

EVOLVING IN A CHANGING WORLD
QIC Sustainability Report 2019

QIC

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WELCOME: OUR APPROACH TO SUSTAINABILITY



Welcome to QIC's Sustainability Report, for the 2018-19 year. With an increasing focus on sustainability and how businesses are implementing strategies to generate better outcomes for all stakeholders, the aim of this report is to provide transparency around QIC's approach. As we did with our inaugural report in 2018, we have aligned this year's report with the Global Reporting Initiative (GRI) Framework¹.

As an investment manager we acknowledge our responsibility to manage the risks associated with environmental, social and governance (ESG) issues. Equally as important is the need to identify opportunities in these areas to improve performance. Engaging with our stakeholders on sustainability issues, both internal and external, is key to ensuring we focus our efforts in the right place. This report provides relevant information for stakeholders on how we identify, analyse, manage and communicate the material sustainability issues for our business.

¹The QIC Sustainability Report aligns with the Global Reporting Initiative GRI Standards Core option.

Responsible Investment Manager



\$230 million

invested in
green bonds;

\$47 million

invested in
social bonds;

\$35 million

in sustainable
bonds²

**AUD\$300
million**

green bond
issued by
QIC Global
Real Estate

9,153 tCO₂e

offset by the
North Australian
Pastoral Company

Inclusive Employer

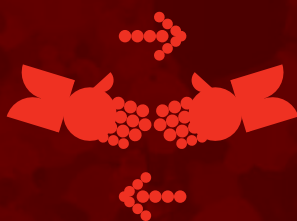


83% of our
people think the
culture in their
team is positive
and inclusive³

89% of
our people
have formal
or informal
flexibility in
their work
routine⁴

We launched
our first
**Reconciliation
Action Plan**
(RAP)

Trusted Organisation



100% of our
employees attested
they have read,
understood and
complied with and
will continue to
comply with our
policy framework

**Lead firm
for credibility**
with Investment
Committees and
Trustees based
on independent
third-party survey
results⁵

92% of our
employees either
strongly agree
or agree that
we take risk
management
seriously at QIC

Leading Corporate Citizen



432 hours
volunteered as
part of the QIC
Community Day

**AUD\$67
million**
invested, 100
new investors
to Queensland
through the
Business
Development
Fund since 2016

More than
AUD\$42,000
provided in
total to support
Orange Sky
Australia

Sustainability is about operating, and creating value for all of QIC's stakeholders, through the range of complex risks and opportunities we face today and into the future.

This belief forms the basis of QIC's approach to sustainability, both in terms of how we operate as a business, and how we invest. At the core of our approach is the idea of ongoing evolution. We continually improve the integration of smart and sustainable solutions into the way we generate investment outcomes.

I am pleased to present QIC's 2019 Sustainability Report which discusses QIC's sustainability and responsible investment progress over 2018-19. As we have seen over the last year, businesses, including those in the finance sector, are confronting more challenges and more scrutiny than ever before.

In this environment, sustainability is about understanding and responding to the full range of risks and opportunities within the current landscape. It also requires an understanding of the role an organisation plays in society and an awareness of shifting community expectations.

We present our report from four perspectives: *Responsible Investment Manager*, *Trusted Organisation*, *Inclusive Employer* and *Leading Corporate Citizen*.

As a *Responsible Investment Manager*, we aim to continually improve our ESG integration capacity. Over this past year we have brought to fruition a number of initiatives that deliver on our commitment to ESG, and which are discussed in this report.

Highlights include the launch of the world's first retail property sector green bond by QIC Global Real Estate. Through our long-standing philosophy of active asset management, QIC Global Private Capital and Responsible Investment teams have worked with the North Australian Pastoral Company to develop a brand of carbon neutral beef, making it the first red meat producer to be certified under the Federal Department of Environment and Energy's National Carbon Offset Standard.

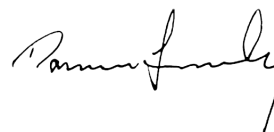
In this year's report, we continue to build on our Taskforce for Climate-related Financial Disclosure (TCFD) reporting. We include more data points around carbon emissions across our investment portfolios and additional commentary on the processes underway to model climate scenarios and the impacts of physical climate risk across our real asset portfolios.

To be considered a *Trusted Organisation* we also need to evolve our own business practices to meet future challenges. This section of the report covers among other things the work we have undertaken to respond to the risks of cyber security and modern slavery.

The people at QIC are a critical enabler of our success as a business and we aim to meet the expectations of a modern workforce and be considered an inclusive employer by our employees. In 2018, we launched QIC's first Reconciliation Action Plan with direct support from our shareholding Ministers. We also continue to provide support to the communities we work in through a range of means.

Our approach to sustainability is characterised by continual evolution. As we continue our sustainability journey into 2019-20, we focus on identifying smart and sustainable solutions and an alignment of incentives among our stakeholders that create positive business outcomes.

We hope you enjoy reading our sustainability report. If you have any feedback, please send it to us at sustainabilityreport@qic.com.



Damien Frawley
QIC Chief Executive Officer



BUSINESS OVERVIEW



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

ECONOMIC VALUE GENERATED	\$'000
Total revenue and other income	445,289
Total expenses (operating costs, employee wages and benefits, etc.)	346,829
Profit before income tax	98,460
TOTAL CAPITALISATION	
Debt	7,114
Total equity	144,622

- Global Infrastructure
- Global Real Estate
- Global Liquid Strategies
- Global Multi-Asset
- Global Private Capital



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

OUR VISION

QIC's vision and purpose and Standards of Excellence guide our approach to all that we do. Our vision is to be recognised as a leading trusted specialised manager, actively delivering investment performance to exceed our client and stakeholder expectations. Our purpose is to deliver optimum investment outcomes with and for our clients.

Standards of Excellence

LEADERS MUST LEAD

- Leadership is an imperative not just a position – it's everyone's responsibility.
 - The quality of our leadership amplifies the quality of our performance – it starts at the top.
 - Effective leaders shape who we are and how we do things – poor leadership cannot be tolerated.
 - We support and develop our leaders to be the best they can be.
-

ACCOUNTABILITY COUNTS

- Clients and investment performance are paramount – we are decisive, responsive and deliver what we promise.
 - We own our successes and mistakes and learn from them.
 - We take ownership and support others to achieve excellence.
 - We are willing to challenge and be challenged.
-

COMMUNICATION MATTERS

- We communicate clearly and consistently amongst ourselves and our clients.
 - Transparency is key – we tell it as it is.
 - Everyone is a communicator – play your part.
 - We are willing and positive in having tough conversations.
-

STEP UP TOGETHER

- We recruit, develop and reward outstanding people.
 - Step up to your personal best – we'll develop you and you'll develop you.
 - We value and respect the unique and diverse talents and experiences of all team members.
 - We celebrate the wins and share the losses.
-

COLLABORATION IS KEY

- By working together, we achieve better outcomes for our clients and for ourselves.
 - We all win together; no single capability or team is greater than others.
 - We see beyond borders – we are agile and responsive to changing markets.
 - We are actively curious – we seek and share insights, information and knowledge.
-

UNDERSTANDING OUR MATERIAL ISSUES



MATERIALITY PROCESS

In line with the Global Reporting Initiative (GRI) requirements, we carried out a process to understand the material sustainability issues for our business⁶. The materiality principle in the GRI Standards defines materiality, in a reporting sense, as referring to aspects that reflect QIC's significant economic, environmental and social impact, or substantially influence the assessments and decisions of stakeholders.

To identify and prioritise material sustainability issues we developed a survey asking internal and external stakeholders for their views to inform our assessment. Whilst the stakeholder groups and questions remained consistent with 2018, the number of stakeholders we surveyed increased. They included:

- QIC employees
- QIC board members
- Clients
- Asset consultants
- Relevant non-governmental organisations
- Shareholder

We reviewed internal and external stakeholders' responses and have prioritised key themes illustrated in the materiality matrix.

QIC SUSTAINABILITY REPORT MATERIALITY MATRIX



Importance to internal stakeholders

- | | | |
|--|---|------------------------------------|
| 1. Ethical standards conduct and culture | 8. Technological innovation and disruption | 14. Energy security |
| 2. Physical climate risk | 9. Human rights in supply chains/modern slavery | 15. Resource scarcity |
| 3. Information security and data privacy | 10. Environmental impact | 16. Labour relations |
| 4. Workplace health and safety | 11. Diversity and inclusion | 17. Supporting communities in need |
| 5. Transition to a low carbon economy | 12. Training and development | |
| 6. Evolving regulatory landscape | 13. Operational efficiency (energy, water, waste) | |
| 7. Transparency and disclosure | | |

CHANGES BETWEEN FY2018 AND FY2019

As last year was our inaugural sustainability report, we could not report on any changes in the importance of issues to our stakeholders. Now with the publication of our second report, we are able to analyse the responses to identify changes. The most significant changes over the last year relate to the areas of workplace health and safety, human rights in supply chains/modern slavery and physical climate risk. There could be a range of reasons for these changes (i.e. introduction of modern slavery legislation in Australia), nevertheless we have aimed to address each of these issues in more detail in this year's report to reflect our stakeholders' increased interest.

QIC'S ROLES



While QIC's core business is investment management, we play a number of roles in the course of delivering investment outcomes for our clients. To tell the QIC sustainability story in its entirety, we present this report from the perspective of each of the roles we play in society.



