    - Port of Melbourne completely refinancing its October 2019 maturity through a $1.8 billion issuance into the US Private Placement (USPP) market, representing the largest USPP issuance by an Australian transport infrastructure credit, and third largest Australian USPP issuance to date, and
    - fully refinancing Lochard Energy's capital structure, securing significantly enhanced operating flexibility for the business.

GI also confirmed its 'thought leadership' in the infrastructure sector in 2017-18 with the release of three Red Papers exploring key risks and opportunities for infrastructure investors:

- *Blockchain is knocking at infrastructure's door* - Blockchain's ability to alter industry landscapes won't end with financial services. This Red Paper identifies new energy and transport business models that may benefit forward-looking incumbents who leverage the blockchain innovation.
- *The impact of higher interest rates on infrastructure* - The impact of higher interest rates on infrastructure is complex and individualised. This Red Paper identified the risks and opportunities in a rising interest rate environment for the asset class.
- *Mobility-as-a-Service (MaaS): The coming transport revolution* - MaaS, is the integration of public and private transport options on centralised digital platforms, enabling users to register, plan, book, pay for, be ticketed and remain updated on their trips. This Red Paper explores how MaaS will transform transportation by optimising the use of physical infrastructure in our cities and how this will affect, and present opportunities for, infrastructure investors.

The Red Papers were well received by the market, with reader engagement metrics setting new highs for QIC research publications.

GI continues to see and develop a strong global pipeline of investment opportunities in our three core infrastructure sectors- Transport, Energy and Utilities and Public Private Partnerships. With enhanced dedicated investment teams in place in QIC's Australian, New York and London offices, GI is well placed on behalf of our clients to pursue new infrastructure investment opportunities and manage our respective investment portfolio across our target OECD markets.

INVESTMENT CAPABILITY HIGHLIGHTS (continued)

GLOBAL REAL ESTATE

Eastland, Victoria, Australia

Notwithstanding a challenging environment for the broader retail sector, QIC's Global Real Estate (GRE) team successfully delivered a number of key initiatives during the financial year. A strong focus on asset management contributed to the continued production of long term investment returns consistent with client expectations. Assets under management grew from $18.9 billion as at 30 June 2017 to $20.0 billion as at 30 June 2018.

GRE's flagship funds, the QIC Property Fund and QIC Shopping Centre Fund, achieved returns of 9.00% (gross of fees) and 10.20% (net of base management fee) respectively for the financial year to 30 June 2018.

During the year, GRE settled on a transaction to acquire 50% interests in two large-scale regional shopping town centres in Werribee and Epping, Victoria. With excellent public infrastructure links and strong market share in significant growth corridors, these are highly sought-after assets with opportunities for GRE to add further value through its vertically integrated management platform.

GRE also added to its US real estate exposure through a major transaction with its Joint Venture partner, Forest City Enterprises. The transaction involved the transition of the asset operating platform to QIC. The acquisition involved assets located in California, New York, Colorado and Pennsylvania. QIC retains options to acquire an additional five retail assets from Forest City Enterprises as part of the ongoing transaction.

As part of GRE's active management approach across the entire investment lifecycle, a number of significant highlights were recorded in the past financial year, demonstrating the team's strategic ability to execute activities that take advantage of prevailing market conditions and future-proof its portfolio.

Divestments

- 555 Lonsdale Street

Acquisitions

- Pittwater Place, NSW
- Bathurst City Centre, NSW
- Pacific Werribee and Epping, VIC (50%)
- The Shops at Northfield Stapleton, Denver CO (50%)
- South Bay Galleria, Redondo Beach CA (50%)
- The Mall at Robinson, Pittsburgh PA (50%)
- Antelope Valley Mall, Palmdale CA (50%)
- Ridge Hill, Yonkers NY (50%)
- The Shops at Wiregrass, Tampa FL (50%)

Asset Creation

- We continued to progress the development at 80 Collins Street in Melbourne incorporating a 43,000m^2 premium grade office tower which includes significant refurbishment of the existing tower, retail, food and beverage offer and a boutique hotel.
- We progressed planning for the Castle Towers development in Sydney following approval of a Development Application by the Hills Shire Council and other planning authorities.
- We progressed our Central Malls project at Robina Town Centre and Coomera Town Centre in Queensland.
- We opened the Sage Hotel at Eastland in Victoria, The Market Place at Domain Central in Queensland and the Monaro Mall development in Canberra.
- We opened a major extension to the Grand Central Shopping Centre in Toowoomba.

