



ANNUAL REPORT 2016–17



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GLOBAL
INFRASTRUCTURE

GLOBAL
REAL ESTATE

GLOBAL
LIQUID STRATEGIES

GLOBAL
PRIVATE CAPITAL

GLOBAL
MULTI-ASSET

ABOUT THIS REPORT

This Annual Report documents QIC's achievements during the 2016-17 financial year. It describes our business, our corporate strategy and the role our people play in delivering strong investment outcomes for our clients.

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 2017.

QIC's results for 2016-17 reflect our continued focus on generating long-term investment returns for our clients and maximising shareholder value for the Queensland Government.

Across our asset classes of Real Estate, Infrastructure, Liquid Strategies, Private Capital and Multi-Assets, we have delivered outstanding investment performance for our clients, with 89% of representative funds meeting or exceeding their performance objectives and agreed peer comparisons.

Our financial performance remains strong and I am pleased to report that QIC has delivered an above budget net profit before tax of \$88.7 million and a dividend of \$41.1 million.

During the past year, we have continued the successful execution of our corporate strategy of growing existing business and diversifying our client base and product offering both domestically and internationally.

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

They also reflect the efforts our people whose leadership and collaborative approach across the business has provided us with the required edge to seize opportunities as they arise for the ultimate benefit of our shareholder and clients.

The relationship with our shareholding Ministers, the Honourable Annastacia Palaszczuk MP, Premier and Minister for the Arts and the Honourable Curtis Pitt MP, Treasurer and Minister for Trade and Investment and Acting Minister for Energy, Biofuels and Water Supply, remains strong and we are grateful for their support.

With more than 100 clients globally, QIC manages assets around the world worth \$82.0 billion as at 30 June 2017. On behalf of its clients, it owns or is the largest shareholder in Queensland assets valued at over \$17 billion and employing 35,000 people. Building on this strong foundation, we are continuing to grow in a very targeted manner in Australia and internationally so we can deliver superior returns for all of our clients.

On behalf of the QIC Board, I would like to say how delighted we are with our successes this year. The future for this business is looking brighter and more exciting every day as we continue as one of the leaders in diversified alternatives funds management.

A handwritten signature in dark ink, reading 'Don Luke'.

Don Luke
QIC Chair

CHIEF EXECUTIVE OFFICER'S REPORT



QIC's international footprint has continued to grow, while delivering strong returns for clients

For the past five years, QIC has been expanding its international presence, with more global clients, strong investment capability around the world and an increasingly diverse portfolio of assets. This internationalisation has been driven by two objectives: to deliver superior investment returns for our clients and to grow the dividend for our shareholder, the Queensland Government.

I'm pleased to advise that this strategy continues to deliver on both fronts. In terms of investment returns, 89% of representative funds met or exceeded their performance objectives. This is an excellent result, particularly given the geopolitical challenges in the international environment over the last year. And in terms of return for our shareholder, total revenue was ahead of budget by 3% and our dividend was \$41.1 million. We expect this dividend to grow in coming years as our investments in international expansion deliver results.

QIC's strategy of focusing on global diversified alternatives has underpinned our success. Each of our investment teams has performed well in 2016-17, with particular highlights being:

- Global Infrastructure raising \$2.35 billion for the QIC Global Infrastructure Fund and leading the acquisition of the Port of Melbourne
- Global Real Estate onboarding the LaSalle real estate platform, the launch of Stage Two of Toowoomba's Grand Central \$525 million transformation and continuing to progress its expansion into the US real estate market
- Global Private Capital leading a consortium in the acquisition of Queensland-based international cancer care provider Icon Group
- Global Multi-Asset delivering outstanding investment returns of 8.57 per cent on the Queensland Government's long-term assets
- Global Liquid Strategies outperforming market relative benchmarks across their investment portfolios

These achievements have all contributed to us continuing to grow our client base, with one third of QIC's new clients based outside of Australia, and delivering positive financial results.

They have also been enabled by our exceptional people at QIC, including our strong leadership team, and our continued cross-business collaboration.

Given ever increasing regulatory standards and risks in the external environment, QIC has continued to invest in compliance, risk management and security systems. Over the past year we have delivered a major upgrade in our IT capabilities and increased our focus on cyber security. Improvements have also been made to our governance framework, operational processes, and technical controls to support our international expansion. Feedback on our risk culture from clients, auditors, regulators and asset consultants conducting upfront and ongoing due diligence has continued to be positive.

I would like to thank our Chair, the Board, shareholding Ministers and clients for their support and confidence and I look forward to continuing QIC's international journey to deliver strong investment returns.

A handwritten signature in black ink, appearing to read 'Damien Frawley', written in a cursive style.

