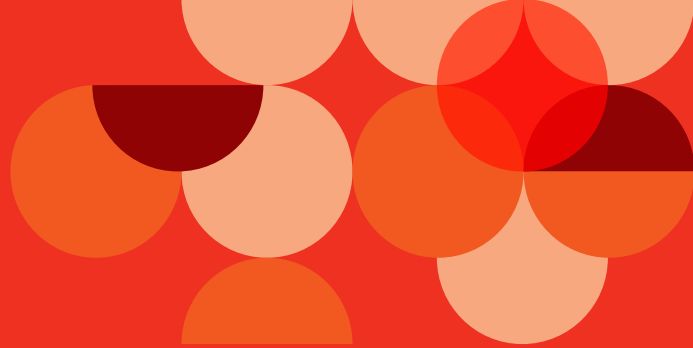


QIC

Annual Report 2016



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About this Report

This annual report documents QIC's achievements during the 2015-16 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 2016.



Building on the success of the past three years, this year has been another year of achievement for QIC as we continue to execute against our strategy to sustain, grow and diversify our business.

As a global diversified alternatives manager, we have continued to deliver excellent investment performance for our clients across our asset classes of Real Estate, Infrastructure, Liquid Strategies, Private Equity and Multi Assets, with 89% of our representative funds meeting or exceeding agreed investment targets.

Our financial performance remains strong and I am pleased to report that QIC has delivered a net profit before tax of \$88.3 million and a dividend of \$62.4 million to the Queensland Government.

Our Assets Under Management were \$75.8 billion at 30 June 2016, a \$2 billion increase from the previous year.

These results are testament to QIC's commitment to deliver excellent investment and financial outcomes to our clients and our shareholders.

It also demonstrates our dedication to serving our clients and the way in which our people collaborate and work together to drive success.

We continue to have an excellent working relationship with our shareholder, the Queensland Government, and our shareholding Ministers, the Honourable Annastacia Palaszczuk MP, Premier and Minister for the Arts and the Honourable Curtis Pitt MP, Treasurer, Minister for Aboriginal and Torres Strait Islander Partnerships and Minister for Sport.

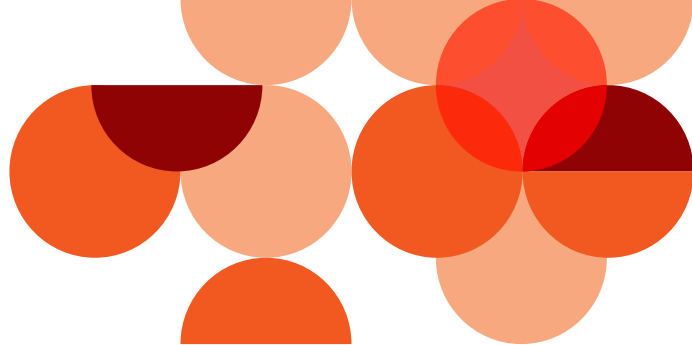
We are grateful for their endorsement of our strategy, their support for our business and we look forward to working closely together in the year ahead. This includes QIC's role in managing funds on behalf of the government, including the long-term assets set aside to fund the defined benefit scheme.

On behalf of my fellow Board members, I am incredibly proud of QIC's achievements this year. QIC has an exciting future in front of us as we focus on becoming a truly outstanding global diversified alternatives manager.

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

Don Luke
Chair

Chief Executive Officer's report



Against some challenging markets QIC has delivered an exceptional result for our clients and shareholding Ministers.



Against some challenging markets, the focus for us remains on investment performance and continuing to deliver for our clients. The market fluctuations in the past year have only reinforced our strategy as a specialised alternative provider and a long term investor. Our listed areas operate with the same innovative thinking.

By staying focused on executing our strategy of sustaining, growing and diversifying the business we have delivered real value for our clients and our shareholder, the Queensland Government. Significant highlights for 2015-16 include:

- The execution of a significant private equity investment into the agribusiness sector which marks our first investment into this contemporary asset class.
- First close of our QIC Global Infrastructure Fund (QGIF), raising more than \$1 billion in capital and the first investment of that fund into the Iona Gas Storage Facility.
- A number of real estate investments in the United States and the launch of a US property fund alongside our Global Real Estate team being ranked by clients as the number one unlisted property manager in Australia for the eighth consecutive year.
- Introduction of multiple new clients including significant banking and insurance inflows into our Global Liquid Strategies platform, attracted by our team's ability to deliver ahead of many peers in challenging markets.
- Expansion of an innovative tail options solution from our Global Multi-Asset team.

Our investment performance has remained strong and our financial performance is outstanding but I am also very proud of the investment that we have made into our people over the past year. In our dynamic operating environment it is critical that we have the leadership skills to manage complexity. We have developed a QIC specific leadership program and rolled it out to 80 leaders across QIC in 2015-16. By next year's annual report this figure will be closer to 200 leaders. It is investments like these that make me confident that QIC will be able to continue to deliver the kind of outstanding results that we achieved in 2015-16 well into the future.

I would like to thank our Chair, our Board and our shareholding Ministers for their support and contribution towards these results.

Damien Frawley
Chief Executive Officer

Performance highlights

Statement of Corporate Intent

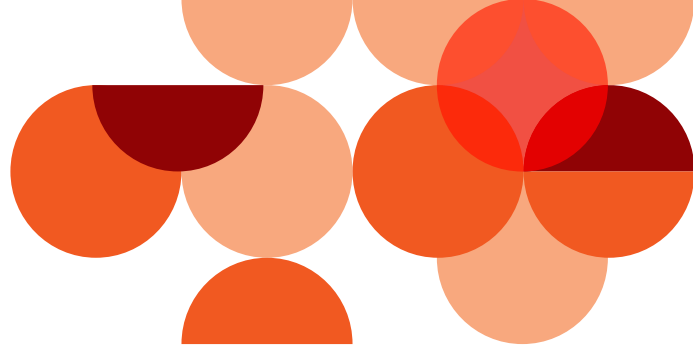
The table below depicts performance against key financial and non-financial measures from QIC's 2015-16 Statement of Corporate Intent (SCI):

Financial Key Performance Indicators	2016 result	SCI target
Cost to income ratio (overall)	74%	78%
Net profit before tax (\$M)	\$88.3	\$63.8
Return on Assets	25%	20%
Return on Equity	47%	33%

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

Operating highlights

- The QIC Global Infrastructure Fund (QGIF) reached its first close in August 2015, raising more than \$1 billion of new capital for the platform.
- QGIF made its first investment in November 2015, acquiring the Iona Gas Storage Facility from EnergyAustralia for a purchase price of \$1.78 billion.
- The Global Real Estate investment team was ranked by clients as the number one unlisted property manager in Australia for the eighth consecutive year (for investment strength) in the Peter Lee Associates Investment Management Survey 2016.
- The QIC Liquid Alternatives Fund reached its first anniversary and exceeded its investment objective.
- Global Private Equity entered into agreements to acquire a majority interest in The North Australian Pastoral Company (NAPCo) in May 2016, one of Australia's largest beef producers with a herd of approximately 180,000 cattle.