Environmental, Social and Governance (ESG) matters

In an Australian retail property first, an agreement has been reached with the Clean Energy Finance Corporation (CEFC) to provide $200 million of debt finance to GRE's flagship Shopping Centre Fund (QSCF) to undertake improvements in energy performance across the QSCF shopping centre portfolio.

The facility is the CEFC's largest property commitment to date and will support sustainability improvements in our Australian shopping centres. Through the CEFC's agreement with QSCF, GRE will provide a pathway to reducing energy consumption and will undertake customer engagement activities that inform shoppers of the initiatives being carried out.

This partnership with CEFC presents a unique opportunity to align QSCF's capital management strategy, that seeks to diversify its sources of funding, with GRE's broader ESG ambitions to drive sustainability initiatives and manage energy risk across our retail portfolio.

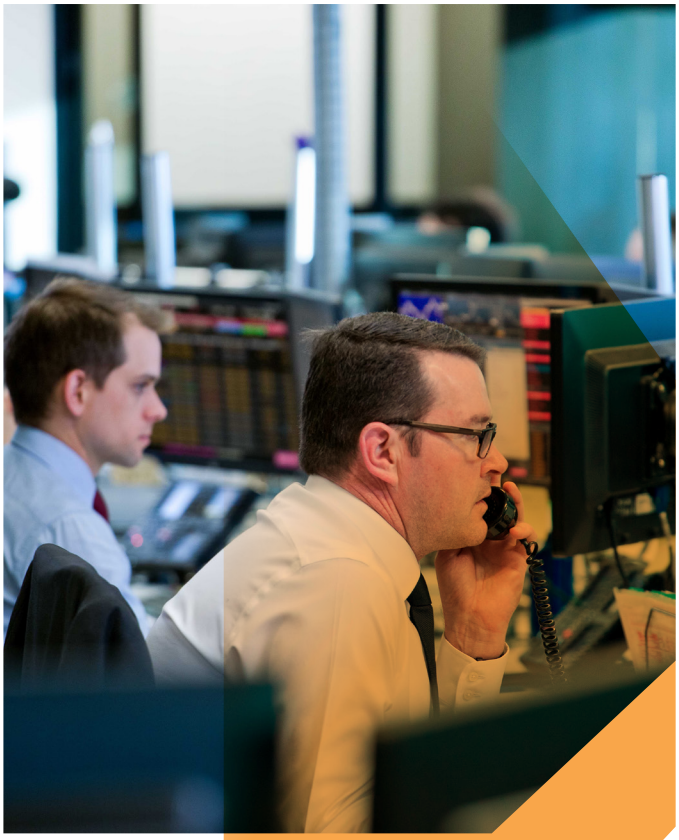
GLOBAL LIQUID STRATEGIES

The market environment for 2017-18 has been one of varied global growth and divergence in central bank policy. This has been punctuated by bouts of volatility driven by geopolitical tensions and trade wars. Against this backdrop, longer dated yields finished mixed over the financial year, with higher 10-year yields in the US, while they fell in other countries such as Australia, Germany, France and Japan. Credit spreads widened in the second half of the year and inflation expectations shifted upward especially in the US. QIC's Global Liquid Strategies (GLS) team has actively managed portfolios to deliver positive excess returns across the majority of our funds.

In this still low yield environment, GLS has seen increasing flows to global credit assets given relatively more attractive yields. Given the extended length of the business cycle and the lows in credit spreads reached through the year, GLS portfolios have been positioning more defensively into non-cyclical industries (e.g. utilities, infrastructure and consumer staples) versus cyclical exposures, in anticipation of increased volatility ahead in credit as monetary policy is tightened, presently in the US, and likely in more countries in the year ahead. In contrast, China's monetary policy has been loosening and yields have fallen sharply, as the Chinese economy is slowing with continued deleveraging particularly in the real estate sector. The opening of the Chinese Bond market has been an increasing focus for the GLS team in terms of diversification and future opportunity.