Damien Frawley
QIC Chief Executive Officer

Performance highlights

Statement of Corporate Intent

The table below depicts performance against key financial and non-financial measures from QIC's 2016-17 Statement of Corporate Intent (SCI):

Financial Key Performance Indicators	2016-17 result	SCI target
Cost to income ratio (overall)	74.4%	76.5%
Operating profit before tax (\$M)	\$88.7M	\$78.4M
Return on Assets	25%	24%
Return on Equity	43%	41%

Non-financial Key Performance Indicators	2016-17 result	SCI target
Deliver investment objectives for clients	89% of representative funds met performance objectives, on a FUM weighted basis, as at 30 June 2017.	75% of representative mandates meet or exceed their investment objectives and agreed peer performance for the relevant period.



MEASURING OUR PERFORMANCE

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

Results from 2016-17



Financial Performance

QIC's financial performance this year has continued to deliver strong results against ambitious targets for operating profit after tax and dividend to the Queensland Government. Total revenue was ahead of budget by 3% and our profit was 13% ahead of our budget target. New business growth was also positive to budget, with all investment teams making a material contribution to this result. 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 investment capabilities has been very positive. 89% of representative funds met or exceeded their performance objectives and agreed peer comparisons.

QIC's client base continues to grow and diversify and there was continued positive feedback and recognition of our alternative investment capability and client relationships. QIC was rated as one of the leading client relationship managers, as compared to the most used managers in Australia. Asset consultant feedback indicates that our overall service continues to be considered top quartile. Over the past 12 months we have further expanded and diversified our domestic client base as well as growing our international market presence, with one-third of new clients being domiciled outside of Australia.



Process and Risk

There has been a significant uplift in focus in our cyber security capabilities during the year, given the heightened risk in the external environment. Material improvements have been made to our governance framework, operational processes, and technical controls. The major transformation of our middle office services was completed after a successful two-year implementation program, delivering a reduction in operational risk, as well as efficiency and client servicing benefits. A global cloud computing initiative has also been delivered to enhance collaboration, flexibility, mobile working and productivity for all QIC employees, as the international footprint of the organisation grows.

Feedback on our risk culture from clients, auditors, regulators and asset consultants conducting upfront and ongoing due diligence has been consistently very strong. Clients rated QIC as a leading risk control organisation in feedback channels during the year.



Leadership and Culture

QIC fosters a work environment that is focussed, high performing, and engaged. The organisation has invested heavily in the development of the workforce and investment has been realised through the outstanding business outcomes that have been achieved. The leadership and cross-team collaboration that has been delivered have allowed QIC to be agile to seize business opportunities as they have arisen to create strong value for the organisation. QIC has also, with conviction and determination, made substantive change in the gender composition of the organisation, and accompanying structural changes, required to attract and retain talented employees.

INVESTMENT CAPABILITY HIGHLIGHTS

In 2016-17 our high performing investment capabilities delivered some outstanding results

Global Infrastructure

The Global Infrastructure (GI) team manages a \$9.7 billion portfolio (as at 30 June 2017) on behalf of our clients.

The 12 direct infrastructure investments that comprise the portfolio are diversified across sector, geography, lifecycle and regulatory regime. Through the GI team's active management and stewardship, the portfolio continues to perform strongly, generating an annualised since inception internal rate of return (IRR) of 15.7% to 30 June 2017.¹

A number of portfolio companies undertaking major capital projects made good progress during the year. After four years of extensive ground preparation, Brisbane Airport's (25% interest owned) \$1.35 billion new parallel runway is due to commence construction in 2018 and is scheduled to be fully operational in 2020. North Western Roads Group (25% interest owned) is continuing to develop the \$2.9 billion NorthConnex toll road in Sydney, NSW, which is expected to open to traffic in 2019.

During the year, GI restructured several client investments. These initiatives included the establishment of the QIC Infrastructure Portfolio as a liquidity solution for one of its foundation clients.

The 2016-17 year was also a very active one for GI outside of its portfolio management activities. The QIC Global Infrastructure Fund (QGIF) reached its final close in March 2017. The final fund size of \$2.35 billion was the hard-cap for the fund raise, exceeding the target fund size of \$1.75 billion. The QGIF platform gives investors access to GI's sector-centric active-core approach to infrastructure investing. It received strong support from investors in the Asia-Pacific region (including Australia, China, Japan and Korea), along with investors from the United States and Europe.