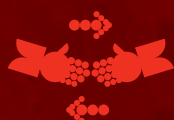
Responsible Investment Manager

As a *Responsible Investment Manager*, we continuously work to deepen ESG integration across all our investment processes and to build our knowledge of material ESG issues



Inclusive Employer

We believe diverse teams outperform and as an *Inclusive Employer* we work to create a culture that is underpinned by a real care for our people



Trusted Organisation

Staying well informed about the evolving regulatory landscape, taking proactive measures, and ensuring the security of our clients' and employees' information, help make QIC a *Trusted Organisation*



Leading Corporate Citizen

We aim to be a *Leading Corporate Citizen* within the context of our obligations as a fiduciary and make a positive contribution to the communities we operate in

RESPONSIBLE INVESTMENT MANAGER



RESPONSIBLE INVESTMENT AT QIC

Our fundamental duty is to deliver long-term investment outcomes to our clients, and we recognise that to do this, we need to operate and innovate through a range of complex external challenges. Therefore, we consider material environmental, social and governance (ESG) factors in all our investment decisions to build better-informed views of investment risk and opportunity.

Our ESG approach is based on the belief that ESG factors have a material impact on the long-term outcomes of investment portfolios and the assets we invest in. In our view, accounting for ESG risks and opportunities also leads to better outcomes for our society and the environment.

We also believe the integration of ESG considerations is important in how we operate as a business, in our organisation's culture, and ultimately in our accountability to our stakeholders.

As an investor in real estate, infrastructure, fixed income and private equity, we understand that ESG issues vary in materiality across asset classes, sectors and industries and we target our ESG approach to what is suitable for the investment.

We recognise that Responsible Investment is an evolving discipline and we work to test, review and continually improve our ESG integration practices. This section of the report describes our progress and performance over 2018-19.

“We invest time in building a detailed understanding of key ESG issues and we apply our knowledge to develop practical solutions to ESG issues across all our investment portfolios.”

Kate Bromley, Head of Responsible Investment

To view QIC Global Real Estate 2019 ESG Report, please go to esg.qicgre.com

OUR ESG FOCUS AREAS

To coordinate our ESG integration approach across the asset classes QIC invests, we have collectively identified the key issues facing QIC as an investor and as a corporation. These six ESG areas of focus represent some of the bigger issues we manage and have taken a corporate position on.

CLIMATE RISK

- Adaptation to physical impacts
- Impacts of transition to a low carbon economy

ENVIRONMENTAL SUSTAINABILITY

- Environmental impacts
- Resource efficiency
- QIC's own footprint

PEOPLE

- Workplace health and safety
- Labour rights
- Human rights in supply chains
- Diversity and inclusion

COMMUNITY

- Community engagement
- Indigenous partnerships

CORPORATE GOVERNANCE

- Board leadership
- Culture
- Transparency and disclosure
- Risk management

ACTIVE OWNERSHIP

- Active asset management
- Corporate engagement
- Proxy voting

QIC'S INVESTMENT TEAMS' ESG APPROACHES

Each of QIC's investment teams applies an asset class-specific process to integrate ESG. Uniting these is our common goal to make better informed investment decisions that promote sustainable markets and societies, while delivering on our long-term investment obligations.

ESG Approach	Global Multi-Asset	Global Liquid Strategies	Global Real Estate	Global Infrastructure	Global Private Capital
ESG Guidelines	•	•	•	•	•
Manager/counterparty selection and monitoring	•	•			•
ESG integration		•	•	•	•
Corporate engagement	•	•			
Active asset management			•	•	•
ESG exclusions	•	•			
Industry participation (e.g. ESG working groups)	•	•	•	•	•

EXCLUSIONS

Since 2015, QIC has excluded companies involved in the manufacture of tobacco, landmines and cluster munitions from listed equities and fixed income investment portfolios⁷. In 2018-19, we extended the application of our exclusions policy to our private equity investments. While QIC Global Private Capital does not invest in any companies involved in the business activities QIC actively excludes, the team engaged with its managers over the year to build QIC's exclusions policy into contractual arrangements to ensure as far as is practically possible that we do not invest in these industries in the future.

“As a Responsible Investment Manager we aim to continually improve our ESG integration capacity.”

Andrew Saunders, Senior Manager, Responsible Investment

ACTIVE OWNERSHIP

Direct engagement

Engagement is a key part of our ESG integration approach, whether engaging directly with investee companies or our managers to better understand how they're identifying and responding to ESG risks and opportunities, or engaging directly with the real assets we invest in. Typically, we interact with investee companies either on ESG themes, such as emissions intensity or human rights issues, or on specific issues we've identified through our research and analysis.

While our engagements focus on the material ESG issues for the relevant organisation or asset, we engage through the lens of QIC's six ESG focus areas to ensure we are influencing practices consistently across asset classes and sectors.

This table summarises the direct corporate engagements with approximately 50 issuers over the reporting period led by QIC Global Liquid Strategies.

Industry	Focus Areas	Discussion Points
Automotive	<ul style="list-style-type: none">• Corporate governance• Labour management• Carbon emissions	<ul style="list-style-type: none">• Governance structure, oversight and reporting• Union negotiations and enterprise bargaining agreements• Improving emissions efficiency, plans for increasing electric vehicle rollout
Financials	<ul style="list-style-type: none">• Climate change• Disclosure under the TCFD• Human capital management	<ul style="list-style-type: none">• Exposure to carbon intensive industries• Plans to disclose under the TCFD, in particular, scenario analysis• Culture and conduct, employee satisfaction• Mortgage approval and data processes
Energy	<ul style="list-style-type: none">• Carbon emissions• Corporate governance• Safety	<ul style="list-style-type: none">• Fugitive emissions• WHS statistics, targets and reporting• Governance structures and reporting arrangements
Aviation	<ul style="list-style-type: none">• Carbon emissions• Plastics• Disclosure	<ul style="list-style-type: none">• Carbon emission reduction plans/targets and renewable energy plans• Reducing the use of single use plastics• Reducing participation in ESG benchmarking surveys
Property	<ul style="list-style-type: none">• Climate change	<ul style="list-style-type: none">• How climate change resilience is factored into developments

CASE STUDY

MANAGING CYBER RISK IN INFRASTRUCTURE

In the first half of 2019, QIC Global Infrastructure's Asset Management team held a Cybersecurity Workshop for cyber risk management professionals which was attended by eight QIC Global Infrastructure portfolio companies in Australia and New Zealand. The workshop was also attended by the QIC Cyber Risk Management team. The key purpose of this workshop was to provide an opportunity for these companies to collaborate to discuss their respective cyber risk management capabilities.

The Cyber Risk Management Collaboration Group was subsequently created to facilitate knowledge exchange, identify common denominators in terms of methodology and tools, and enable faster and more effective development of required level of cyber risk management maturity. The group works together towards adoption of select management tools and provides a unique fast-tracking opportunity to systematically decrease the cyber risk for assets across the group.

This development is consistent with QIC's active asset management philosophy and driven by recognition that the likelihood of cyber-attacks has been identified as one of the top five global risks for the last three years in the World Economic Forum's *Global Risks Report*.

"As an active asset manager we have a deeply ingrained philosophy of engaging with the companies we invest in on their strategy and operations."

Leisel Moorhead, Partner, QIC Global Infrastructure

PROXY VOTING

The QIC Global Multi-Asset team invests in listed equities through externally appointed investment managers. Our Proxy Voting Standard delegates the exercising of proxy voting rights to our external managers; however under this arrangement, QIC has the right to override an external manager's voting intentions.

As part of manager selection, we formally assess the ESG capability of external managers and monitor external managers' proxy voting policies on an ongoing basis to ensure alignment with QIC's responsible investment approach.

In 2018, we reviewed and enhanced our approach to active ownership, including proxy voting. These enhancements will result in more efficient reporting and oversight of voting decisions.

MANAGER MONITORING AND ENGAGEMENT

Both our Global Multi-Asset and Global Private Capital teams assess the ESG performance of their external managers. This is carried out through a combination of engagement with managers and an annual ESG survey, which asks a range of questions to better understand how the manager is addressing ESG issues on our behalf and also identifying opportunities. The focus areas of these surveys include:

- Policy
- Integration
- Material issues

PRIVATE EQUITY AND ACTIVE OWNERSHIP

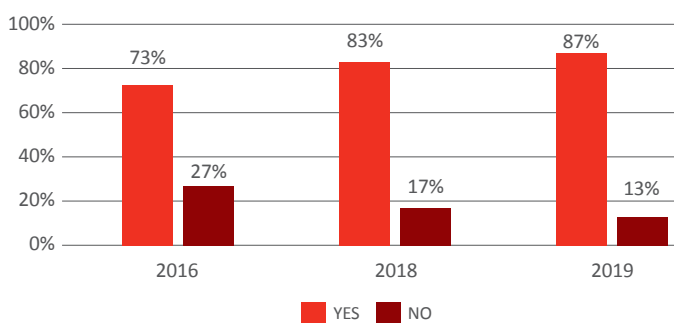
As the focus of investors changes, the integration of ESG issues and commitment to a responsible investment approach by private equity companies is becoming a mainstream consideration. QIC Global Private Capital invests both directly and through General Partners (GPs). As part of our ongoing due diligence, Global Private Capital formally surveys its managers to better understand ESG capability and how this is progressing.

Over the last few years, we have seen a marked increase in the number of GPs with ESG policies, up from 73% to 87% since 2016. We are also seeing an increasing number of managers become signatories to recognised ESG frameworks, such as the UN PRI, or committing to align their ESG practices to these frameworks. We continue to ask GPs what they assess as the most material ESG considerations to their portfolio companies.

In practice, this is driving a more formalised and systematic approach by firms setting out their ESG beliefs, including expectations they have around portfolio companies to address ESG issues and how ESG is incorporated into their investment processes. We continue to engage with managers and to build this information to develop our own ESG processes.

Global Private Capital Manager Survey Results 2019

Managers with an ESG Policy 2016 - 2019



Top Five Key ESG Issues

More than half of GPs identified the following issues as material to their portfolios:

1. Corporate governance
2. Cybersecurity
3. Talent attraction and retention
4. Workplace health and safety
5. Diversity

Source: QIC Global Private Capital Annual Manager ESG Survey

UNDERSTANDING ESG RISK AND OPPORTUNITY IN PRIVATE EQUITY PORTFOLIOS

QIC Global Private Capital team invests directly in private equity companies as well as through investment funds, which can provide some challenges in building a detailed understanding of the ESG risks and opportunities faced by underlying portfolio companies. In addition to asking managers what they believe the material ESG issues are, we also take our own view on these.