Measuring our performance

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

Results from 2015-16

Financial performance

QIC's financial performance this year has continued to deliver positive results against ambitious targets for operating profit after tax and the dividend to the Queensland Government. Total revenue was ahead of budget by 15.8% and our profit was 38.4% 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 results are the outcome of a very strong year for the organisation with continued focus on a number of financial objectives. These include base revenue generation, net new sales (including sustained effort on client retention), exceptional performance fees (private equity, real estate and infrastructure), and a prudent financial management approach including cost management initiatives and leaders focused on operational excellence.

Investment performance and clients

Investment performance across all of our investment capabilities has been very positive with 89% of representative funds meeting or exceeding their performance objectives and peer benchmarks.

QIC's client base continues to grow and diversify and there has been continued positive feedback and recognition of our alternative investment capability and client relationships. In the largest survey of Australian Investment Management clients, over a third of clients evaluate QIC as outstanding, as compared to the most-used managers in Australia. Asset consultant feedback has indicated that our overall service continues to be considered top quartile. Over the past 12 months, we have further diversified our domestic client base as well as growing our international market presence.

Process and risk

There has been a significant uplift in focus and achievement regarding process enhancements and operational excellence during the year, with tangible improvements made. A continuous improvement framework has been developed and is now embedded in a number of teams. In addition, a number of new or improved process control systems have been implemented during the year and these results have been recognised by key external parties and clients. Feedback on our risk culture and risk management practices from clients, auditors, regulators and asset consultants conducting upfront and ongoing due diligence has been consistently very strong.

Leadership and culture

Substantial progress has been made in building leadership capability through the deployment of the QIC Leadership Excellence Program to 80 QIC leaders during the year. This is having a marked impact on the performance of leaders and is having a direct impact on business outcomes. QIC is continuing to build a high performing and engaged culture. The QIC Standards of Excellence have been fully rolled out and are now embedded into major processes such as recruitment and recognition. Leaders have also supported the My Mentor program for the women of QIC, with over 250 participants. The executive level female composition has positively shifted and we remain committed to our diversity efforts.



Investment capability highlights

In 2015-16, our high-performing investment capabilities delivered some outstanding results.



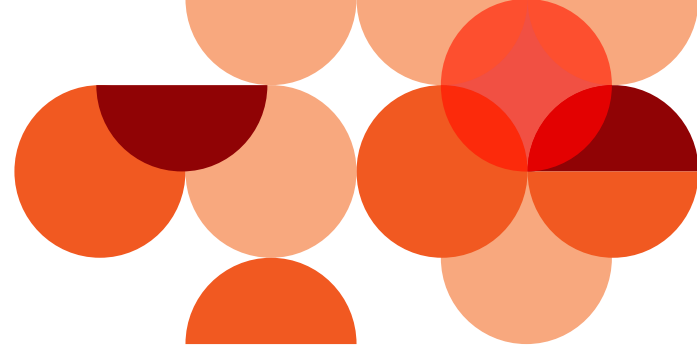
Global Infrastructure

The Global Infrastructure (GI) team continues to actively manage its \$7.0 billion portfolio (as at 30 June 2016) on behalf of existing clients. This portfolio has generated an annualised (since inception in 2006) internal rate of return of 16.5% to 30 June 2016 (on all realised and unrealised investments, net of all fees and expenses). In March 2016, GI sold a 19.6% indirect interest in Spanish global port operator Grup Maritim TCB, meeting our clients' broader portfolio objectives. A number of portfolio companies are also undertaking major capital projects. These include North Western Roads Group (25% interest) which is developing the \$2.9 billion NorthConnex toll road in Sydney, NSW, and Brisbane Airport (25% interest) which is undertaking a \$1.35 billion new parallel runway development.

As part of GI's ongoing growth, the QIC Global Infrastructure Fund (QGIF) reached its first close in August 2015 raising more than \$1 billion of new capital for the platform. QGIF has secured commitments from a range of institutional investors including one of Australia's largest superannuation funds, an Asian sovereign wealth fund, one of China's leading insurers and foundation QIC clients. QGIF will continue to seek additional investors until early 2017. With a solid pipeline of potential investments, QGIF offers investors access to a large investable universe of attractive infrastructure assets in developed OECD economies with a focus towards Australia.

In November 2015, QGIF made its first investment when a QIC Consortium comprising QGIF and an existing QIC client acquired 100% of the Iona Gas Storage Facility (Iona, now known as Lochard Energy) from EnergyAustralia for a purchase price of \$1.78 billion. Iona is a strategic, high-quality infrastructure asset in the Australian east coast gas market. It provides essential storage facilities to domestic integrated utilities and represents an attractive core infrastructure asset for QIC's clients.

During the year, GI released a number of Red Papers – QIC's specialist 'thought leadership' articles. The first covered the topic of transformative change, identifying resources constraint, digital disruption, high public debt, the new Silk Road and urbanisation as the megatrends that are reshaping the infrastructure sector. Two further papers, which culminated from over six months of research, focused on technological advancements disrupting key infrastructure sectors, identifying 11 significant themes of technological disruption and innovation. The thematics from this research provide direction for where future investment opportunities will likely emerge and where asset management challenges may occur, putting GI in the forefront of thought leadership in the infrastructure sector.