In July 2016 QIC on behalf of its managed clients including the Future Fund, together with QGIF and co-investors, made an \$800 million equity commitment alongside AGL Energy Limited in the Powering Australian Renewables Fund (PARF). Since its establishment, PARF has acquired the 102MW Nyngan and 53MW Broken Hill solar plants, and the 200MW Silverton Wind Farm in Western NSW. Once fully invested PARF is expected to own more than 1,000MW of large-scale renewable energy projects, representing approximately 10% of Australia's renewable energy capacity, to support Australia's transition to a low-carbon economy.

In October 2016 QIC on behalf of its managed clients including the Future Fund, together with QGIF and co-investors, acquired a 50-year lease of the Port of Melbourne (POM) as part of the Lonsdale Consortium. POM is a critical and strategic piece of the Victorian and Australian logistics supply chain linking Australia with its major trading partners. Working with other partners in the Lonsdale Consortium, QIC will bring extensive asset management expertise to POM, focusing on long term master planning underpinned by a strong commitment to safety, governance, productivity, sustainability and financial discipline.

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

GI continued its 'thought leadership' in the infrastructure sector in 2017 with the release of a Red Paper entitled 'Climate Change: building resilience in infrastructure assets'. GI believes the duration of infrastructure assets make it important to consider the implications of climate change on infrastructure businesses and in constructing portfolios of infrastructure investments. The Red Paper considered the consequences of the increasing occurrence of extreme weather events on infrastructure assets and detailed an analytical framework to assist with assessing the vulnerability of assets to climate risk.

GI continues to see and develop a strong global pipeline of investment opportunities in three core infrastructure sectors - Transport, Energy & Utilities, and Public Private Partnerships (PPP)/Social. With dedicated investment teams in place in QIC's Australian, New York and London offices, GI is well placed to pursue new infrastructure investment opportunities across major OECD markets globally and manage existing investment.

Global Real Estate

QIC's Global Real Estate (GRE) team delivered a number of significant programs of activity during the financial year, which contributed to its solid performance. Assets Under Management grew from \$17 billion in December 2016 to \$18.9 billion as at June 2017.

Fund performance continues to be solid, with most funds outperforming benchmarks. GRE's flagship funds, the QIC Property Fund and QIC Shopping Centre Fund, achieved returns of 10.46% (gross of fees) and 10.54% (net of base management fee) respectively for the financial year to 30 June 2017. This has contributed to strong since inception return results of 10.22% (gross of fees) against a benchmark of 9.25% for QIC Property Fund and 10.31% (net of base management fee) against a benchmark of 8.30% for QIC Shopping Centre Fund.

In October 2016, GRE was appointed manager of the QIC Australia Core Plus Fund (formerly LaSalle's Australia Core Plus Fund), which comprises a portfolio of 11 retail and commercial assets in Queensland, New South Wales, Victoria, Northern Territory and South Australia. The establishment of the QIC Australia Core Plus Fund also involved the coordinated and methodical transition of key operational and investment management personnel from LaSalle to QIC. Since taking over management of the Fund, the Fund has performed well with a total return of 12.72% against a benchmark of 9.28% primarily driven by the successful sale of 275 George Street which sold at a 34% premium to book value.

Building on more than a decade of US market presence and a successful joint venture, in June 2017, GRE signed a Master Transaction Agreement with Forest City to progress a proposed transaction that would see GRE take full ownership of 13 shopping malls across nine different states in the USA. There are still several important milestones to achieve before the deal is finalised but should it be executed successfully it would represent the largest transaction accomplished by GRE on behalf of its clients.

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

- MLC Centre located in the heart of Sydney's CBD
- 275 George Street, Sydney

Acquisitions

- Forest Lake Shopping Centre, Forest Lake
- 255 Forest Lake Boulevard, Forest Lake
- 200 Grand Avenue, Forest Lake
- Big Top Shopping Centre, Maroochydore
- 19 Duporth Avenue, Maroochydore
- Kippa Ring Shopping Centre, Kippa Ring
- Nerang Mall, Nerang
- The Village, Upper Mount Gravatt
- Pakenham Place Shopping Centre, Pakenham
- 555 Lonsdale Street, Melbourne
- 1 Chandos Street, St Leonards
- 350 Eastern Valley Way, Chatswood
- 301 Grand Junction Road, Ottoway

Developments

- Commencement of the \$800 million development at 80 Collins Street in Melbourne incorporating a 43,000m² premium grade office tower; significant refurbishment of the existing tower; retail, food and beverage offer and a boutique hotel.
- Launch of Stage Two of Grand Central's \$525 million transformation bringing some of the nation's biggest and most highly anticipated major retailers to Toowoomba's CBD.
- Commencement of a \$6 million development at Domain that will deliver a new IGA and bring a new level of connectivity and convenience to the Centre.
- Completion of The Kitchens development at Robina Town Centre, unveiling a \$160 million bustling urban food retail marketplace.
- Commencement of the \$39 million Robina Home and Life development bringing 15 lifestyle bulky goods retailers to Robina Town Centre.
- Progressed development planning for the circa \$1.3 billion Castle Towers development in Sydney following approval of its Development Application by the Hills Shire Council and other planning authorities.