The Responsible Investment team works side-by-side with the Global Private Capital team throughout the investment process. All potential investments are assessed fully from an ESG perspective. To facilitate this process and make sure we're keeping on top of this quickly evolving space, we have developed an ESG heatmap. The heatmap allows the Global Private Capital team to identify material ESG issues at the sub-industry level. Identifying the material issues in this way has allowed the team to pin point exposure to particular ESG issues at a portfolio level by dollar value. This facilitates more informed dialogue with managers, as based on this sub-industry ESG knowledge, QIC Global Private Capital is able to ask more targeted questions focussing on the relevant ESG issues. Furthermore, the creation of the heatmap has informed quarterly reporting to clients on relevant ESG issues within the portfolio.

More recently, we enhanced our ESG monitoring capability of manager and underlying portfolio companies. Using RepRisk, a third-party ESG data provider, to systematically capture and analyse ESG and business conduct data that can have a reputational, compliance, and financial impact on a company. While relatively new to using the RepRisk platform, early insights indicate the use of real time data services, backed by artificial intelligence, provides a useful tool for monitoring large portfolios.

“Private Equity’s influential investment model gives it a unique ability to bring ESG to businesses. QIC is working with its managers and with its direct investments to bring ESG implementation to the next level while at the same time maximising investment returns.”

Marcus Simpson, Head of Global Private Capital

Smart data and sustainable real estate

QIC Global Real Estate undertook a major redesign of its property operations in 2018-19, using advanced automation technology to interrogate individual asset performance data on energy consumption and equipment maintenance. This is delivering real-time information that materially enhances operational efficiency and sets a new standard in best practice asset management.

QIC Global Real Estate partnered with leading Australian technology company CIM Enviro to optimise its energy efficiency across its major shopping centre portfolio, using a data-driven approach that collates and interrogates data from the existing sensors across a building.

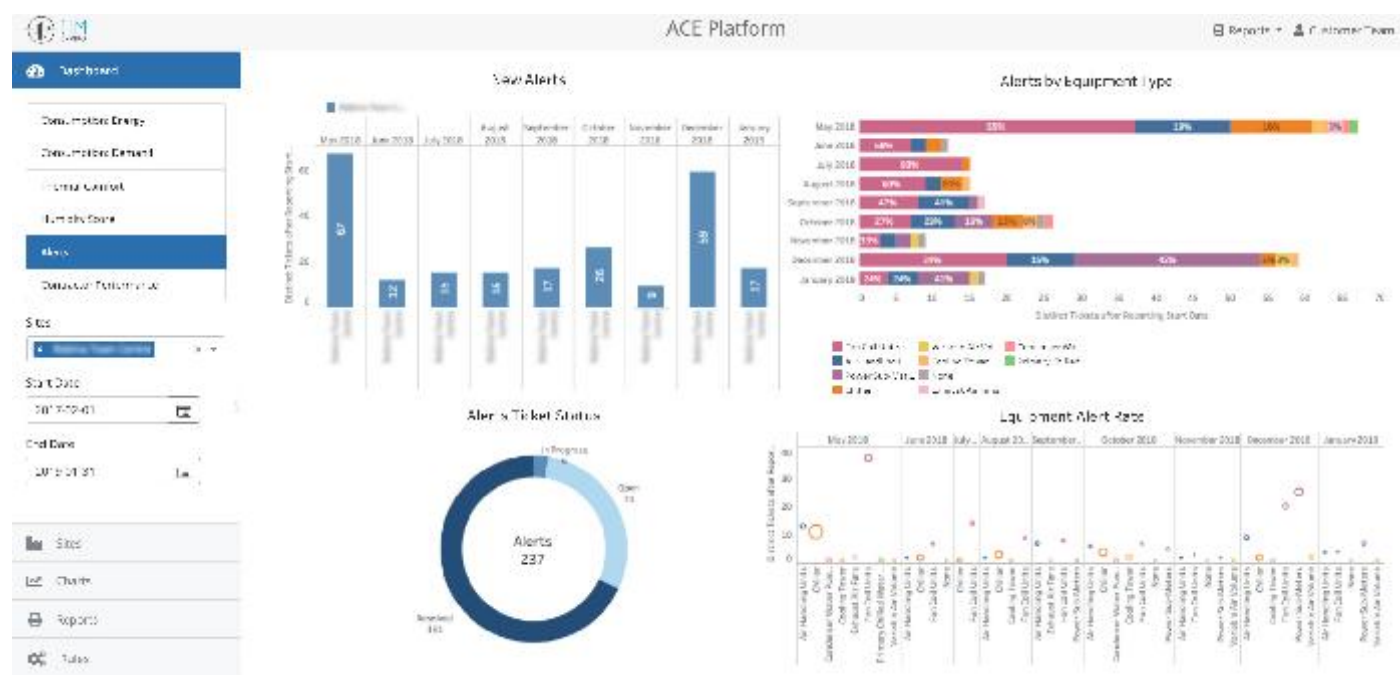
Failures and deteriorations in asset energy performance instantly generate an alert that details the location of each fault, the root cause, the cost impact and the solution. Each alert automatically becomes an assigned maintenance ticket for onsite teams to close out rapidly, ensuring energy wastage is addressed without delay.

An initial trial of CIM Enviro's ACE Platform at QIC's Robina Town Centre generated compelling results – chief among these was a 15% reduction in energy consumption and a net increase in the centre's cash flows after counting the cost of the ACE platform.

“Delivering sustainability initiatives such as upgrades and the intelligent automation of centre plant and equipment, and installing LED lighting, generates strong commercial outcomes, as well as reducing our environmental footprint.”

Michael O'Brien, Managing Director, Global Real Estate

CIM Enviro's ACE Platform (ACE), which stands for Automated Commissioning for Energy was awarded 'Best in Class' by CSIRO during a 12-month independent evaluation of building analytics technologies from Australia, the USA and Canada. The platform monitors complex and energy-intensive equipment such as chillers, boilers, air handling units, fan coil units and cooling towers.



Source: CIM Platform

The Modern Slavery Act

The *Modern Slavery Act 2018 (Cth)* came into effect on 1 January 2019, placing a requirement on eligible entities to submit a Modern Slavery Statement annually. The Act seeks to actively reduce the risk of modern slavery occurring in Australia and across the globe. As an Australian entity with an annual consolidated revenue of more than \$100 million, QIC is required to report on the risk of modern slavery across its investment activities and portfolios, as well as through its operations and procurement supply chains.

Our work to identify and address the risk of modern slavery is ongoing, however here we discuss some of the improvements we're making to human rights processes within our existing ESG integration practices. You can find more information on QIC's approach to modern slavery, in the *Trusted Organisation* section of this report.

“We have been systematically incorporating ESG issues into our credit analysis for a number of years. With the increased focus on modern slavery from both a legislative and client perspective, we used this as an opportunity to enhance our process to understand human rights risk across our fixed income portfolios.”

Susan Buckley, Managing Director, Global Liquid Strategies

Applying a modern slavery lens to a fixed income portfolio

In response to the introduction of the *Modern Slavery Act* our Global Liquid Strategies team in collaboration with the Responsible Investment team have developed a process to identify potential modern slavery risks within their corporate fixed income portfolios.

To ensure a targeted approach, the team first set about identifying those holdings within sub-industries that are considered to be at high risk of exposure to instances of modern slavery. These potentially higher risk issuers were analysed using our third party ESG data provider platforms along with publicly available information. The result of this process is a heat map showing where the risks lie within the portfolio holdings and a greater understanding of the issues to better inform engagement.

Managing modern slavery risk in property

In the property retail sector, the cleaning industry is considered one of the higher risk areas for modern slavery. QIC Global Real Estate has been an active participant with the Cleaning Accountability Framework (CAF) since its inception in 2014 and has representation on both the CAF Steering Committee and the CAF Standards Sub-Committee. QIC's Castle Towers Shopping Centre in Sydney was one of the first retail assets to complete the CAF Pilot program.

Working with CAF, the collective aim is to standardise practices and uphold labour rights within the cleaning industry. CAF's work extends to a range of activities including supplying tools for tendering for business, face-to-face meetings undertaken by independent CAF representatives with all cleaning staff and coordinating third-party audits of properties and cleaning companies including requesting full pay slips, ensuring maximum transparency.

“As active members of the Cleaning Accountability Framework committees, we have been able to better understand the complexity of modern slavery and labour rights issues and contribute to building the framework that is in place today.”

Deb Palmer, Risk and Compliance Manager, Global Real Estate

QIC launches world first retail property sector green bond

In a world first for the retail property sector, the QIC Shopping Centre Fund (QSCF) issued an AUD\$300 million Climate Bond Initiative (CBI) certified green bond, enabled by QIC Global Real Estate's (GRE) commitment to enhancing environmental performance across its Australian retail portfolio.

The bond was five times oversubscribed and attracted new investors to QSCF from across Asia and Australia with green and ESG mandates, with a coupon of 2%. Issuing a green bond is an important milestone for QSCF and the retail property sector globally and is an endorsement of QIC Global Real Estate's progress and ongoing focus on sustainability. QSCF is one of the team's flagship investment vehicles, with interests in retail assets across Australia.

This was a significant result and one that has re-set green debt market expectations in Australia. The path to green bond issuance for QSCF began in 2016 and was not always straightforward. QIC Global Real Estate explored the standards used for incorporating commercial property into green bond issuance, which under CBI criteria stipulate an office building must be in the top 15% for carbon efficiency levels by capital city. However, most office buildings that meet this criteria are new or recently built and equivalent criteria did not yet exist for shopping centres.