The team further expanded internationally during the year and has now established teams in QIC's New York and London offices. With an enhanced presence in key international markets, the team is well placed to pursue infrastructure investment opportunities across North America and Europe, complementing its position as one of the market leaders in Australia. GI continues to see and develop a strong global pipeline of investment opportunities across its three focus sectors of transport, energy & utilities, and Public Private Partnerships (PPP)/social infrastructure.

Global Real Estate

QIC's Global Real Estate (GRE) team continues to be considered by clients as one of Australia's leading real estate investment managers. In the 2016 Peter Lee Associates Investment Management Survey, the team was ranked as the number one unlisted property manager for the eighth consecutive year (for investment strength). GRE is also considered a leading Australian-based international property manager for overall level of service provided.

Fund performance continues to be solid with most GRE funds outperforming benchmarks, the exception being the QIC Property Fund where a lower weighting to the commercial property sector impacted relative performance against its peer benchmark. Returns for the two flagship GRE funds were: QIC Property Fund 10.1% (gross of fees) and QIC Shopping Centre Fund 10.6% (net of base management fees) for the financial year to 30 June 2016. GRE remains committed to outperforming benchmarks over the longer term.

The GRE sales, acquisition and asset development program was very active during the year, taking advantage of market conditions conducive to positive outcomes for QIC clients and reaffirming our ability to be an active and tactical fund manager.

Divestments

- 41 George Street and 80 Ann Street Brisbane.
- The QIC International Property Fund divested its 50% interest in the Merry Hill Shopping Centre and associated properties near Birmingham, United Kingdom. GRE worked closely with clients to exit the investment after a decade-long hold.

Acquisitions

- GRE acquired 100% of The Shops at Tanforan shopping centre in the San Francisco Bay area of San Bruno, California.
- The US shopping centre portfolio was further enhanced with two additional acquisitions; a 51% investment interest in Ridge Hill shopping centre in Yonkers in Westchester County, New York and a 49% investment interest in Ballston Common Mall in Arlington, Virginia.
- An unconditional contract was also executed on a third asset, a 49% investment interest in The Shops at Wiregrass in Tampa, Florida.

Developments

- Successful completion of the \$665 million Eastland Shopping Centre (Vic) redevelopment over two stages in October 2015 and May 2016.
- Commencement of a \$74 million reinvestment program at Canberra Centre in ACT, which includes the expansion of the successful Dendy cinema complex.
- Board approval for the \$44.6 million 'Sage' Hotel development adjacent to Eastland Shopping Centre.
- Major projects at Grand Central Shopping Centre (\$525 million) and Robina Town Centre (\$161 million) – (both in Qld) are progressing well and remain on budget and program.
- In late 2015, the Logan City Council approved the development application for Marsden Park Shopping Centre (Qld), which will grow the asset from a neighbourhood shopping centre to a subregional shopping centre.

Environmental, Social and Governance (ESG) matters

- The GRE Environmental Management System (EMS) continues to evolve and provide the framework in ESG standards across our real estate assets.
- This EMS framework reflects the team's continued commitment to ESG practices and participation in the annual Global Real Estate Sustainability Benchmark (GRESB) survey which assesses sustainability performance. At asset/property level, GRE are focussing on the National Australian Built Environment Rating System (NABERS) energy, water and waste objectives to deliver reduced consumption.

Investment capability highlights

Global Liquid Strategies

Two fundamentals of fixed interest have been upturned this financial year – namely, positive interest rates and deep liquid bond markets. Negative interest rates have become part of the landscape as central banks utilise unprecedented measures to fight deflation. At the same time, structural changes brought about, in part, by regulations have caused banks to pull back from market making roles, leading to more fragility in bond markets.

The Global Liquid Strategies (GLS) team has adapted to this environment and assisted many clients in understanding this new reality and reviewing their market exposures and sources of return. Specifically, GLS has evolved their investment frameworks and models through the addition of active currency. This was achieved by increasing the value-add from sector allocations across fixed interest asset classes and seeking a greater return contribution from relative value (long versus short) strategies (versus chasing yields into negative territory). As a result, while active return outcomes across portfolios have been mixed relative to targets, GLS has outperformed many peers in a challenging environment for the industry. In addition, the team has managed several transitions in 2015-16 resulting in net inflows into Australian Fixed Interest, credit and income-focused portfolios.

Clients have also sought to extract more value from their own asset allocation decisions, which has increased the demand for QIC's currency management, asset rebalancing and implementation solutions. GLS' Overlay Solutions and Global Liquid Markets Trading teams have expertly managed the increase in trading volumes, particularly in currency and options markets.

One area which has become an increasing focus for GLS is the integration of ESG factors into their investment analysis to determine what impact these factors have on companies' fundamentals or market pricing. By integrating ESG factors into their investment process, GLS believe they can further enhance returns and protect value for clients.

Global Multi-Asset

The Global Multi-Asset (GMA) team continues to provide tailored multi-asset class investment solutions targeted to meet clients' investment objectives.

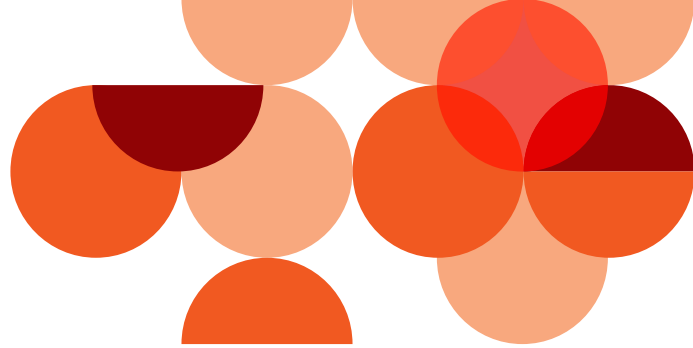
The increased challenges posed by the current uncertain macro and low-yield investment market environment led GMA to undertake a number of strategic reviews for clients, providing an opportunity to revisit investment objectives, strategy and return forecasts. This resulted in a number of portfolio transitions and trades over the year, as portfolios were repositioned to ensure continued success.

GMA welcomed Jim Christensen to the position of Managing Director, GMA in January 2016. Previously, Jim was the Chief Investment Officer at Telstra Super. QIC's Economics team was also merged with GMA during the year, providing increased centralisation of strategic research and analysis.