INVESTMENT CAPABILITY HIGHLIGHTS (CONTINUED)

Environmental, Social and Governance (ESG) matters

GRE continues to embed ESG practices across its portfolio and is progressing with the implementation of operational and reporting enhancements to achieve its target of a portfolio-wide, 20% reduction of emissions by 2020. This firm focus on managing the environmental footprint of its assets is consistent with GRE's commitment to endorsing the National Australian Built Environment Rating System (NABERS) energy and water ratings across its portfolio.

In addition, GRE has formalised a portfolio-wide Corporate Social Investment Framework – contributing to the sustainable advancement of the communities in which its retail centres operate.

Global Liquid Strategies

Supported by improving global growth, the last twelve months can be characterised by bond yields moving higher than the lows experienced in mid-2016. Despite a number of unexpected geopolitical outcomes such as the fallout from Brexit, the US Presidential Election and risks around European elections, markets have generally remained calm. A modest inflationary backdrop has also contributed to a period of low volatility which has led to a favourable tailwind from assets such as credit. The QIC Global Liquid Strategies team has been well positioned to take advantage of market conditions, generating outperformance relative to benchmarks across portfolios with interest rates, credit, inflation and currency strategies all contributing.

With regards to the team, reflecting our belief in the strength of strategy diversification, client demand and a focused effort to grow QIC's footprint in Europe and the UK, we have expanded the team's resources in our London office, adding senior team members in absolute return and global credit.

The number of tailored portfolios managed by the team continues to increase. Working closely with clients to ensure portfolios are fit to meet future market conditions and objectives, we have redesigned a number of portfolios including their underlying benchmarks over the past twelve months. For example, with general consensus that yields will continue to move higher, QIC redesigned the Diversified Fixed Interest Fund's benchmark to ensure it maintains the defensive characteristics desired, but limit the impact of market volatility driven by global central bank policy and longer dated issuance of debt.

The strengthening of internal investment teams to extract more value from their own asset allocation decisions has also continued. With the low yield environment expected to remain and the benefits from a higher yielding Australian dollar and positive cash rate differential diminishing, QIC has been working with clients to take a more dynamic approach to currency management. In addition, demand has increased for QIC's overlay management and trading skills to implement total portfolio tilts.

As an extensive user of derivatives, QIC has always taken an early adopter approach to ensure clients are not disadvantaged in accessing liquidity and pricing due to regulatory changes. With the requirements of global regulation increasing during the financial year, QIC has developed processes further to assess transaction costs and source of income plus new obligations for margin management, clearing of trades and disclosure.

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 proved resilient in 2016-17, with economic conditions strengthening despite widespread political uncertainty. GMA navigated the turbulent times well, having conducted extensive scenario analysis ahead of key risk events such as the US Presidential Election.

Against this backdrop, GMA's flagship QIC Growth Fund delivered a return of 11.87% (net of fees) for clients over 2016-17, ranking in the top quartile of peers and maintaining a top quartile ranking over a 5-year rolling average, according to Morningstar.

The QIC Liquid Alternatives Fund (LAF) reached its second anniversary on 15 June 2017, building on strong first year returns to deliver 9.04% (net of fees) over the financial year with less volatility than equity markets.

During the year, GMA expanded its Options Solutions business with existing and new clients. The Options Solutions business, now in its third year, provides investors with a program to manage asset allocation and downside tail risk in their portfolios.

GMA continued to enhance its core investment processes over the course of the year with a focus on continuous improvement. A key focus was refreshing the Dynamic Asset Allocation (DAA) process to improve transparency. GMA also continued to build a suite of global risk scenarios around macro themes including protectionism, Brexit and an EU breakup, a hard landing in China and an Australian housing market downturn. This scenario analysis complements 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 among the top two forecasters of economic growth and inflation in Bloomberg's panel of expert forecasters.

Global Private Capital

Since 2005, QIC's Private Equity business has continuously evolved to ensure QIC remains at the forefront of a modern private equity strategy designed to generate superior outcomes for our clients. This evolution led the team to rebrand Global Private Equity to Global Private Capital (GPC) in 2017. This rebrand reflects the focus on investing in growing businesses and the creation of attractive investment themes outside the typical private equity model.