There were also challenges with the scale of the Fund's portfolio, the number of non-CBD assets, and that its holdings are existing assets being redeveloped in stages over an extended period. In the end, the portfolio established a target for a minimum 30% reduction in emissions intensity to achieve CBI certification using the property-upgrade criteria. QIC Global Real Estate has also set an internal target for its shopping-centre portfolio to have an average 4-star NABERS rating by 2021.

INDUSTRY PARTICIPATION

We continue to engage and collaborate through a number of industry forums. This allows us the opportunity to contribute to the development of a range of initiatives while gaining relevant insights into the latest developments in the ESG space. Our current memberships and partnerships include:

- United Nations Principles for Responsible Investment (UN PRI)
- Responsible Investment Association of Australasia
- Investor Group on Climate Change
- CDP (formerly, Carbon Disclosure Project)
- Property Council of Australia (PCA)
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Building Council Australia
- Australian Sustainable Finance Initiative, Technical Working Groups: *Meeting community expectations*, Kate Bromley, Head of Responsible Investment, and *Creating a more sustainable, resilient and stable financial system*, Marayka Ward, Senior Credit Manager, Global Liquid Strategies
- Property Council of Australia, Sustainability Roundtable – Michael Maranta, National Sustainability Manager, Global Real Estate
- Institutional Limited Partners Association (ILPA) Diversity and Inclusion Working Group, Crystal Russell, Principal, Global Private Capital
- Investor Group on Climate Change – Physical Risk and Resilience, Kate Bromley (Chair) Transparency and Thought Leadership Working Group, Andrew Saunders, Senior Manager, Responsible Investment
- Global Foreign Exchange Committee and Australian Foreign Exchange Committee, Stuart Simmons, Senior Portfolio Manager, Global Liquid Strategies
- GRESB Infrastructure Benchmark Committee – Anastasiia Bessonova, Associate, Global Infrastructure
- Cleaning Accountability Framework, Steering Committee, Deb Palmer, Risk and Compliance Manager, Global Real Estate
- UN PRI Sovereign Bondholder Working Group – Marayka Ward, Senior Credit Manager, Global Liquid Strategies
- UN PRI Infrastructure Advisory Committee – Leisel Moorhead, Partner, Global Infrastructure

Across the organisation, we are active members of ESG-related working groups. QIC employees currently serve as members of the following working groups:

Australian Sustainable Finance Initiative



The Australian Sustainable Finance Initiative (ASFI) was launched in March 2019 to enable the financial services sector to contribute more systematically to the transition to a more resilient and sustainable economy, consistent with global goals such as the UN Sustainable Development Goals and the Paris Agreement on climate change.

It is an unprecedented collaboration, bringing together Australia's major banks, superannuation funds, insurance companies, financial sector peak bodies and academia to set out a roadmap for realigning the finance sector to support greater social, environmental and economic outcomes for the country.

Four working groups have been structured with varied focuses to identify how the finance sector can better align with the needs of the 21st century. ASFI will deliver a Roadmap in July 2020 that consists of a set of recommendations to embed sustainability across the Australian financial system.

QIC is pleased to have the opportunity to participate in this initiative with representatives on two technical working groups: *Creating a Sustainable Financial System and Meeting Community Expectations*.

ESG BENCHMARKING RESULTS 2018-19

Signatory of:

United Nations Principles for Responsible Investment



QIC became a signatory to the United Nations Principles for Responsible Investment (PRI) in 2008. Every PRI signatory reports each year to the PRI on their application of the six Principles. We are pleased that our ongoing work to incrementally improve our ESG processes is broadly reflected in our results.

Module	2016	2017	QIC Score 2018	Median Manager in 2018
Strategy and Governance	A+	A+	A+	A
Indirect Listed Equity	A+	A	A+	A
Indirect Private Equity	A+	A	A+	A
Listed Equity – Active Ownership	A	A	B	B
Fixed Income SSA	A+	A	A+	B
Fixed Income – Corporate Financial	A+	A	A+	B
Fixed Income Corporate Non-Financial	A+	A+	A	B
Fixed Income Securitised	A	A	A	C
Property	A+	A+	A+	B
Infrastructure	A+	A+	A+	A



GRESB - REAL ESTATE

The Global Real Estate Sustainability Benchmark (GRESB) is used by institutional investors to engage with their investments, with the aim of improving the sustainability performance of their investment portfolio, and the global property sector. QIC Global Real Estate has participated in GRESB reporting since 2012 for its QIC Shopping Centre Fund (QSCF) and QIC Property Fund (QPF) and started reporting for both the Queensland Government Office Fund (QGOF) and QIC Active Retail Property Fund (QARP) in 2016. Our results are detailed in the table below. For 2019 we saw improved results for four out of our five real estate funds, with a small decrease in performance for the QIC Property Fund associated with certifications.



QIC Global Real Estate GRESB results 2019

Fund	2016 Score	2017 Score	2018 Score	2019 Score	2019 Movement	Overall Score vs GRESB Average	Global Ranking
QIC Property Fund	82	89	88	85	-3	85 vs 72	184 out of 964
QIC Shopping Centre Fund	82	90	84	85	+1	85 vs 72	195 out of 964
QIC Australia Core Plus Fund	NA	NA	76	84	+8	84 vs 72	222 out of 964
QIC Government Office Fund	79	88	84	90	+6	90 vs 72	97 out of 964
QIC Active Retail Property Fund	83	87	82	83	+1	83 vs 72	271 out of 964

NABERS AND GREEN STAR PERFORMANCE



The National Australian Built Environment Rating System (NABERS) is a national environmental rating system which measures the operational efficiency of a building or tenancy, in regard to its energy and water consumption, waste management and indoor environment quality.

All of QIC Global Real Estate's core retail and commercial assets are assessed annually for energy and water performance ratings and our Investment Management teams have NABERS Improvement targets in their KPIs. Our smaller retail assets adopted the Green Star Performance Rating in 2018. This rating methodology has no limits on the size of the asset and it covers more than the energy, water or waste performance that are the NABERS primary benchmarks. Green Star Performance is arguably a more holistic sustainability rating that also incorporates broader sustainability measures. Our performance for each of our Funds is detailed in the table below.

	QSCF - NABERS		QPF - NABERS		QGOF - NABERS		QACPF	QARP
Category	Energy	Water	Energy	Water	Energy	Water	Green Star Rating	Green Star Rating
Green Star Rating	3.31	2.73	3.16	2.1	4.88	4.08	1	1

GRESB - INFRASTRUCTURE

The GRESB Infrastructure Assessment, like the GRESB Real Estate Assessment, is an investor-driven global ESG benchmark and reporting framework assessing the performance of infrastructure funds based on sustainability processes and performance. The GRESB assessments are guided by what investors and the industry consider to be material issues in the sustainability performance of infrastructure investments and are aligned with international reporting frameworks such as GRI and PRI.

In 2018, the QIC Global Infrastructure Fund (QGIF) and QGIF portfolio assets participated in the GRESB infrastructure survey for the first time and achieved strong results. The Fund participated again in 2019 and had mixed results for a number of reasons. Between 2018 and 2019 GRESB made a number of changes to the assessment including to the materiality, scoring and peer group classification system which has impacted the peer group rankings. We are engaging with GRESB on these changes and a number of other issues in relation to the infrastructure benchmark to ensure we are aware of any future changes and so that the assessment can develop and evolve to meet its objective of providing a fair and transparent assessment and benchmarking tool for ESG performance.

QIC Global Infrastructure Fund GRESB results 2018 and 2019

	Fund Assessment		Asset Assessments					
	QGIF		Lochard Energy		Port of Melbourne		Powering Australia Renewables Fund	
	2018	2019	2018	2019	2018	2019	2018	2019
Peer group ranking	2nd	15th	1st	7th	3rd	4th	3rd	9th
Fund Score	79	86	N/A	N/A	N/A	N/A	N/A	N/A
GRESB score (100 best)	72	65	73	57	67	55	62	61
Peer group	Diversified – Asia Pacific – Private Entity	Diversified – Private Entity	Energy Resources – Private Entity	Energy and Water Resources – Maintenance and Operation	Ports – Private Entity	Container Port	PV Power Generation – Maintenance and Operation	PV Power Generation – Maintenance and Operation
Peer group average score	49	55	63	55	56	42	50	46
No. of peer group participants	12	73	7	13	12	9	14	21

Responding to Climate Risk

Response to the Task Force on Climate-related Financial Disclosures recommendations

The risks and opportunities posed by observed and projected changes in the climate have the potential to physically impact the companies and assets we invest in. In addition, a transition to a low carbon economy presents a range of implications for businesses and the economy as a whole. In 2018, we published for the first time our reporting under the framework developed by the Task Force on Climate-related Financial Disclosures (TCFD). This year we provide an updated response based on the progress we’ve made over the past year, presented under the four key areas recommended by the TCFD.

Governance

The QIC Board has ultimate responsibility for managing the risks associated with climate change and is supported in doing so primarily by our ESG Advisory Committee. The Committee has representation from senior levels of management, across investment teams and corporate functions, includes the CEO, and is chaired by a member of the QIC Board. The Committee meets on a quarterly basis to evolve and implement QIC’s ESG strategy. Our work on both physical and transition work to date has been presented at this committee for discussion and feedback.

In addition, as part of its oversight and management of QIC’s risks at an enterprise level, our Board Risk Committee is focussed on assessing risks that include those associated with climate change and serves as an additional integration point from a risk management perspective.

More broadly, QIC sets an annual ESG KPI at the corporate level which ultimately impacts all investment teams. This KPI is set to continue to drive the integration of ESG considerations throughout the business, including climate risk.