We have also seen an increased demand for overlays for asset class rebalancing and currency hedging as clients increasingly focus on controlling risk and optimising returns. Currency management has been a key area of engagement for clients, and we have provided thought leadership on the key currency considerations for Australian investors as conditions change with the inversion of domestic and US interest rate differentials.

Reflecting our engagement and focus on clients' objectives, the GLS team was rated amongst the top fixed income managers versus a broad peer universe in the annual Peter Lee Associates 2018 client survey. We remain well-resourced to deliver for clients, including an increase in requirements for tailored portfolio solutions as well as integrating ESG. ESG remains an important and integrated factor in our investment process and we have a well-established engagement program, specifically with corporate bond issuers focusing on ESG areas such as climate risk, renewables, education and green bonds.



INVESTMENT CAPABILITY HIGHLIGHTS (continued)

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 strong performance outcomes for clients over the course of the financial year. The global economy entered a phase of synchronised growth over 2017-18, buoyed by strong business investment, international trade and consumer spending. This allowed the US Federal Reserve to continue along a path of normalising monetary policy, which led to rising interest rates globally. Notwithstanding the rise in interest rates, equity markets performed strongly as strong economic fundamentals led to a surge in company earnings growth rates.

Against this backdrop, GMA's flagship QIC Growth Fund delivered a return of 9.36% (gross of fees) for clients over 2017-18, ranking in the top quartile of peers and maintaining a top quartile ranking over a 5-year rolling average, according to Morningstar. The Fund increased its funds under management from $2.8 billion to $3.4 billion over the financial year on the back of investments from new and existing clients in addition to strong investment returns.

The QIC Liquid Alternatives Fund reached its third anniversary on 15 June 2018. Since inception, the Fund has delivered an annualised 5.00%, compared to the Bloomberg AusBond Bank Bill Index (cash return) of 1.95%. For the financial year, the Fund returned 1.51% (against a cash return of 1.78%) with less volatility than equity markets. The Fund also experienced solid client growth over the year, with FUM increasing from $294 million to $616 million.

GMA expanded its suite of risk scenarios around macro themes to include US/China trade wars, Australian credit crunch, in addition to Brexit, China hard landing and the emerging markets debt crisis. This scenario analysis informs the risk management and investment processes across QIC.

QIC's Economics and Research team retained its leading status among Australian economic forecasters with the team ranked number one forecasters of economic growth, inflation and RBA cash rate moves in the Bloomberg panel of expert forecasters.

GLOBAL PRIVATE CAPITAL

With over $1 billion of new client commitments secured, 2017-18 was a year of extremely strong growth for QIC's Global Private Capital (GPC) team. A large contributor to this growth was the signing of a $550 million private equity mandate with one of Australia's largest superannuation funds. The team completed a significant secondary transaction in what was one of the biggest secondary private equity transactions completed globally in recent years. This was an important achievement for QIC during 2017-18 and testament to the collaborative efforts of many across our business.

GPC's investment philosophy focused on generating capital gains via company enhancement, by buying attractive growing businesses and developing them further with the assistance of talented management teams and/or local investment managers. In Australia, our co-investment model leverages QIC's presence, network and brand to unlock opportunities and maximise our global network and expertise. Our ambition is to assist Australian businesses to take the next step of growth which is often in Asia. During the year, GPC completed the acquisition of Icon Group, Australia's largest vertically integrated private cancer care providers. Icon has grown rapidly within Australia and has started to bring its modern, high-quality care to patients across Asia, a process GPC and its consortium partners will continue to accelerate.

As a team, GPC grew to 15 investment professionals during the year. Located across Australia, the United States and Europe, the global nature of our team has enabled greater deal sourcing opportunities and deepened the market insight for our clients.

Notable achievements during 2017-18 include:

- The completion of 14 fund investments. GPC continues to support its long-standing partners globally who have proven track records of value creation and active management.
- The completion of six co-investments globally, alongside our trusted managers, into a variety of companies including pipe-related fastening technology, integrated cancer care, environmental waste solutions and fintech.
- The North Australian Pastoral Company (NAPCO), GPC's first investment in Australian agriculture, performed strongly, delivering its best financial year on record and built momentum on a number of strategic and operational initiatives across the business with the support of the GPC team.