Globally, GPC invests predominantly in consumer, health care services and innovation businesses. It concentrates on the best geographies and selects the best access points, whether via fund commitments, direct investments, or secondary markets. GPC seeks to buy attractive growing businesses and develop them further with the assistance of talented management teams and/or local investment managers. The focus is on generating capital gains via company enhancement. Underlying companies range from start-ups in the US and China to a fast-growing European consumer credit business. This philosophy continues to add value for clients who have entrusted QIC with their capital.

GPC's latest innovation is to invest directly into attractive Australian businesses via a novel and focused strategy. This is concentrated on four sectors (healthcare services, education, food, and tourism) expected to see above-average growth and where Australia enjoys natural competitive advantages. Here GPC targets large companies where a proportion of future growth will come from linking these businesses to overseas markets, especially in Asia. GPC uses global relationships and strategic alliances to enable this growth and does this in a way that creates win-win opportunities for these businesses. Last year the team led the acquisition of the North Australian Pastoral Company, one of Australia's largest beef producers. That business is being transformed into a major Asia-Pacific food business. This year the team co-led the second transaction in this strategy, the acquisition of Icon Group, Australia's largest vertically integrated cancer care provider. Icon has grown rapidly within Australia and has started to bring its modern, high-quality care to Asian consumers, a process GPC and its consortium partners will accelerate. GPC plans to build this strategy further with future investments and capital raising.

GPC's foundation clients have received a 16.4% per annum investment return (net on a hedged basis on all realised and unrealised investments) since inception to 31 March 2017 on all investments globally. This is 6.3% per annum above the public market equivalent. Moreover, GPC has created \$3 billion of net gains since inception in 2005. Direct investments have returned 29.2% net per annum since inception in 2007 and GPC has closed 31 such investments globally.



CORPORATE GOVERNANCE

Underpinning QIC's performance is a contemporary and effective approach to governance that permeates the 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 within our business.

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'.

In this section, we have summarised our dynamic operating environment and the roles, processes and practices in place at QIC to ensure the interests of our shareholder, clients, employees and other stakeholders are effectively managed.

Corporate governance during 2016-17

Responding to QIC's increasing internationalisation and its expanding complexity, the Board's focus has been on enhancing QIC's governance arrangements to accommodate business needs. Specific areas included:

- expanding existing governance frameworks to ensure QIC can deliver on its global strategies efficiently and transparently
- reviewing our systems of delegations of authority and how those delegations are exercised, monitored and reported on
- ensuring the right governance structures are in place to best support our business development objectives to provide the appropriate checks and balances
- further reviewing and refining our growing risk maturity and better interweaving risk appetite with strategic planning and outcomes
- reviewing work health and safety accountabilities and compliance frameworks
- reviewing and adding to our internal committee structures to ensure they align with a contemporary 'One QIC', and meet client and market expectations
- developing more 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 satisfies our legal, fiduciary and corporate social responsibility obligations.

Our regulatory environment

QIC Limited is a company 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 does not hold an Australian Financial Services (AFS) licence and certain provisions (including the financial product disclosure provisions) of the Corporations Act do not apply to QIC. However, QIC has adopted key compliance and governance policies to operate on a consistent level to that of licensed institutions. QIC Private Capital Pty Ltd (QPC), a wholly owned subsidiary of QIC, has been issued with an AFS license and other wholly owned subsidiaries of QIC are authorised representatives of QPC. QIC uses a number of subsidiaries to conduct our investment activities. These entities are not exempt from any part of the Corporations Act and, where required, hold AFS licences.

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

Two QIC subsidiaries are also registered investment advisers with the US Securities and Exchange Commission, while another QIC subsidiary is authorised with the UK Financial Conduct Authority. These registrations and authorisations allow QIC to conduct investment and regulated activities within the scope of the relevant authorisation or registration from our US and UK offices. One subsidiary is also authorised by the Korean Financial Supervisory Service.

Our shareholder

As a Queensland GOC, QIC's shareholding Ministers are the Honourable Annastacia Palaszczuk MP, Premier and Minister for the Arts and the Honourable Curtis Pitt MP, Treasurer and Minister for Trade and Investment and Acting Minister for Energy, Biofuels and Water Supply. 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 our 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:

1. Whether, in the last three years, the Director has been employed in an executive capacity by QIC.
2. Whether, 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. Whether the Director is a material supplier, a customer of QIC or associated with a material supplier or customer.
4. Whether a material contractual relationship exists between QIC and the Director, other than in their capacity as a Director.
5. Whether 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 ten per cent of fee revenue or more than ten per cent of costs (excluding salary expense) 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 convincing argument to the contrary. When the quantum represents between five and ten 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.