As such, a key focus for the year was a 'bottom-up' refresh of the GMA investment beliefs, framework and models to ensure that the investment process remains market leading.

During the year, GMA on-boarded two new Options Solutions clients and achieved 'preferred manager' status with a leading Australian consultant. Options Solutions utilises GMA's proprietary risk and pricing models to assess the benefits of option strategies in the context of clients' whole-of-fund investment objectives.

The QIC Liquid Alternatives Fund reached its first anniversary on 15 June 2016, achieving a financial year return of 6.1% (net of fees) and exceeding its investment objective in what was a very challenging market environment.



Global Private Equity

The Global Private Equity (GPE) 'Modern Private Equity' strategy combines manager selection, co-investing and co-underwriting investments with chosen managers, direct buying and selling of aged secondary fund interests, and direct investing. This strategy continues to add value for clients who have entrusted QIC with their capital.

Foundation clients have received a 17.5% per annum investment return (net on a hedged basis on all realised and unrealised investments) since inception to 31 March 2016. This is 7.9% above the public market equivalent. Moreover, GPE has created \$2.2 billion of net gains since inception in 2005. Direct investment returns have achieved 28% net per annum since inception in 2007 and GPE has closed 25 investments globally.

Private equity builds and transforms great companies to generate alpha for investors. More recently, GPE has realised increased liquidity for clients as exit markets have offered value. GPE has augmented this by exiting some co-investments and from direct secondary sales. GPE has been particularly active on the latter and believes it is one of the largest participants in the region.

Given the point in the economic cycle, GPE raised the bar for new investments almost two years ago. However, GPE still continues to find attractive investments where company building, aligned management teams, growing sectors and strong business plans combine to provide attractive risk/return opportunities, often in novel ways.

One such example is QIC's May 2016 move to acquire a majority interest in The North Australian Pastoral Company (NAPCo), one of Australia's largest beef producers with a herd of approximately 180,000 cattle. GPE believes Australia has natural strategic advantages in this sector because it has a reputation of producing clean, healthy beef and is in close proximity to Asia (expected to represent 47% of global beef imports by 2027). NAPCo will benefit from this macro story, while also benefiting from developing and connecting the supply chain from the 'farmer to the dinner plate'. Leveraging our operational philosophy and our history of owning and operating a number of asset-intensive businesses since inception 25 years ago, QIC is ideally positioned to help grow NAPCo's business.



Corporate governance

QIC's Board and committee structure and its tailored policies and standards combine to ensure that integrity and efficiency are optimised in QIC's approach to its corporate governance.

Our practices are benchmarked against best practice corporate governance principles such as the ASX 'Corporate Governance Principles and Recommendations Third Edition' and comply with the 'Corporate Governance Guidelines for Government Owned Corporations' issued by the Queensland Government.

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

Corporate governance during 2015-16

During the 2015-16 financial year, the Board focused on a number of specific governance arrangements including:

- refining our governance frameworks to strengthen our ability to appropriately support our business development objectives
- reviewing periodic business health check outcomes
- reviewing work health and safety accountabilities and compliance frameworks
- reviewing and refining our internal committee structures to ensure they align with a contemporary QIC and client and market expectations
- proactively monitoring our key risks register and recalibrating our Risk Appetite Statement as appropriate
- monitoring the project and change management activity around a transition of our custody arrangements.

Our regulatory environment

QIC Limited is a company Government owned corporation (GOC) constituted under the *Queensland Investment Corporation Act 1991* (Qld) (QIC Act). QIC is regulated by Queensland State Government legislation pertaining to GOCs, the *Government Owned Corporations Act 1993* (GOC Act), 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 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.

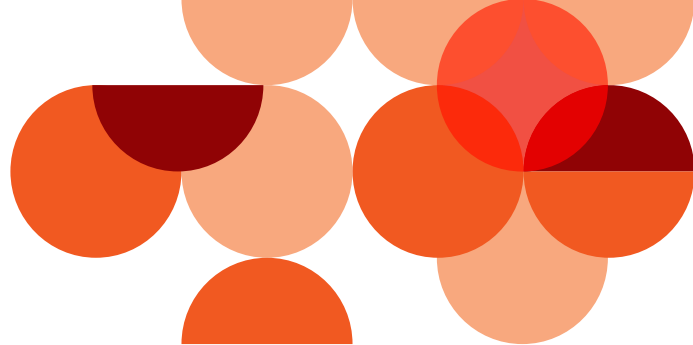
QIC is also an Irish Central Bank approved investment manager, promoter and distributor of Irish Undertakings for Collective Investment in Transferable Securities products (UCITS products).

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 shareholders

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 Aboriginal and Torres Strait Islander Partnerships and Minister for Sport. 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) and a Corporate Plan for our shareholding Ministers' approval. Both of these documents 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.

In addition to operating as a commercial investment manager, QIC is also the investment adviser of the Queensland Government. In this role, QIC manages assets on behalf of State agencies and authorities, including managing the State's long-term assets under the governance of the Long Term Asset Advisory Board (LTAAB). QIC provides specialist advice to LTAAB on appropriate investment strategies to achieve the State's fiscal principle of targeting full funding of its long term liabilities, based on actuarial advice. As the State's investment adviser, QIC also provides other services to government, including managing the Business Development Fund. The Business Development Fund is a Queensland Government initiative that will provide \$40 million over four years to co-invest in Queensland businesses at the forefront of commercialising cutting edge research or innovative ideas, products or services.

Foundations of management and oversight

In accordance with the GOC Act, QIC's Board is appointed by the Governor-in-Council. Upon appointment, new directors receive a detailed letter of appointment and participate in a comprehensive induction program designed to familiarise them with QIC's business, strategy, structure, operations and Board committees. Directors appointed to Board committees also participate in committee-specific induction programs.

The Board comprises nine non-executive directors, all of whom are considered by the Board to be independent, as measured generally against the ASX Corporate Governance Principles and Recommendations (Third Edition). 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. In assessing the independence of directors, the following factors are considered:

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 provider 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.

Corporate governance

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 to which they must adhere.

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.

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 Grievances Standard and a Workplace Behaviour Policy. Training on specific policies is also provided as required. The policies apply to employees of QIC and its subsidiary companies, and contractors.