Strategy

Initially, QIC’s climate strategy has focussed on investing the time to build a detailed understanding of climate risk in its various forms. We are increasingly operationalising this knowledge to develop practical and realistic solutions across our investment processes.

There are three key approaches we use: analysis, engagement, and collaboration. Through these activities we are increasing our understanding of both the risks and opportunities posed by climate change to allow us to make more informed decisions. We use the TCFD recommendations definition of climate risk to guide how we structure our analysis and engagement, in particular focussing on utilising this categorisation of different risks and opportunities as outlined below.

Climate risk	
Transition risk	Physical risk
Policy and legal risk	Acute risk
Technology risk	Chronic risk
Market risk	
Reputational risk	

Source: The Financial Stability Board’s Recommendations of the Task Force on Climate-related Financial Disclosures

Analysis

We undertake analysis both at the company/asset level and broader sector level to understand potential risks and opportunities. To conduct this analysis we use a range of data sources including third party ESG data providers, data from credible not-for-profit providers (i.e. CDP), government departments and agencies, and asset level and company data where available. Using these data and carrying out this analysis has allowed us to build:

- Baseline carbon emissions assessments at portfolio and asset level (i.e. carbon footprint);
- Sub-industry and industry carbon intensity profiles to identify areas of potentially higher risk; and
- Expectations of what positions a company to transition to a low carbon economy (i.e. governance, strategy and targets).

This analysis allows us to target our engagement to provide meaningful insights not only into recent performance but also into the future strategy direction of a company or asset.

Engagement

Based on our analysis we engage with boards, management teams and our externally appointed managers to both test our results, by getting feedback on the findings garnered by our research, and to better understand how they are managing climate risk and whether they see any potential opportunities associated with the transition. The engagements are aligned with the TCFD recommendations and focus on the physical and transition risks. We seek further information on forward looking strategy, metrics and targets to get a sense for how risks are being managed and if there is meaningful discussion and thought about identifying potential opportunities. Our engagement questions generally focus on:

- Scenario analysis – have you conducted it? If so, what were the results? If not, why not?
- Transition plans – (i.e. automotive company) plans to switch from internal combustion engine to electric, timelines, targets, any issues with stranded assets in manufacturing plant and equipment?
- Metrics and targets – what metrics do you currently report on? What targets do you have in place?
- Internal carbon pricing – do you apply one? If so, can you share the modelled price/s?
- Understanding of future physical risks – what are the key climate variables that pose the greatest risk to your asset based on current projections? Do you understand the current level of resilience within the asset?

Collaboration

Focussing on collaboration is a key part of our strategy around climate change. We acknowledge that we don't have all the answers and collaboration brings highly beneficial opportunities to share learnings and gain insights into how others approach this complex risk. Some examples of our focus on collaboration include:

- Industry: our Responsible Investment team participates in a number of working groups run by the Investor Group on Climate Change, and our Head of Responsible Investment is the Chair of the *Physical Risk and Resilience* group
- Client: in 2018-19 we worked in collaboration with one of our clients to undertake a climate change risk assessment for an asset based overseas. This involved working with an academic partner from a local university who was viewed as the leading authority on climate change for the region.
- Shareholder: we worked with our shareholder to participate in workshops and forums to contribute to the development of a number of sector adaptation plans for the state of Queensland.
- Academia: we engaged with an academic at a local university to assist us with the development of a physical climate risk assessment process. Using a real estate asset as a pilot initially, we will ultimately use this process to assess QIC's real asset portfolios.

Physical Risks and Opportunities

Building a detailed understanding of the physical impacts of projected climate change is the first step in responding to the associated risks and opportunities. While insurers have undertaken extensive modelling in this space, little work has been done from an asset manager perspective to understand the revenue resilience of portfolios from both the acute (i.e. extreme weather events) and chronic (i.e. shifting long term weather trends) aspects of physical climate risk.

A key challenge we have faced is the significant gaps between what Global Climate Models are designed to do and what's being demanded by businesses in assessing climate risk. To address this our work over the last year has focussed on translating the latest climate projection data into asset and community level impacts to understand the implications of a changing climate from a cost, safety and wellbeing, and reputational perspective.

The aim was to develop a repeatable process to understand the physical impacts of climate change in terms of probability and impact. The process is designed to systematically assess a consistent set of climate variables. We have co-developed this process with an academic partner that considers both the direct impacts of physical climate change to an asset as well as the indirect impacts at a community and regional level.

As physical climate risk is highly location specific, we have developed a bottom-up approach and the key features of this approach to date have included the following:

- An assessment of the impact of projected climate change across the following variables:
 - Temperature (extreme and trend)
 - Rainfall
 - Drought
 - Cyclone
 - Flood
 - Bushfire
 - Sea level rise (as applicable)
- A consideration of projected climate change under two scenarios or Representative Concentration Pathways (RCP):
 - RCP 4.5- equivalent to approximately 2°C of global warming above pre-industrial levels
 - RCP 8.5- equivalent to approximately 4°C of global warming above pre-industrial levels
- A focus on a 2030 timeframe to assist current day decision-making, although we also consider climate projections over longer time horizons
- Using a typical risk assessment process, impact is assessed through a combination of historical analysis, scenario analysis and the use of some modelling.

We have focussed initially on QIC's real asset portfolios with an intention to subsequently apply this knowledge to other asset classes. We are still working through this process however our learnings so far indicate that structural failure of assets is a far less likely outcome than a disruption to operations and the prospect of an increase in operational expenses. This suggests potential adaptation strategies will focus on increasing the ability to return service levels of a business to normal as quickly as possible.

In 2017-18 we piloted this work on a real estate asset and in 2018-19, we extended this work to a portfolio of assets. Ultimately our aim is to combine this work with our climate scenario modelling to build a comprehensive view of portfolio-level climate risk exposure.

In December 2018, the Australian Accounting Standards Board (AASB) released advice⁸ on the materiality of climate risk in financial statements. The advice states that given the importance of climate-related risks to investment decision making, entities can no longer treat climate-related risks as merely a matter of corporate social responsibility and should consider them also in the context of their financial statements. Our work to understand climate-related risks will enhance our ability going forward to disclose under the TCFD framework and position QIC to report under the AASB guidance.

⁸Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB Practice Statement 2, December 2018

Transition Risk and Opportunities

In 2018-19 we continued to deepen our understanding of transition risk and understand the exposure of each of our investment teams' to carbon intensive industries. We focussed on carbon footprinting portfolios and engaging with portfolio companies and managers on how they're managing the risk and targeting potential opportunities. In the listed space we rely heavily on our external ESG data providers. While we utilise a range of factors covered by our data providers, we focus on absolute scope 1 and 2 emissions and emissions intensity information. More recently we have been utilising MSCI's Low Carbon Transition factors, which are designed to consistently measure a company's exposure to economically relevant risks and opportunities related to the low carbon transition⁹. We will continue to use MSCI and other data sources, such as the CDP, to assess how companies are positioned in relation to the transition.

The release of the Intergovernmental Panel on Climate Change (IPCC) Special Report, *Global Warming of 1.5°C*, which was published in October 2018, emphasised the need to take radical action to keep warming below 1.5°C. It highlighted the potential dire consequences if this is not achieved. This report has had a significant impact on the debate around scenario analysis and the need for organisations to include a 1.5°C scenario as part of the scenarios they analyse to assess transition risk. To this end we have begun work on developing customised scenarios for QIC's infrastructure and real estate portfolios, including a 1.5°C scenario, to understand the potential impacts this could have on our assets into the future. The scenarios and results of this assessment will be shared in 2019-20.

RISK MANAGEMENT

QIC manages risk in accordance with the Board's Risk Appetite Statement and Risk Management Framework, including the Enterprise Risk Management Policy. The risk management process is consistent with *International Standard ISO 31000: Risk Management*. Our Risk Management Framework includes an enterprise-wide methodology for rating risks and provides for assessment of business risks using the consequence and likelihood tables included in the Risk Rating Procedure included in the Board's Risk Appetite Statement. All risk across the business is identified and rated in accordance with this approach to bring consistency at an enterprise level. Existing controls that mitigate identified risks are taken into consideration to determine the residual risk rating. Identified risks, which include climate change risks, are rated according to QIC's risk rating standards and then compared to the Board-approved Risk Appetite Statement to determine if any further mitigation is required to bring residual risks within the Board's Risk Appetite.

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

In 2018-19 we reviewed and updated our *Risk Appetite Statement (RAS)* to better articulate climate risk within this document and to more closely align with the TCFD recommendations. Our *RAS* now includes three separate descriptions on climate risk that focus on the physical risk, transition risk and the risks associated with energy security and resource scarcity.

It is anticipated the update to the *RAS* will not only help increase the understanding of the multi-dimensional risk that climate change poses across our organisation but will also allow more targeted discussions about how best to manage the risks. The *RAS* will continue to be updated as we build out our understanding of the various facets of climate risk, including the work currently being undertaken to better understand the transition risks facing our business.



CASE STUDY

THAMES WATER: GENERATING ENERGY FROM WASTE

QIC Global Infrastructure holds an interest in Thames Water, which is the UK's largest water and wastewater company, taking care of water for over 15 million people. It has a strong sustainability focus and has continued to invest in and develop technologies that reduce its greenhouse gas emissions and generate energy for its operations. One of the primary focus areas has been on the significant amount of sludge generated through its operations and using it as a resource to generate energy. The company has been doing this for a number of years using the process of anaerobic digestion (AD), which produces biogas that is used as a fuel in their combined heat and power engines. Thames Water has improved its process to generate more energy from this method by investing in Thermal Hydrolysis Plant technology. The addition of this technology improves the efficiency of the AD process which ultimately leads to an increase in the amount of energy generated from the sludge. During the 2018-19 period 281 GWh of electricity was generated through this process, the equivalent of powering approximately 40,000 UK homes for an entire year¹⁰.