CORPORATE GOVERNANCE (CONTINUED)

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.

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:

- Conflicts 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.

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 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.

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

- QIC'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 QIC'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.

The Committee works in parallel with the HR & Remuneration Committee in relation to compliance and risk oversight of work health and safety and any non-compliance with the Code of Conduct and Ethics.

The Committee has established the management Risk & Valuations Sub-Committee (RVSC) for the purpose of providing subject matter expertise and challenge to the GRC Framework. For clarity, however, valuation-related matters as overseen by the RVSC are reportable to the Audit Committee. The RVSC is chaired by the Executive Director, Risk, Legal & Tax, with a standing invite open to members of the Risk Committee.

The Committee will ensure the GRC Framework is subject to a comprehensive review by internal audit to validate its appropriateness, effectiveness and adequacy at least once every three years.

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.

The 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 is a forum to address 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 Executive Committee are supported by several management committees. The two key committees are:

- The QIC Business Development Committee (BDCo) (recently renamed the Product Governance Committee) is a governance and decision making body and is responsible for delivering investment and distribution strategies required to execute and optimise QIC's corporate strategy and to deliver shareholder and client performance expectations. BDCo is chaired by the Executive Director, Strategy, Clients & Global Markets.
- The QIC Operating Committee oversees day-to-day business operations and is chaired by the Executive Director, Operations & Technology.

CORPORATE GOVERNANCE (CONTINUED)

Several other management and committee forums have been formed through the year as a response to QIC's internationalisation and its strategic pursuits. These committees include the US Shopping Centre Fund Investment Committee, US Advisory Committee, US Operating Committee, GPC Investment Committee and the GLS/GMA Forum.

QIC has the following management committees to support the Board:

- The Risk and Valuations Sub-Committee (RVSC) acts as 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 RVSC is chaired by the Executive Director, Risk, Legal & Tax.
- The Financial Statements Review Sub-Committee (FSRS) supports the Audit Committee in satisfying its charter in relation to financial reporting. It does this by ensuring the application of a robust financial reporting assurance framework fulfilling a detailed financial statement review function for the Audit Committee. It is chaired by the Executive Director, Finance.

Recently, QIC has formed the ESG Advisory Committee to focus 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

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

The QIC Board has ultimate accountability for risks and is responsible for approving QIC's corporate strategy and setting its risk appetite, identifying and monitoring risks that may affect our ability to achieve strategic objectives and ensuring that the Chief Executive Officer and the senior executives are appropriately monitored and incentivised to manage the business effectively.

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

Considerable importance is placed on maintaining a strong control environment. QIC has a corporate structure with clearly drawn lines of accountability and delegations of authority. Adherence to QIC's policies and standards, including the Code of Conduct and Ethics, is required 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, Executive Director, Finance and Executive Director, Risk, Legal and Tax have declared, in writing to the Board, 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.

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 Sub-Committee		QIC Global Private Capital Investment Committee		Business Development Committee		Operating Committee	
	Financial Statements Review Sub-Committee		QIC Global Infrastructure Investment Committee					
1ST LINE OF DEFENCE	CEO, Executive, investment team and business unit managers				QIC staff and contractors			
					Risk and compliance KPIs			
2ND LINE OF DEFENCE	QIC governance, risk and compliance teams							
3RD LINE OF DEFENCE	Internal Audit (Deloitte)							
	External Audit (Queensland Audit Office, KPMG)							

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, Legal and Tax (RLT) 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 Key Performance Indicators (KPIs) that measure risk and compliance which are linked to their remuneration.

Second line of defence: The Executive Director, Risk, Legal and Tax (ED, RLT) reports directly to the Chief Executive Officer. The RLT 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 RLT division also produces regular risk and compliance reports for the ExCo, the sub-committees of the Board and the Boards of QIC Limited and key operating subsidiaries. RLT is reviewed on a regular basis by both internal and external audit. QIC has appointed a USA Chief Compliance Officer for our USA Registered Investment Advisor entities, who is physically located in the USA and reports directly to the ED, RLT.

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 for several investment trusts in accordance with the respective Trust Deed or on a by-arrangement basis.

QIC's risk management maturity continues to evolve and deepen as a response to its changing operating environment, new regulatory requirements and in order to meet the fiduciary obligations we have to our clients and the expectations of all stakeholders. This is shown by the number of proactive initiatives taken during the year which included:

- further refinement of our risk appetite statement
- building on our risk reporting, analysing emerging trends and responding to them
- communicating with 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
- continuing to refine our GS007 standard for internal controls
- building on existing compliance capability and supplementing with additional skills where needed for our new overseas authorisations, registrations, and licences
- increasing our risk reporting and sample testing activities
- building out our counterparty exposure monitoring and reporting
- increasing our use of electronic training tools and other communication methods.