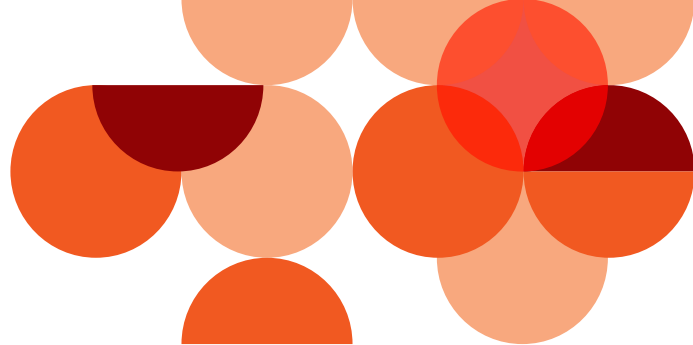
All employees must disclose and obtain prior approval for personal investments in property (excluding their private residences unless the transaction might possibly affect any asset in QIC's property portfolio), shares, fixed interest securities, and derivatives of shares and fixed interest securities 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 is of the opinion that 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 QIC Board meetings and also those committee meetings that fall within the scope of their role and/or responsibilities. Upon request, other executives and personnel 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 (with the exception of 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 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 is 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 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;
- 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, conduct, 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, with the exception of 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 also 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.

HR & Remuneration Committee

The HR & Remuneration Committee considers matters relating to human resource management policies and practices, including staff 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>

Corporate governance

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 provides 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 two management committees:

- The QIC Business Development Committee (BDCo) 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.

QIC has the following management committees to support the Board:

- The Risk Committee has established the management Risk & Compliance Sub-Committee (RACSC) for the purpose of providing subject matter expertise and challenge to the GRC Framework. For clarity however, valuation-related matters overseen by the RACSC are reportable to the Audit Committee. The RACSC 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.
- 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 statements review function for the Audit Committee. It is chaired by the Executive Director, Finance.

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.

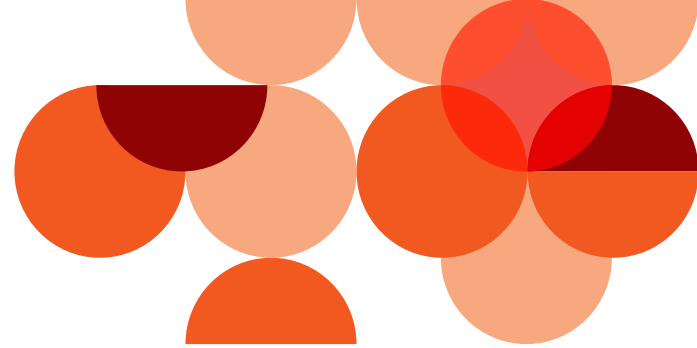
The QIC Board has ultimate accountability for risks and is responsible for approving QIC's corporate strategy and setting its risk appetite, identifying and monitoring risks that may affect our ability to achieve strategic objectives and ensuring that the Chief Executive Officer and senior executives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

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

Considerable importance is placed on maintaining a strong control environment. QIC has a corporate structure with clearly drawn lines of accountability and delegations of authority. Adherence to QIC's policies and standards, including the Code of Conduct and Ethics, is required at all times, and the Board actively promotes a culture of risk awareness, quality and integrity. QIC 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 & 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.

Internal audit

Internal audit provides the QIC Board and management with an independent risk-based examination of controls operating within QIC and advises on any remedial action required. The Risk committee monitors and considers reports from internal audits and monitors any resulting remedial action. The scope of internal audit is driven by a risk-based assurance framework, which includes key business activities across all divisions. The internal audit plan, which provides a plan across a three year horizon, is set and recalibrated with the QIC Board every year.



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 & Compliance Sub-Committee		QPC Investment Committee		Business Development Committee		Operating Committee	
	Financial Statements Review Sub-Committee		QIC Global Infrastructure Fund and Infrastructure Mandate 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 staff within our investment teams and supporting business units are accountable for identifying risks within their area of responsibility and for establishing effective controls to manage these risks. Investment team personnel also have a percentage of their remuneration linked to risk and compliance key performance indicators (KPIs). All staff are required to report breaches and incidents to the 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 staff have KPIs that measure risk and compliance which are linked to their remuneration.

Second line of defence: QIC's Risk, Legal & Tax (RLT) division, led by David Clarke, Executive Director, Risk, Legal & 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 Executive Committee, 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.

The ED, RLT is also QIC's USA Chief Compliance Officer for our USA Registered Investment Adviser entities. From 1 July 2016, a New York based member of the RLT division, Francis O'Sullivan will be QIC's USA Chief Compliance Officer.

Third line of defence: QIC has appointed Deloitte to provide internal audit services. Our 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 a number of our investment trusts in accordance with the respective Trust Deed or on a by-arrangement basis.

Corporate governance

During 2015-16, QIC undertook a number of proactive initiatives to further strengthen its management of risks, enhance investment governance, respond to new regulations, and to continue meeting the expectations of our clients, stakeholders and regulators. These included:

- further updating and adding to our risk appetite statement
- conducting dedicated strategic risk management workshops and Board discussions on same
- strengthening our risk, governance and compliance systems, tools and risk analytics
- updating our GRC frameworks and policies
- further modernising our investment and corporate risk governance structures
- refining our GS007 standard and testing for internal controls
- refining compliance monitoring tools for our overseas authorisations, registrations and licences
- increasing our risk reporting and sample testing activities
- updating our counterparty exposure monitoring and reporting
- increasing our use of electronic training tools
- creation of new independent risk reports
- conducting new stress tests and scenario analysis risk management activities
- conducting operational risk reviews on a number of effectively controlled assets.

Governance, Risk and Compliance framework

QIC has a documented framework around our risk management and compliance obligations 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.