“Focus on sustainability outcomes that are both good for our portfolio companies and the environment are key considerations for us, a good example with much potential is the generation of energy from waste.”

Ross Israel, Head of Global Infrastructure

¹⁰UKPower, Average Gas and Electricity Consumption for Households, https://www.ukpower.co.uk/home_energy/average-household-gas-and-electricity-usage
(Note: excludes peripheral assets)

METRICS AND TARGETS

QIC's largest direct source of emissions comes from the retail and office assets developed, owned and operated by QIC Global Real Estate. Purchased electricity is our most material source of emissions, accounting for more than 85% of our carbon footprint, which is why both improving our efficiency and exploring options to source more of our electricity from renewable sources continues to be our primary focus.

The current target and our performance in the table below applies to QIC Global Real Estate's core retail funds¹¹. It shows an 8% reduction in electricity intensity since from the baseline year, 2015. Whilst significant progress has been made in reducing electricity intensity, achieving the 20% reduction target by June 2020 will be challenging. Planning is advanced on a range of energy reduction initiatives including rooftop solar at a number of QIC's shopping centres and we are aiming to commence our solar program in 2020.

Target	2015 Baseline (MJ/m ²)	2019 Performance (MJ/m ²)	% change
20% reduction in electricity intensity by 2020	370	340	-8%

Beyond electricity, there is also a strong focus on significantly reducing the amount of natural gas our assets are consuming. Natural gas consumption has increased this financial year largely due to the addition of two super regional assets, along with increases in consumption across a number of our centres including Watergardens, Eastland and the Canberra Centre. To address this increased consumption, we are focussing on the large scale roll out of solar PV across our assets and finalising the business case to re-set our energy generation to replace our base building heating and hot water end use from natural gas to renewable electrification.

Investment Team	Absolute Scope 1 and 2 emissions (tCO ₂ e)	QIC equity share (tCO ₂ e) ¹²
Global Infrastructure	573,286 ^{12,13}	204,215
Global Real Estate	140,798	140,798

Several of our infrastructure assets we co-invest in have set emissions reduction targets. Some of these targets are listed below:

- Brisbane Airport: 25% reduction of 2017 carbon emissions (Scope 1+2) by 2025
- Thames Water: Net zero emissions by 2030
- Port of Brisbane: Net zero emissions by 2030

Furthermore, where existing portfolio companies don't have a target in place we actively engaging with each of them to make sure they understand the nature of transition risk, and ultimately initiate a process to develop appropriate strategies and targets to achieve net zero emissions.

27 ¹¹QIC's core retail funds are the QIC Property Fund and the QIC Shopping Centre Fund (Note: excludes peripheral assets)

¹²Under the equity share approach, a company accounts for the GHG emissions from operations according to its share of equity in the operation, *The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard*

¹³Excludes Powering Australia Renewable Fund, MasParc, Brussels Airport

CARBON NEUTRALITY AT THE NORTH AUSTRALIAN PASTORAL COMPANY

QIC Global Private Capital invests directly in the North Australian Pastoral Company (NAP), which became the first red meat producer to be certified under the Federal Department of Environment and Energy's National Carbon Offset Standard (NCOS). NCOS is a voluntary standard to manage greenhouse gas emissions and to achieve carbon neutrality. The certification covers NAP's branded beef product, 'Five Founders', which was launched in the second half of 2019. The company engaged a third-party to measure and calculate the carbon footprint of its branded beef, with the methodology and calculations being independently assured. This certification is only the first step in NAP's journey to reduce the emissions intensity of its operations. With the company identifying a range of initiatives to reduce emissions, increase productivity and contribute to Meat and Livestock Australia's carbon neutral target by 2030.

"Offsetting the emissions associated with our branded beef product, 'Five Founders', is only the first step in our journey to reduce the emissions intensity of our business. We continue to identify and investigate a range of initiatives to reduce our emissions intensity with a focus on the animal, which is responsible for over 90% of our carbon footprint. We believe we have the ability to be a world leader in ensuring that red meat is seen to be a sustainable choice for people to eat and enjoy."

Phil Cummins, Chief Executive Officer, North Australian Pastoral Company

TRUSTED ORGANISATION

To be considered a trusted organisation by our shareholder, clients and the wider community is vitally important to QIC. The issue of trust in the finance industry was brought to the fore with the findings of the Hayne Royal Commission. Although QIC was not directly named in the report, following its release, our risk team undertook detailed analysis of themes identified in the final report. This was an opportunity to reconcile all of QIC's practices to ensure we operate at best practice from a risk management, culture, alignment, investment and corporate governance perspective. A series of risk management papers were also presented to the Executive Committee and Board/Board Risk Committee to discuss, in detail, the observations and findings to further strengthen our operating practices.

Addressing the risk of modern slavery

The Modern Slavery Act 2018 (Cth) came into effect on 1 January 2019, placing a requirement on eligible entities to submit a Modern Slavery Statement annually. The Act seeks to actively reduce the risk of modern slavery occurring in Australia and across the globe. Companies reporting under the legislation are required to assess the risk of modern slavery occurring across their operations and supply chains, and report on how this risk is being addressed. As an Australian entity with an annual consolidated revenue of more than \$100 million, QIC is required to report on investment activities and portfolios.

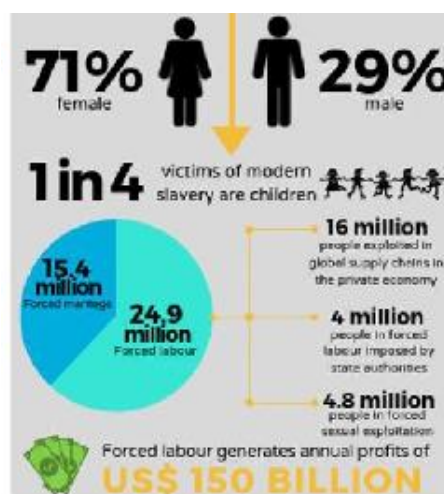
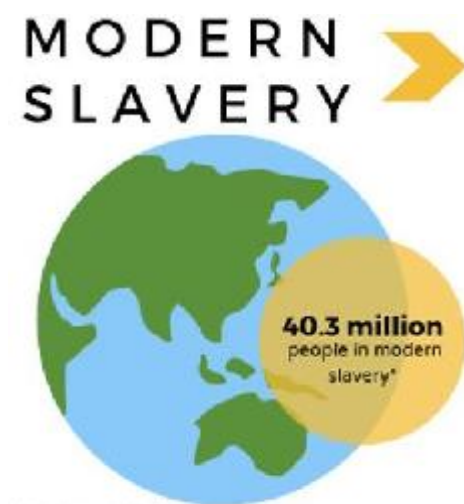
WHAT IS MODERN SLAVERY?

Modern slavery refers to serious situations of exploitation resulting in a person's freedom being undermined or deprived. This can occur where a person cannot refuse or leave work because of threats, violence, coercion, abuse of power or deception. In Australia, the legal definition incorporates conduct that would constitute an offence under existing human trafficking, slavery and slavery-like offences set out in Divisions 270 and 271 of the Commonwealth Criminal Code. This means that eight types of serious exploitation are captured: trafficking in persons, slavery, servitude, forced marriage, forced labour, debt bondage, the worst forms of child labour and deceptive recruiting for labour or services.



CONDUCT AND CULTURE

In May 2019, QIC commissioned an external third party to undertake a Conduct and Culture audit. The audit provides an opportunity to assess how well our approach to managing conduct and culture is embedded across the business. It was an important step for our business to have an independent third party assess how our Conduct Framework, which has three key focus areas – People, Process and Governance – is designed and implemented. The findings from the report will include any potential gaps and recommendations for improvement. We will continue to be proactive in this and strive for continuous improvement whilst ensuring we continue to maintain leading frameworks and processes to monitor performance.



* Estimates based on data from 2016

** Based on estimates by the ILO and Walk Free Foundation 2017 and the Global Slavery Index 2018

Source data: Anti-Slavery Australia

How is QIC responding to The Modern Slavery Act?

QIC is taking a proactive approach and has developed a Modern Slavery Framework to assess and respond to the risk of modern slavery across our operations, supply chains and investment portfolios. The framework aims to build QIC's capacity over time to identify and respond to the risk of modern slavery and contribute to establishing industry best practice. Ahead of the first reporting period (1 July 2019 - 30 June 2020), we have:

- allocated responsibilities and accountabilities to Board sub-committees and executives to oversee the implementation of the reporting requirements;
- established a cross-functional Modern Slavery Steering Committee, chaired by the QIC Chief Risk Officer;
- set strategic priorities and developed a staggered approach to build capacity over time to respond to risk of modern slavery;
- established milestones and measures of success to assess the effectiveness of our approach over time; and
- developed a four-factor methodology to assess the risk of modern slavery across QIC's operations, supply chains and investment portfolios.

Our work to identify and address the risk of modern slavery is ongoing. QIC will prepare its first Joint Modern Slavery Statement covering QIC and related entities for the 2019-20 year by 31 December 2020.

Cybersecurity

The World Economic Forum's *Global Risks Report 2019* identifies cyber-attacks as being in the top ten global risks that may disrupt the world in 2019 and over the next decade. This highlights the importance of having a strong framework in place and continuing to mitigate this risk and enhance our cyber security processes. The content below details our framework, testing and monitoring procedures we have in place.

Framework

QIC is currently seeking alignment with the National Institute of Standards and Technology (NIST) Cybersecurity Framework. The NIST Framework was developed in the United States and consists of standards, guidelines, and best practices to manage cybersecurity-related risk. We are targeting alignment with *Tier 3 Repeatable Cybersecurity Practices*, with tiers ranging from 1-4 (4 being the highest achievable) and describing an increasing degree of maturity, rigour and sophistication in managing cybersecurity risk.