CORPORATE GOVERNANCE (CONTINUED)

Governance, Risk Management and Compliance framework

QIC has a robust and comprehensive framework around our risk management and compliance obligations. 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 and QIC's accountability as a GOC.

Remuneration policies and practices

QIC's remuneration policies and practices:

- align with business strategy
- 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 the Queensland Audit Office and external benchmark providers.

Employee investment in QIC products

Eligible employees may invest in a limited selection of QIC's products via the QIC Staff 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 our 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 Staff 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 during 2015 and one currently planned for 2017. 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
- Board and senior management behaviour and relationships
- suggestions to improve Board effectiveness.

The Chair also provides each Director with feedback on their individual performance. Evaluation also now 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.

CORPORATE GOVERNANCE (CONTINUED)

Conflicts of interest

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

As outlined in the Conflicts of Interest Policy, 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.

Code of Conduct and Ethics

Our Code of Conduct and Ethics applies to the Board and all QIC employees. It reflects requirements specified by the funds management industry and the Queensland public sector.

As outlined in the Code of Conduct and Ethics, QIC's reputation in the marketplace and community is critically important in terms of our shareholder's 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.

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.

Workplace Behaviour Policy

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.

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. We do, 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 (refer to the Responsible Investment Policy).

Responsible investment

Recognising the increasing importance of ESG factors on the long-term returns of investment portfolios, QIC's ESG framework has continued to evolve. As a signatory to the United Nations-backed 'Principles for Responsible Investment' initiative in 2008, QIC continues to be rated strongly in this area following its annual assessment. QIC's management has also appointed additional, ESG focused specialists tasked with the further development of governance frameworks to best support the integration of ESG in our investment decision-making and ownership practices.

QIC's Responsible Investment Policy 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 will be further consolidated by the activities of the newly formed ESG Committee going forward.

Insurance and indemnities

QIC maintains appropriate insurance cover with reliable underwriters to protect us from known quantifiable liabilities and risks where that cover is available. This comprehensive cover includes such aspects as asset protection, employee accident compensation, professional indemnity and Directors' 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 2016-17.

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, 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, Anglicare North Queensland Limited, Chair, MH Carnegie & Co. (Investment Committee), Member, Managed Investment Scheme Compliance Committees of AMP Capital Funds Management Limited, National Mutual Funds Management Ltd and IPAC Asset Management Limited.

Previous appointments: 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.

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

Age: 66

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, Labor Holdings Pty Ltd, Director, Labor Enterprises Pty Ltd, Director, Labor Resources Pty Ltd, Director, Labor Legacies Pty Ltd, President, Australian Labor Party (Queensland Branch), Member of Management Committee, Northern Suburbs Hockey Club Inc.

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

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

Age: 61

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, 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, Member of the Risk Committee.

Age: 55

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 and Tobin Lawyers.

QIC committees: Member of the HR & Remuneration Committee

Age: 47

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, Cbus (United Super Pty Ltd), Chair, Evergen Pty Ltd.

Previous appointments: Chief Executive, AMP Capital Investors Holding Limited, 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, Client Services, AMP Capital Investors Holding Limited, Director, Australia & New Zealand AMP Asset Management.

QIC committees: Member of the HR & Remuneration Committee.

Age: 51

Paul Gallagher BCom, FCA, GAICD - Director

Director appointed 11 December 2014
Current term to 30 September 2017

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, Member of the Audit Committee, Member of the Risk Committee.

Age: 59

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: Managing Director, Asher Capital, Member, 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: 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.

Age: 51

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

Director appointed 10 November 2011
Current term to 30 September 2017

Director of: QIC Limited.

Other appointments: Director, ALS Limited, Director, UQ Holdings Limited, Director, Murdoch Corporate Finance Pty Ltd, Director, Redbubble Limited, Director, OzForex, Senator, University of Queensland, Adjunct Professor, University of Queensland Business School, Member, Queensland State Council of the Australian Institute of Company Directors.

Previous appointments: Partner, Ernst & Young, Chair, Endeavour Foundation, Director, Cardno Limited.

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

Age: 65

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, Director, UnitingCare Queensland, Director, National Disability Insurance Agency, Director, Australian Rural Leadership Foundation.

Previous appointments: 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, Good Start, Director, Brisbane Royal Children's Hospital Foundation, Chief Executive Officer, Australian Airlines (mark II, a Qantas subsidiary).