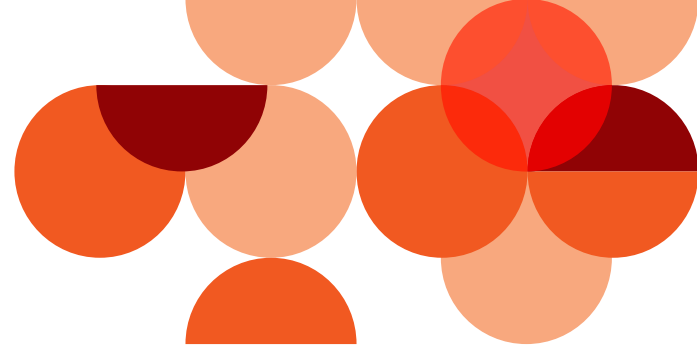
Responsibility for managing and overseeing each risk category is clearly articulated through:

- 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 must:

- align with business strategy
- be fair, equitable and sustainable
- be 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 key performance indicators, 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 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 taking into account 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 Statement of Corporate Intent development process.

Directors' fees

QIC's non-executive directors are paid by way of fees for their services.

The amounts, if any, are 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 performance evaluation of the Board, Board committees and directors.

A formal performance evaluation is required at least every two years. The latest evaluation was undertaken through a questionnaire completed by each director, one-on-one discussions between each director and the Chair and a full Board discussion encompassing the following topics:

- role of the Board, strategy and planning
- Board structure
- meeting processes
- subsidiary and committee reporting performance monitoring
- induction and continuing education
- Board and senior management behaviour and relationships
- suggestions to improve Board effectiveness.

The Chair also provided each director with feedback on their individual performance.

Corporate governance

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.

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 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 standards of excellence 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 service 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.

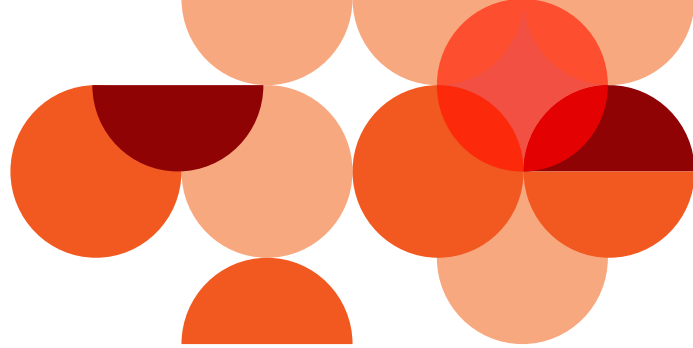
Corporate governance in the share market

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

QIC believes that environmental, social and corporate governance (ESG) factors are likely to have an increasingly material impact on the long-term returns of investment portfolios. In recognition of this, QIC became a signatory to the United Nations-backed 'Principles for Responsible Investment' initiative in 2008. We are assessed against these principles annually and continue to be rated strongly in this area.

The six principles for responsible investment provide guidance on how we can integrate the consideration of ESG factors into our investment decision-making and ownership practices, and are a key plank in QIC's Responsible Investment Policy. 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.



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 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 2015-16.

Directors' profiles

Don Luke BSc, BA (Econ)

Chair appointed 12 December 2013
Current term to 30 September 2016

Chair of: MH Carnegie & Co, QIC Private Capital Pty Ltd, Anglicare North Queensland Limited.

Director of: FIIG Securities Limited, 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: Member, Managed Investment Scheme Compliance Committee, AMP Capital Funds Management Limited, National Mutual Funds Management Ltd and IPAC Asset Management Limited.

Previous appointments include: Chief Executive Officer of Sunsuper, Director of AMP Capital Holdings Limited and Chair of the AMP Capital Holdings Limited Audit Committee, Executive Director of Anglicare South Queensland.

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

Age: 65

Maurice Newman AC, HonD Bus Macq, FSIA, FSDIA, FAICD

Director appointed 10 June 2004
Resigned on 30 September 2015

Chair of: Prime Minister's Business Advisory Council, Australian Father's Day Council, Melon Pastoral Pty Ltd, NSW Chamber of Australia-India Trade (Ltd), Bradman Foundation, Taronga Foundation, Honorary Chair, Macquarie University Foundation.

Director of: O'Connell Street Associates Pty Limited.

Other appointments: Trustee, Sydney Cricket and Sports Ground Trust, Patron, Committee for Economic Development of Australia (CEDA), Senior Corporate Advisor, Marsh & McLennan Companies.

Previous appointments include: Chairman & Director, Australian Broadcasting Corporation, Chairman, Australian Securities Exchange Limited, Chairman, Deutsche Bank Australia & New Zealand, Chairman, Deutsche Bank Asia Pacific Advisory Board, Chairman, Deutsche Asset Management (Australia) Limited, Chairman & Director, Benchmark Securities Management Limited, Chairman, Financial Sector Advisory Council, Chairman, Tourism New South Wales, Chairman, Acrux Limited, Chancellor, Macquarie University, Chairman, Sydney Sixers Big Bash Franchise, Director, ASX Settlement & Transfer Corporation, Director, Australian Stock Exchange (Sydney) Limited, Director, Bridge Oil Limited, Director, Deutsche Bank Asia Pacific, Director, Lombard Capital Australia Limited, Director, Port Kembla Port Corporation, Director, Tiger Airways Pty Limited, Member, MARQ Services Advisory Board.

Age: 78

Bradley Bowton, BSc MBA

Director appointed 24 April 2008
Current term to 30 September 2016

Director of: CACE Partners, QIC Private Capital Pty Ltd, QIC Retail Pty Ltd, QIC Infrastructure Management No. 2 Pty Ltd, QGIF Co No. 2 Pty Ltd, QGIF Co No. 2A Pty Ltd.

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

Previous appointments include: Management consultant with Bain International and McKinsey & Company, investment banker with Morgan Stanley International and Salomon Brothers and Director of Watpac Limited.

Age: 55

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

Director appointed 10 November 2011
Current term to 30 September 2017

Director of: ALS Limited, UQ Holdings Limited, Murdoch Corporate Finance Pty Ltd, Redbubble Limited, OzForex.

Other appointments: Senator of the University of Queensland, Adjunct Professor of the University of Queensland Business School, Member of the Queensland State Council of the Australian Institute of Company Directors.