During this period, the team have remained active within the private equity community globally, with many of GPC's senior team participating in and contributing to industry associations and charitable endeavours. These have included discussions and panellists' roles, participation in global working groups supporting and promoting education, diversity and inclusion as well as leadership roles within Institutional Limited Partners Association (ILPA) and Institutional Investor Roundtable (IIR).

We also contribute to our foundation clients' broader objectives of promoting and nurturing a successful venture capital and innovation community in Queensland through our administration of the Queensland Government's highly successful Business Development Fund.

GPC's foundation clients have received a 17.1% per annum investment return (net of fees on a hedged basis on all realised and unrealised investments) since inception to 31 March 2018 on all investments globally. Despite recent strong market returns, the portfolio is 7.2% per annum above the public market equivalent. Moreover, GPC has created $3.8 billion of net gains across our broader client base since inception in 2005.

Alexandria Cattle Station, Northern Territory, Australia

RESPONSIBLE INVESTMENT

During 2017-18, QIC's ESG framework has continued to evolve in recognition of the increasing importance of ESG factors on the long-term returns of investment portfolios. In 2018, reflecting QIC's approach and focus on ESG throughout our business, we are publishing our inaugural annual Sustainability Report, which describes in detail our ESG activities both corporately, and as part of our investment activities.

As a signatory to the United Nations-backed 'Principles for Responsible Investment' (UNPRI) since 2008, QIC undergoes an annual assessment of its performance under the six UNPRI principles and continues to be rated strongly in this area.

QIC has ESG focused specialists tasked with the further development and implementation of our ESG framework to best support the integration of ESG in our investment decision-making and ownership practices.

QIC's ESG framework includes six focus areas, provides a common platform, and defines what we believe are the most material ESG issues for our business. QIC's responsible investment approach incorporates the six principles for responsible investment, which are key planks in QIC's role as a socially aware corporate citizen.

Considering ESG factors as part of our investment decision-making process is part of our commitment to delivering strong, long-term investment performance for our clients and its further maturity is supported by the ESG Advisory Committee.

QIC's ESG framework is highlighted in the table below.

<table>
<tr><td>PRINCIPLES</td><td colspan="6">QIC RESPONSIBLE INVESTMENT POLICY</td></tr>
<tr><td>ESG FOCUS AREAS</td><td>CLIMATE RISK</td><td>ENVIRO. SUSTAINABILITY</td><td>PEOPLE</td><td>COMMUNITY</td><td>CORP. GOV.</td><td>ACTIVE OWNERSHIP</td></tr>
<tr><td rowspan="6">QIC ESG INTEGRATION</td><td colspan="2">GLOBAL MULTI-ASSET</td><td colspan="4" rowspan="5">ASSET CLASS SPECIFIC ESG GUIDELINES</td></tr>
<tr><td colspan="2">GLOBAL LIQUID STRATEGIES</td></tr>
<tr><td colspan="2">GLOBAL REAL ESTATE</td></tr>
<tr><td colspan="2">GLOBAL INFRASTRUCTURE</td></tr>
<tr><td colspan="2">GLOBAL PRIVATE CAPITAL</td></tr>
<tr><td colspan="2">CORPORATE FUNCTIONS</td><td colspan="4">ESG CONSIDERATIONS INTEGRATED INTO CORPORATE POLICY</td></tr>
<tr><td rowspan="2">OVERSIGHT</td><td colspan="3">QIC BOARD</td><td colspan="3">QIC ESG ADVISORY COMMITTEE</td></tr>
<tr><td colspan="2">ESG REPORTING</td><td>INTERNAL AUDIT</td><td>CORPORATE ESG KPI</td><td>INDUSTRY BENCHMARKING</td></tr>
</table>

Having a clear ESG framework in place provides QIC with a solid foundation from which our investment teams can implement their ESG approach, supported by our Responsible Investment team.

Supply chains can be complex and pose many human rights risks, including poor working conditions, child labour, human trafficking and modern slavery. These issues can manifest themselves in legislative, operational and reputational risks. Following the United Kingdom's lead, we support the introduction of the Modern Slavery legislation in Australia and are working through the requirements to ensure we are compliant. We fully support all efforts to eradicate modern slavery in all its forms and to ensure our suppliers also understand any potential risks that may exist within their own business.