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

Age: 52

Directors whose terms expired during the financial year 2016 - 2017

Bradley Bowton BSc MBA - Director

Director appointed 24 April 2008
Term ended 30 September 2016

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

Gail Pemberton MA (UTS), FAICD - Director

Director appointed 12 December 2013
Term ended 30 September 2016

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

FINANCIAL PERFORMANCE OVERVIEW

This is an overview of QIC's 2016-17 financial results and should be read in conjunction with the financial report.

Profitability

QIC's results for 2016-17 reflect our continued focus on generating long-term investment returns for our clients and maximising shareholder value for the Queensland Government.

The 2016-17 profit before tax of \$88.7 million is marginally higher than the prior financial year. Revenue and expenses for the year are both higher as we continue to implement our corporate strategy of growing existing business and diversifying our client base and product offering both domestically and internationally.

Revenue for the 2016-17 year (excluding non-recurring revenue) is the largest in QIC's history. This result has been achieved by continued strong investment returns resulting in performance fees, the successful onboarding of new clients during the year and the acquisition of quality assets on behalf of our clients.

Expenses have also grown during the year as QIC continues to invest in platforms and capabilities to support revenue expansion. This includes investment in extending our international footprint, particularly in the US.

QIC declared a dividend of \$41.1 million for the year. When combined with income tax equivalent payments, the total return to the Queensland Government for the year was \$87.7 million.

To facilitate establishment and capital raising efforts during the year, QIC invested over \$14.6 million of corporate money into new QIC products. Corporate investment into our own products is viewed as essential by potential clients to provide alignment and support the opportunities we take to the market.

Building on our strong heritage, the key focus for QIC in 2017-18 will be continued investment in growth opportunities, operating platforms and expanding our international presence. These initiatives are expected to result in strong profit metrics in the future.

Revenue

Total revenue for 2016-17 was \$347.3 million, an increase of \$11.0 million or 3% 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 transfer to QIC of the management of a large unlisted property trust and underlying assets during the year.
- The successful acquisition of the Port of Melbourne lease in Victoria.
- The establishment of the Powering Australia Renewables Fund (PARF) on behalf of our clients in collaboration with AGL.
- The acquisition of a majority stake in the cattle station operator the North Australian Pastoral Company (NAPCo).
- The successful onboarding of several new client mandates during the year.

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

Expenses

Total expenses of \$258.6 million in 2016-17 increased by \$10.6 million or 4% 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 new revenue generating initiatives undertaken during the year.

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

A cost-conscious culture and a focus on efficiency and building scale 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 \$350.7 million, a decrease of \$18.0 million compared to the prior year.

The major contributions to this change were:

- An increase of \$9.6 million in cash and cash equivalents with cash received in late June for management and performance fees.
- A decrease in current and non-current investments of \$39.9 million, primarily to fund operational expenses, dividend and tax equivalent commitments during the year.
- An additional \$4.2 million in current receivables due to an increase in management fee receivables at year end.
- An increase of \$3.9 million in intangible assets as a result of IT and software platform projects.

Liabilities

Total liabilities at year end were \$197.8 million, a decrease of \$38.0 million compared to the prior year.

Major changes during the year were:

- A decrease of \$21.3 million in dividends payable.
- A decrease of \$18.0 million in current tax liabilities at year end due to higher tax equivalent payments made throughout the year.
- An increase of \$11.0 million in deferred revenue in relation to provisioning for potential performance fee clawbacks.

Dividend

A dividend of \$41.1 million has been declared for the year.

Cash flows

Cash at year-end of \$80.7 million represents a decrease of \$15.0 million when compared to the prior year.

During the year, operating activities generated net cash inflows of \$34.7 million, a reduction of \$8.2 million from the previous year. An increase in the collection of fees from clients of \$26.1 million was offset by an increase in payments to suppliers and employees of \$36.9 million. This reflects the investment made during the year in resourcing and platforms to deliver QIC's corporate strategy.

Cash inflows from investing activities this year were \$12.5 million compared to \$22.3 million of net outflows in the prior year. Non-current working capital investments were used during the year to fund operational expenses, dividend and tax payments.

Cash outflows from financing activities were \$62.3 million, reflecting payment of the 2015-16 dividend.

Corporate entertainment and hospitality costs

QIC undertakes a variety of corporate entertainment and hospitality activities in its normal course of operations with clients. QIC continues to operate in a commercial environment and these activities are solely for the purposes of building and maintaining relationships with existing and prospective clients and strengthening QIC's brand.

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 function: mid-year	21/08/2016	12,660
Client function: London	23/09/2016	6,517
Client function: Melbourne	08/10/2016	22,402
Employee function: year-end	25/11/2016	12,011
Employee function: team year-end	02/12/2016	14,261

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QIC