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

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

Age: 63

Gail Pemberton MA (UTS), FAICD

Director appointed 12 December 2013
Current term to 30 September 2016

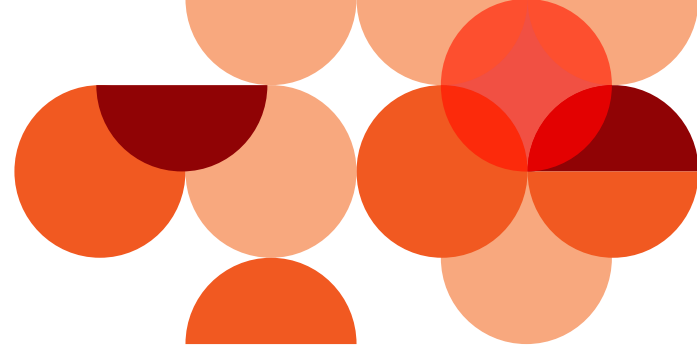
Chair of: OneVue Limited, SIRCA Technology.

Director of: Paypal Australia, Eclix Group.

Previous appointments include: Chair of the Corporate and Shared Services Committee, NSW Government Department of Finance, Chair of Onthehouse, Managing Director and Chief Executive Officer of BNP Securities Services Australia and New Zealand, Chief Operating Officer of BNP Paribas Securities Services UK, Executive Director, Global Chief Information Officer and Chief Operating Officer of Macquarie Bank, (Financial Services Group), Director of Air Services Australia, Director of Harvey World Travel, Director of Alleron Investment Management Limited, Director of Baycorp, Director of UXC, Trustee of the Sydney Opera House.

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

Age: 62



Andrew King, Dip Bus (Prop.Val)

Director appointed 12 December 2013
Current term to 30 September 2016

Director of: Asher Capital (Managing Director), Brisbane City Council Urban Futures, 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: Member of the ANZAC Square Committee, Member of the Queensland Advisory Committee for the Commemoration of the ANZAC Centenary, Member of the Board of Trustees, Brisbane Girls Grammar School.

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

QIC committees: Member of the HR & Remuneration Committee.

Age: 50

Paul Gallagher, BCom, FCA, GAICD

Director appointed 11 December 2014
Current term to 30 September 2017

Director of: BDO Australia Limited, BDO Group Holdings (QLD) Ltd, Brisbane City Council – Field Services Division, Catholic Church Insurance Limited.

Other appointments: Partner, Audit and Assurance Services Division, BDO.

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

Age: 58

Andrea Staines B Econ, MBA, FAICD

Director appointed 1 October 2015
Current term to 30 September 2018

Director of: Good Start Early Learning, Sealink Travel Group, UnitingCare Queensland, Tourism Australia.

Other appointments: Member of the New South Wales Transport Advisory Board.

Previous appointments include: Director of Aurizon, Director of North Queensland Airports, Director of Allconnex Water, Director of Australian Rail Track Corporation, Director of Gladstone Ports Corporation, Chief Executive Officer of Australian Airlines (mark II, a Qantas subsidiary), Director of Early Learning Service Limited (now G8 Education Limited).

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

Age: 51

John Battams, BEcon, Dip Ed, MAICD

Director appointed 1 October 2015
Current term to 30 September 2018

Chair of: Teachers' Union Health.

Director of: QIC Private Capital Pty Ltd, Teachers' Union Health, Labor Holdings Pty Ltd, Labor Enterprises Pty Ltd, Labor Resources Pty Ltd, Labor Legacies Pty Ltd.

Other appointments: Honorary President of the Australian Labor Party (Queensland Branch), Northern Suburbs Hockey Club Inc.

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

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

Age: 60

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

Director appointed 12 May 2016
Current term to 30 September 2018

Chair of: Evergen Pty Ltd.

Director of: QIC Private Capital Pty Ltd, Cbus (United Super Pty Ltd), Evergen 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.