Testing

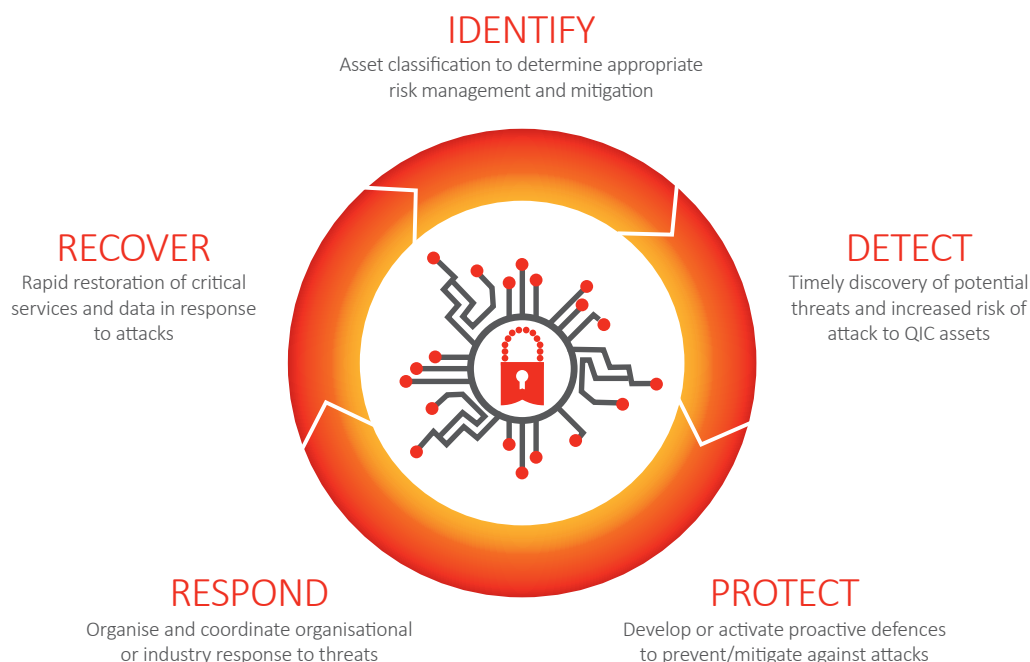
As part of and to support the implementation of the NIST Framework, our IT Risk and Security team periodically conduct a cybersecurity incident simulation to test the incident response and readiness of the leaders and broader technology team. The simulations are designed to target QIC's critical business processes and sensitive information. Past scenarios have included malicious insiders, phishing attacks, account compromise, stolen/lost devices, data leaks, and denial of service attacks. QIC is in the process of finalising a third-party exercise that will expand the simulations to include 'Red Team' & 'Blue Team' exercises that will provide more realistic simulations of attackers and defenders. This will ensure QIC's defences are able to withstand attacks exploiting physical and social domains and aims to further test the cyber incident response process.

Monitoring

QIC uses Splunk, a software for searching, monitoring, and analysing machine-generated big data, to centralise event data that is then correlated and analysed for risks. This data allows QIC to monitor and assess security information and events at scale – at over a one billion events per month. We work with a global Security Managed Services Provider to ensure a 24x7 monitoring capability is active in the escalation of Cybersecurity incidents and events. This service also uses machine learning algorithms over a large volume of available data to detect anomalies, create forecasts and identify new cybersecurity trends.

CYBERSECURITY (continued)

Continuous Cybersecurity Review Methodology



“Ensuring we have the appropriate systems and processes in place to protect both our own and our clients’ data is vitally important to QIC and is why we continue to invest in our cybersecurity capabilities.”

Mark McDonald, Executive Director, Operations & Technology

COMBATTING MONEY LAUNDERING AND FINANCE RISKS

QIC plays an important role in preventing, detecting and reporting suspicions of money laundering and terrorism financing activities to competent authorities. QIC’s Joint Anti-Money Laundering and Counter Terrorism Financing Program includes processes and procedures to help us identify, mitigate and manage the money laundering and terrorism financing risks that we are exposed to. It also includes procedures for identifying and verifying the identity of customers and beneficial owners including those that are politically exposed persons (PEPs), employee training and ongoing monitoring and reporting.

COMPLIANCE MONITORING AND ASSURANCE PROGRAM

The Risk, Governance and Tax division forms part of QIC’s second line of accountability and is responsible for undertaking independent checks on the adequacy and effectiveness of the compliance risks facing QIC’s corporate and investment teams. During the year we made some significant enhancements to our compliance monitoring and assurance program through the introduction of an enhanced, risk-based methodology, to ensure that our efforts focus on areas of the highest risk and can effectively identify areas of non-compliance and improvement opportunities.

WORKPLACE HEALTH AND SAFETY

QIC is committed to workplace health and safety across its operations and has recently sought to bolster its capability in this space by creating a specialist role for an in-house matter expert. This enhanced specialist capability is aimed at providing a balanced approach to the management of WHS across the QIC portfolio. Key focus areas for QIC moving forward on WHS will include:

- Further developing QIC's WHS Management System with a long-term goal of achieving compliance with international standard *ISO45001 Occupational Health & Safety*;
- Further developing and enhancing QIC's safety culture across all areas; and
- Developing a WHS Due Diligence Framework.

GHG EMISSIONS

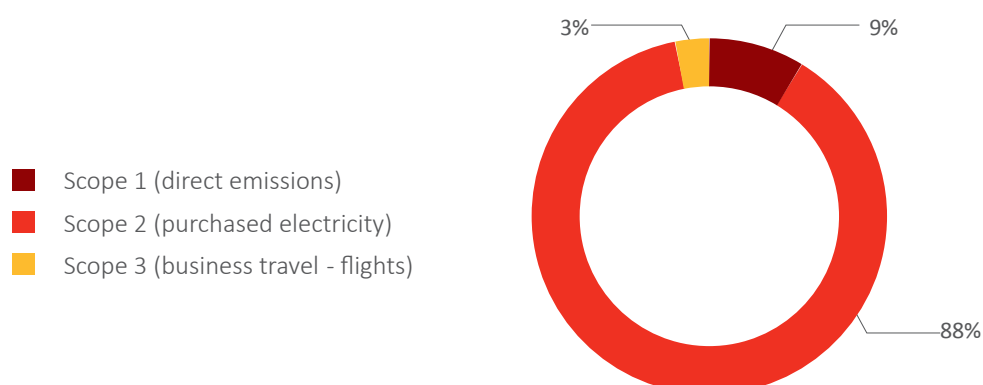
Approximately 97% of QIC's carbon footprint is associated with QIC Global Real Estate's retail and office assets both domestically and in the United States. These assets are the main contributors to QIC's scope 1 and scope 2 emissions.

The table and chart below provide a breakdown of QIC's GHG emissions for 2017-18 and 2018-19 by scope of emissions. They highlight the dominance of Scope 2 emissions within QIC's emissions profile, responsible for greater than 85% of our carbon footprint. Scope 2 emissions are generated from purchased electricity, which is why our primary focus is on improving both the efficiency of our operations and exploring options to generate electricity from renewable sources. Beyond our Scope 2 emissions we are also seeking to reduce our Scope 1 emissions through reducing our natural gas consumption as discussed in the *Metrics and Targets* section on page 27.

An allocation error was made in our 2018 Sustainability Report where some of GRE's assets Scope 2 emissions were incorrectly allocated as Scope 1 emissions. This has led to a minor change in the total emissions figure reported for FY18 (-0.27%) with the figures now having been appropriately adjusted in the table below.

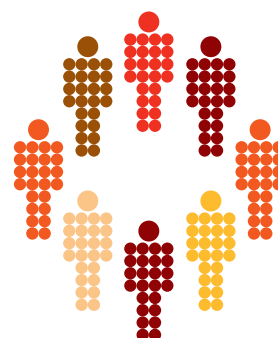
Emission Source	FY18	FY19
Scope 1 (direct emissions)	9,677	15,367
Scope 2 (purchased electricity)	140,656	146,832
Scope 3 (business travel - flights)	5,132	4,597
Total	155,465	167,426

Breakdown of QIC's absolute GHG emissions 2018-19



INCLUSIVE EMPLOYER

We continue to focus on building an environment that helps support and further develop our most important asset, our people. We recognise that investing in our people is vitally important to produce high performing teams that can deliver outstanding outcomes for our clients and shareholder. We believe creating a diverse, inclusive culture that fosters the delivery of these outstanding outcomes and we continue to progress and launch new initiatives to develop our people.



DIVERSITY AND INCLUSION COMMITTEE

QIC's Diversity and Inclusion (D&I) committee, which has representation from across the business, met several times throughout 2018-19. This group helps shape QIC's D&I focus initiatives, provides feedback to the Board and executives, and ensures that QIC's pursuit of a truly diverse and inclusive workforce is embraced and sustained.

Our focus areas, targets and performance are as follows:

Focus area	Target	Performance
Inclusion	At least 80% of our people think the culture in their team is positive and inclusive, measured annually	83% ¹⁴
Flexibility	At least 80% of our people have formal or informal flexibility in to their work routine, measured annually	89% ¹⁴
Reconciliation	Implementation of our Reconciliation Action Plan	<i>Reflect RAP</i> launched
Gender balance	Gender balance across QIC to be +/- 5%	-4% (46% female)
	Gender balance in the senior leadership of QIC to be +/- 10%	-10% (40.6% female)
	Board gender balance of 50/50 composition by 2020 ¹⁵	44.4% female 55.6% male
Gender pay equity	Within +/- 2% average compa-ratio, measured annually	0.24%

33 ¹⁴Based on respondents to voluntary employee engagement survey

¹⁵The QIC Board is composed of nine members. Currently there are four female directors and five male directors.