CORPORATE GOVERNANCE

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 (Third Edition)' and comply with the Queensland Government's 'Corporate Governance Guidelines for government-owned corporations'. 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, follows.

CORPORATE GOVERNANCE DURING 2017-18

QIC's growing client base and international expansion has seen the Board's continuing strengthening of all of QIC's governance arrangements.

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

- pro-actively reviewing our investment governance frameworks to ensure a contemporary and global approach
- focusing on bolstering our ESG and our Responsible Investment strategies and overall ESG/RI 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 that our calibrated strategy is interwoven with the Board's risk appetite
- further strengthening workplace health and safety (WHS) accountabilities and WHS compliance frameworks
- further developing refined ways of setting our appetite for risk, and proactively monitoring our key risks through a framework of comprehensive risk documents, and
- 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 Limited, 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.

Two QIC subsidiaries are registered as investment advisors with the US 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 Annastacia 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 Board comprises nine independent non-executive directors. 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 (Third Edition), 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.

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

- role and responsibilities of the Board
- delegation of certain responsibilities to management
- directors' duties and interests
- Board structure
- remuneration
- meeting procedures
- Board committees and subsidiaries
- external communication guidelines
- access to independent advice
- professional conduct, including conflicts of interest and independence
- performance assessment.

The Boards of QIC's subsidiaries are generally made up of executive directors. The exceptions are subsidiaries that carry out regulated activities, in Australia and overseas, which include 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 his direct reports on a regular basis.

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 that this team is appropriately qualified and experienced to discharge its responsibilities, and has in place procedures to assess the performance of the Chief Executive Officer and the senior executives, which are outlined below in the 'Alignment of performance with remuneration' section of this report.

FOUNDATIONS OF MANAGEMENT AND OVERSIGHT (continued)

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.

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 has established a management Financial Statements Review Sub-Committee for the purposes of providing 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 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 that the executive team has identified and assessed all the risks that the organisation faces and to ensure there is alignment between risk management and the company's strategy, business plans and financial objectives

- in conjunction with other Board-level committees or the full Board, if applicable, 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
- the division of risk-related responsibilities to each Board committee or sub-committee as clearly as possible and performing a gap analysis to determine that the oversight of any risks is not missed, and
- QIC's compliance with its regulatory and contractual obligations, except for financial and tax related regulatory and contractual obligations for which the Audit Committee is responsible.

Through its regular reporting cycle, the Committee receives assurance from senior management that QIC's 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 has established the management Risk & Valuations Committee (RVC) for the purpose of providing 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 that 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 can be 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 QIC Product Governance Committee (PGCo), which is a governance and decision-making body responsible for delivering investment and distribution strategies to execute and optimise QIC's corporate strategy and to deliver shareholder and client performance expectations. PGCo is chaired by the Executive Director, Global Clients and Marketing.
- The QIC Operating Committee, which oversees day-to-day business operations and is chaired by the Executive Director, Operations and Technology.

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

QIC has the following management committees to support the Board:

- The Risk and Valuations Committee (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 RVC is chaired by the Chief Risk Officer.
- The Financial Statements Review Sub-Committee (FSRS) 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. It is chaired by the Chief Financial Officer.
- 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.

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 that 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 defence' approach to managing risks and compliance obligations.

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First line of defence: 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, (previously named the Risk, Legal and Tax 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 defence: 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 defence: 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 that 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
- 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
- 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
- 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 GOC, and to ensure that 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 and QIC's Standards of Excellence
- are fair, equitable and sustainable
- are competitive against industry benchmarks while not seeking to be a market leader
- discriminate between high and low performance
- comply with relevant legislation and GOC guidelines
- take account of client expectations
- show clear methods of performance measurement, enabling employees to track their performance against targets.

PERFORMANCE AND REWARD

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

To measure individual contribution, a formal Performance Management Program (PMP) exists for all employees, including the 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.

An annual review of all employees, including the Chief Executive Officer and senior executives, was undertaken during the year in line with the PMP framework.

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 and senior executives, advice of which is provided to the shareholding Ministers.

An Employment and Industrial Relations Plan is approved annually by QIC's shareholding Ministers as part of the SCI development process.