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

QIC committees: Nil

Age: 50

Financial performance overview

Net Profit before tax 2015-16

\$88.3 million

Down 12% on 2014-15



Normalised Net Profit before tax 2015-16

\$88.3 million

Up 23% on 2014-15



Return on Equity 2015-16

47%

Down 16% on 2014-15



Total Revenue 2015-16

\$336.3 million

Up 4% on 2014-15



Total Revenue 2015-16 excl.
non-recurring revenue transactions

\$336.3 million

Up 14% on 2014-15



Dividend 2015-16

\$62.4 million

Up 11% on 2014-15



Total Expenses 2015-16

\$248.0 million

Up 11% on 2014-15



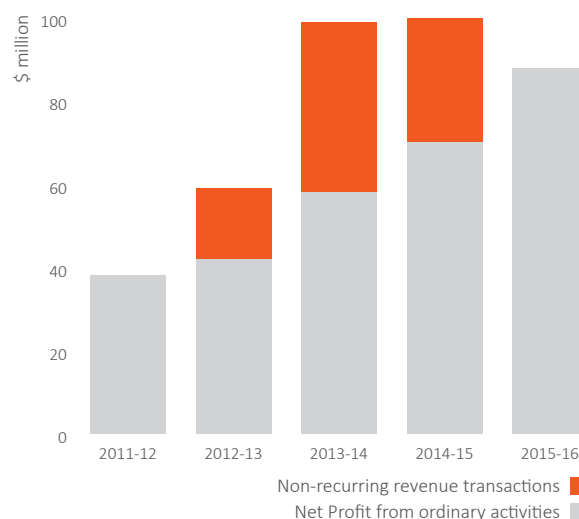
Assets under Management at 30 June 2016

\$75.8 billion

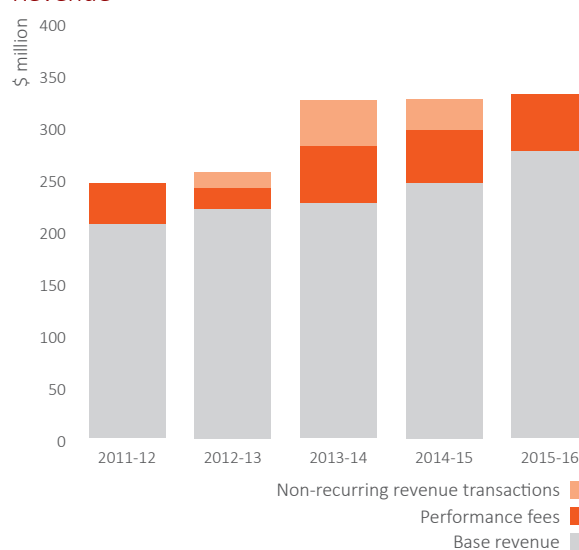
Up 3% on 30 June 2015



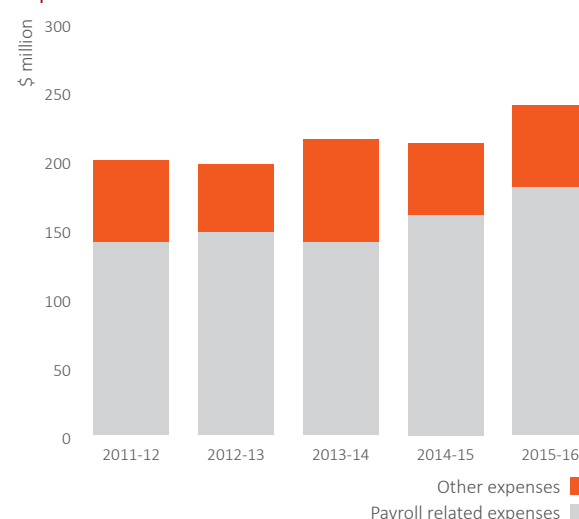
Net Profit before tax

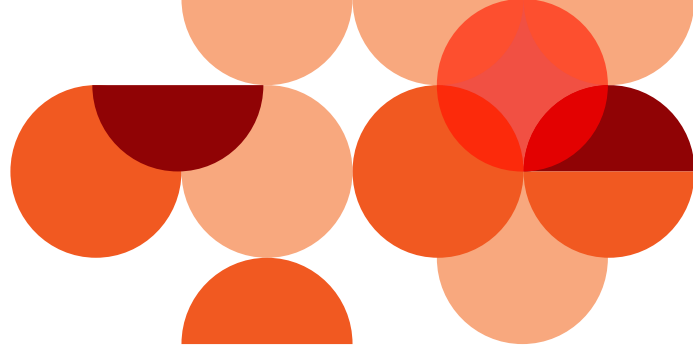


Revenue



Expenses





This is an overview of QIC's 2015-16 financial results and should be read in conjunction with the financial report.

Profitability

QIC continues to provide strong corporate results, with the total profit before tax of \$88.3 million representing a very successful financial year and the continuation of a track record of robust long-term performance. A significant portion of the underlying profit result is generated by investment performance fees, reflecting a consistent long-term focus on delivering out-performance to our clients and maximising shareholder value for the Queensland Government.

QIC's revenue and profit for the 2015-16 year (on a normalised basis) is the strongest in QIC's history. This reflects the implementation of QIC's corporate strategy to grow existing business and diversify our client and product offering.

QIC's profit before tax has decreased slightly by 11.6% compared to last financial year. Note however, that 2014-15 profit included the final instalment of the QIC Shopping Centre Fund (QSCF) performance fee. This performance fee was generated over a 12 year period, but was only recognised in the latter part of that period in line with accounting requirements. The 2014-15 profit also included \$15.7 million in one off revenue. Excluding this one off revenue and the QSCF performance fees, the 2015-16 profit result has increased by 22.0%. This encapsulates another successful year of generating new revenue through innovative investment products and strategically managing the cost base to achieve the long-term corporate strategy.

Revenue

Total revenue for 2015-16 was \$336.3 million, an increase of \$12.3 million compared to last year. When the QSCF performance fee and one-off revenue items are excluded, revenue from ordinary activities increased by \$40.2 million or 13.6% compared to last year.

QIC has a relatively stable revenue base, with a balanced mix of fee agreements with clients, including:

- Fixed annual fees that insulate both QIC and the client from market movements during the year
- Basis point rate fees that change depending on AUM balances and investment performance
- Property management fees that relate to services provided to QIC shopping centres
- Performance fees that are dependent on investment outperformance against client investment objectives.

QIC has an integrated property management business, which gives QIC a competitive advantage in the industry and continues to deliver significant value for clients. In addition to investment management fees, QIC earns property management fees in relation to leasing and development of the real estate assets.

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

Expenses

Total expenses of \$248.0 million in 2015-16 increased by \$23.8 million or 10.7% compared to last year.

The increase in expenses during 2015-16 is a continuation of QIC's investment for future profitable growth, with improved long-term financial outcomes and the dividend to the Queensland Government. The majority of QIC's costs relate to our employees, including fixed and variable remuneration, staff development and recruitment. The increase in employee benefits expenses reflects the increase in QIC's headcount, as QIC invests in strategic capability for future profitable growth.

The impact of past cost management efforts and an embedded cost conscious culture is evidenced in the conservative cost increases in other cost categories.

Financial performance overview

Balance sheet

Assets

Total assets at year end were \$368.7 million, an increase of \$23.7 million compared to last year. Major changes during the year were:

- An increase in non-current investments of \$10.9 million, reflecting the transfer of funds from short-term liquid to long-term investments in new QIC products.
- An additional \$24.8 million in receivables as a result of recoverable costs from due diligence projects.

Liabilities

Total liabilities at year end were \$235.8 million, an increase of \$24.0 million. Major contributions were:

- An increase of \$8.4 million in payables, reflecting the growth in QIC's operations.
- Increased employee benefits provided and not yet paid.
- A decrease of \$6.8 million in income tax equivalent provision due to increased instalments paid during the year.

Dividend

A dividend of \$62.4 million has been declared for the year. This is an increase of \$5.9 million compared to last year, due to an increase in the dividend payout ratio from 80% to 100%.

Cash flows

Cash at year end was \$95.7 million, a decrease of \$35.8 million compared to last year.

During the year, operating activities generated net cash inflows of \$42.9 million, consistent with last year.

Cash outflows from investing activities this year were \$22.3 million, an increase of \$14.7 million. The increase reflects the transfer of funds from short-term investments to longer-term investments. Cash outflows from financing activities were \$56.5 million, reflecting payment of the 2014-15 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 highly competitive 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 \$5,000¹.

Event	Date	Cost (\$)
Employee mid-year function	09/08/15	\$8,048
Client function: Melbourne	10/10/15	\$21,355
Employee function	15/10/15	\$22,548
Client function: Brisbane	05/11/15	\$7,250
Employee year-end function	27/11/15	\$6,711

¹ International business development expenditure has been omitted to maintain competitive neutrality.

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