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

It also incorporates:

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

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

TRUSTEE STEWARDSHIP

In undertaking the role of trustee of a number of investment trusts, QIC ensures that 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 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.

The Code is supported by our policy framework, which includes formal, Board-approved policies on these 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 and engaging culture that evidences fairness, respect for diversity and recognition of individual talents. Provision of a safe working environment at QIC free from discrimination, victimisation, vilification, sexual harassment, other types of unlawful harassment and workplace bullying is vitally important. The Board's Workplace Behaviour Policy outlines our Board's expectations of workplace conduct, and the Work, Health & Safety Policy establishes our framework for managing our obligations to provide a safe working environment all.

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. QIC does, however, comply 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.

SHAREHOLDING MINISTERIAL DIRECTIONS AND NOTIFICATIONS

QIC did not receive any directions or notifications from the shareholding Ministers during 2017-18.

DIRECTORS' PROFILES

Don Luke BSc, BA (Econ) - Chair

Chair appointed 12 December 2013
Current term to 30 September 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, Member of the Audit Committee (Ex-officio), Member of the Risk Committee (Ex-officio) and Chair of the US Shopping Center Fund Investment Committee.

Age: 67

John Battams BEcon, Dip Ed, MAICD - Director

Director appointed 1 October 2015
Current term to 30 September 2018

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, Member of the Audit Committee and Member of the US Shopping Center Investment Committee.

Age: 62

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

Director appointed 15 December 2016
Current term to 30 September 2019

Director of: QIC Limited.

Other appointments: Director, Australian Rail Track Corporation.

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 and Member of the Risk Committee.

Age: 56

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

Director appointed 10 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 US Shopping Center Fund Investment Committee.

Age: 62

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: Director, Montrose Advisory Pty Limited, Consultant, Herbert Smith Freehills, Advisory Board Member (via Montrose Advisory, 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, Member of the US Shopping Center Fund Investment Committee.

Age: 48

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

Director appointed 12 May 2016
Current term to 30 September 2018

Director of: QIC Limited, QIC Private Capital Pty Ltd, 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, Director, Chair, CFA Societies Australia Advocacy Council, Director, Evergen Pty Ltd.

Previous appointments: 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, Chair of Environment, Sustainability and Governance Advisory Committee and Member of the US Shopping Center Fund Investment Committee.

Age: 52

Paul Gallagher BCom, FCA, GAICD - Director

Director appointed 11 December 2014
Current term to 30 September 2020

Director of: QIC Limited.

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

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

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

Age: 60

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, 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: Joint Managing Director, DTZ Brisbane, Director, SEQ Domaine Funds Management, Group Executive Director, PRD nationwide, Manager, Project Leasing for Jones Lang Wootton, Member, Queen's Wharf Precinct Committee, Member, Queensland Government Precinct Advisory Committee.

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

Age: 52

Andrea Staines B Econ, MBA, FAICD - Director

Director appointed 1 October 2015
Current term to 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 Member of the Risk Committee.

Age: 53

Directors whose terms expired during the financial year 2017- 2018

Grant Murdoch M.Comm (Hons), FCA, FAICD - Director

Director appointed 10 November 2011
Term ended on 30 September 2017

Director of: QIC Limited.

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

This is an overview of QIC's 2017-18 financial results and should be read in conjunction with the financial report.

PROFITABILITY

QIC's profit before tax of $101.3 million is a record profit and a 14.2% increase on the prior year.

This profit outcome has been achieved as a result of total revenue for the year of $410.6 million, an increase of $63.3 million on the prior year. This increase was driven by outstanding investment performance, the acquisition of assets on behalf of our clients, the development of existing assets and the on-boarding of new client mandates during the year.

Expenses for the year have increased by $50.7 million as we continue to implement our corporate strategy. Employee related costs have risen during the year to facilitate the revenue generating activities outlined above. Other cost increases relate predominately to pursuing our international expansion plans, particularly in the United States.

As part of our ongoing commitment to diversifying our product offering, QIC has undrawn commitments of $28.9 million of corporate money into QIC products. This is in addition to $30.7 million of corporate money currently invested in QIC products.

During the year, QIC committed $700,000 into Social Venture Australia's (SVA) Diversified Impact Fund. The aim of this fund is to focus on investment areas where SVA has deep social impact investing experience – education, employment, housing, First Australians, disability and health.

In addition, QIC committed $1 million to SVA for dedicated indigenous initiatives. This brings QIC's total commitment to SVA to $2 million.

During the year, QIC returned a total of $93.7 million to the Queensland government including a final dividend of $60.1 million for 2017-18.

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

REVENUE

Total revenue for 2017-18 was $410.6 million, an increase of $63.3 million or 18.2% compared to 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 represents fixed annual 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. These services include the leasing and development of the underlying assets.

The following activities have contributed to the increase in revenue during the year:

- The signing of a $550 million private equity mandate with one of Australia's largest superannuation funds
- Our Global Real Estate business acquiring a 50% stake in the Pacific Werribee and Pacific Epping regional shopping centres in Victoria and the acquisition of a 100% interest in Bathurst City Centre and Pittwater Place in New South Wales
- In conjunction with other consortium partners, an agreement to acquire a majority interest in Icon Group (Icon), Australia's fastest growing cancer care provider
- The acquisition of additional interests of our joint venture partners, Forest City Enterprises (FCE), 10 US regional shopping malls, and
- The continued development of 80 Collins Street in Melbourne, Canberra Centre, Robina Town Centre and the commencement of the Coomera development on the Gold Coast.

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

EXPENSES

Total expenses of $309.3 million in 2017-18 increased by $50.7 million or 19.6% 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. In particular, the acquisition of the additional interests in 10 US regional shopping malls resulted in QIC welcoming 233 staff from Forest City Enterprises during the year as part of the transaction.

Other cost increases largely relate to international expansion and other costs associated with operating platforms and projects including:

- Costs associated with moving QIC's Information Technology (IT) platform to a cloud-based, less capital intense, IT platform, and
- US office expansion including the opening of a Cleveland office in Ohio.

A corporate wide focus on future cost savings and efficiency initiatives has commenced. This will ensure that cost increases in the future will be tightly managed and linked to QIC's corporate strategy.

BALANCE SHEET

Assets

Total assets at year end were $395.9 million, an increase of $45.2 million compared to the prior year.

The major contributions to this change were:

- An additional $18.8 million in current receivables due to an increase in base management and performance fees receivable at year end
- An increase of $24.1 million in current corporate investment representing movements in working capital used to fund operational expenses, dividend and tax equivalent payments during the year
- A reduction of $10.0 million in cash at bank and in hand as a result of short term excess working capital being invested as liquid corporate investment in order to earn higher returns
- An increase of $6.4 million in intangible assets as a result of the capitalisation of Cloud IT assets

Liabilities

Total liabilities at year end were $233.8 million, an increase of $36.0 million compared to the prior year.

The main contributors to this increase were:

- $3.0 million increase in current tax liabilities due to increased performance fees recognised in June 2018
- An increase of $19.0 million in dividend payable at year end
- A $10.1 million increase in employee benefits

DIVIDEND

A dividend of $60.1 million has been declared for the year.

CASH FLOWS

Cash at year-end of $94.7 million represents an increase of $14.0 million when compared to the prior year.

Operating activities generated net cash inflows of $71.1 million, an increase of $36.4 million from the previous year. This increase is largely due to the increase in operating revenue for the year.

Cash outflows from investing activities this year were $15.5 million compared to inflows of $12.5 million in the prior year. The prior year inflows included the redemption of a portion of QIC's working capital investments in order to fund operating expenses. Cash outflows for 2017-18 reflect QIC's investment in IT platforms and office expansion costs in the US.

Cash outflows from financing activities were $41.1 million, reflecting payment of the 2016-17 dividend.

FINANCIAL PERFORMANCE OVERVIEW (continued)

CORPORATE ENTERTAINMENT AND HOSPITALITY COSTS

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

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

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

Event	Date	Cost ($)
Employee mid-year function: Brisbane	06/08/2017	13,037
Client function: Melbourne	21/10/2017	36,613
Employee year-end function: Brisbane	01/12/2017	16,314
Employee year-end function: Sydney	01/12/2017	5,665
Employee year-end function: Brisbane	15/12/2017	22,548

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