DRIVING DIVERSITY IN INFRASTRUCTURE

QIC Global Infrastructure identified an opportunity to drive diversity across the portfolio by bringing together portfolio companies to discuss the issue. Many companies operating in the infrastructure sector have male dominated workforces, and combined with an ageing workforce, particularly in the engineering, technical and operational areas, also face succession risk and a need to build greater resilience within the business. To help address these issues, in April 2019, QIC Global Infrastructure's Asset Management team hosted a QIC Global Infrastructure Diversity and Inclusion Forum with management representatives from each of the portfolio companies in Australia and New Zealand with two QIC Non-Executive Directors attending. The forum provided a great opportunity for discussion and cross fertilisation of ideas with positive feedback from participants. It also enabled participants to continue to develop relationships with each other, so they can share future learnings.

QPRIDE

As part of our Diversity and Inclusion strategy, QIC's QPride network was established in 2019 to bring together our colleagues who are allies of, or who identify as members of the LGBT+ (lesbian, gay, bisexual, transgender) community. At QIC, we are committed to creating an inclusive environment where every voice is valued and respected, where differences are embraced, and our people can bring their true selves to work each day. QPride aims to:

- champion an inclusive work environment that is free from prejudice or discrimination for our LGBT+ employees;
- raise awareness of and celebrate the diversity of our LGBT+ community through a number of events and initiatives throughout the year; and
- provide our people with information and support on LGBT+ related issues.



INCLUSIVE LEADERSHIP PROGRAM

In 2019 and in partnership with PwC, QIC launched the Inclusive Leadership Program to be delivered across the business with learning outcomes that include:

- enhance knowledge of diversity and inclusion and the case for change;
- explore how practising active inclusion as leaders helps create high performing teams and reduces the negative impact of bias;
- build more holistic leadership capability and equip leaders with the knowledge, skills and practical tools to develop inclusive behaviours; and
- raise awareness of current and new D&I related policies and support resources

Two programs were run during the reporting period with more to be rolled out moving forward.

QIC YOUNG PROFESSIONAL NETWORK

QIC has around 400 young professionals in Australia alone representing approximately 37% of our workforce. In January this year, QIC Young Professionals reached out to our younger employees across QIC to find out their thoughts on leadership, QIC as an organisation and how to make it an even better place to work. Some of the common themes that emerged from the survey were:

- appetite for more development opportunities;
- interest in more communication and engagement from the Executive Committee members; and
- desire for more clarity around career pathways and progression.

These themes were presented to the Executive Committee in a session led by members of the Young Professionals Committee, to inform about the initiatives of the 2019 program, including:

- Be Your Own Best Coach workshop led by a former Australian National Cricket Coach, John Buchanan, participants learnt how to recreate their own 'personal best' day by following a four-step framework that acknowledged that, although the result is important, it is critical to remember the journey that led to it.
- QIC Young Professionals Mentoring Program – launched in July 2019, the program partners QIC leaders with young professionals to develop a mentee-mentor relationship and support professional development.

LEAVE STANDARD UPDATES

Last year we reported that we had updated and launched our new Leave Standard for QIC employees, which included enhancements to carer's leave and an extension of the eligibility timeframe for parental leave. These updates were made to encourage equal parenting and allow more of our staff to access this benefit, with the aim of having more of our male colleagues take up the opportunity of parental leave. We are pleased to report that these changes have had a positive impact on balancing the up-take of this benefit with the overall instances of parental leave participation doubling throughout the year.

In addition, as part of QIC's focus on Diversity and Inclusion, our staff are able to switch out a public holiday for a day of cultural significance.





CASE STUDY

A FATHER'S PARENTAL LEAVE EXPERIENCE

When it comes to mixing kids and careers, the status quo is that mothers are still more likely than fathers to take extended periods of time off work. Love it or hate it, that norm remains strong: only one in 20 fathers take primary parental leave, according to the Australia Bureau of Statistics (ABS), and 85% of fathers and partners surveyed by the Human Rights Commission took fewer than four weeks of leave.

So, what happens when fathers shake up the status quo? George Katsanevas, who works for QIC's Global Real Estate team as an Investment General Manager, understands the importance of maintaining a work / family balance and with the recent arrival of his third child, Valentina, the relevance is magnified. Here's what George can share on his parental leave opportunity at QIC and how his team are embracing the flexible working landscape through this important transition.

“

How did you come to the parental leave arrangement?

I started at QIC 15 years ago. The policies from when I started at QIC have evolved considerably. It was something I was keen to do for both my wife and I. When we found out we were expecting our third child the potential for one day a week (for circa 26 weeks) was flagged at the time with our Managing Director and General Manager Investments, and both were extremely supportive.

What were your motivations for going on parental leave?

Just as we are focussed at work on understanding the critical periods where 110% of your attention is required to successfully execute a property transaction or development, we need to apply the same discipline in our family life.

Who were your greatest advocates during this change?

It is comforting to say there was significant support throughout the entire organisation. It speaks volumes when one of the strongest advocates for flexible work and paternity leave was the Managing Director of GRE. There was a clear focus on breaking the traditional mould and to ensure male staff members could support their partners to go back to work even if it is just part time.

Do you have any tips to share more broadly on how you manage the work life balance – from being on the road to working from home to being in the office?

Communication is key. I try to have regular check ins with my team as you would if you were working in the office. Understanding each other's workload and work-life priorities (we try to be mindful of scheduling meetings when we know those will not be online and with their families). Empower your team both inside and outside of the office, giving your team the tools so that what they would be able to do at work, they can achieve at home.

What advice would you have to those looking to embark on their parental leave journey?

Embrace it! It is great to see QIC acknowledge the importance of family to the wellbeing of their staff. Enjoy the few months with your newborn while you can as the time will pass quickly and that cute baby will be giving you lip before you know it.

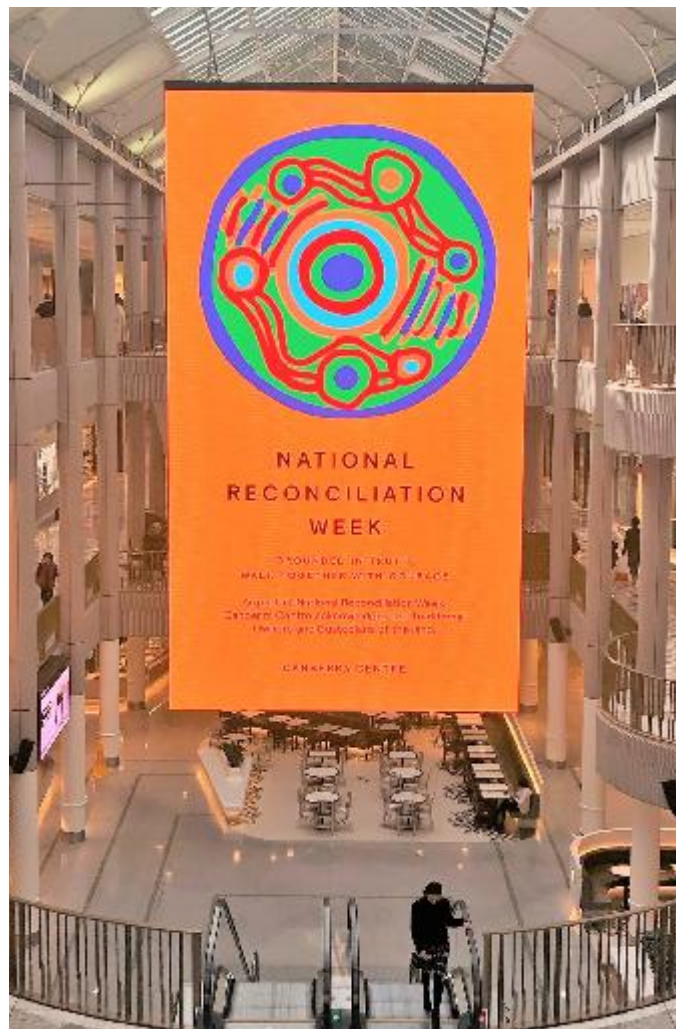
”

UPDATE ON OUR RECONCILIATION ACTION PLAN (RAP)

QIC's first RAP was launched in October 2018 with direct support from our shareholding Ministers. Our *Reflect RAP* represents our effort to reconcile the history of Queensland with regards to its treatment of Aboriginal and Torres Strait Islander peoples. Through our RAP, QIC aims to build relationships between, demonstrate respect for, create opportunities (both socially and economically) for, and remain transparent and accountable in our actions towards Aboriginal and Torres Strait Islander individuals, families, businesses and communities.

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

- establishing a RAP Working Group – that meets 1-2 times per quarter and has representation from across QIC.
- becoming a member of Supply Nation – to enable QIC to identify opportunities for Aboriginal and Torres Strait Islander suppliers in commercial supply chains.
- launching the QIC scholarship program – the program offers two scholarships per year to Aboriginal and Torres Strait Islander university students. The students will be offered the scholarship for three years, or for the remainder of their degree along with an internship and mentoring program.
- embedding the Acknowledgement of Country at key events and meetings.



National Reconciliation Week, Canberra



Mikayla Bohmer, recipient of the QIC Indigenous Tertiary Scholarship

CASE STUDY

CELEBRATING NAIDOC WEEK

In 2019, the NAIDOC week theme was “Voice. Treaty. Truth. Let’s work together for a shared future”, acknowledging that Aboriginal and Torres Strait Islander peoples have always wanted an enhanced role in decision-making in Australia’s democracy. To celebrate NAIDOC week, QIC hosted lunches in our Melbourne, Sydney and Brisbane offices. The lunches were catered by Aboriginal and Torres Strait Islander suppliers Kallico Catering, Mabu Mabu and Figjam & Co, with all proceeds being donated to Yalari, an Indigenous organisation dedicated to educating and empowering Indigenous children from regional, rural and remote communities throughout their entire secondary education.

As part of NAIDOC week, QIC hosted tours for those in our Brisbane office and attended a launch event for the Queensland Government’s Tracks to Treaty.

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

LEADING CORPORATE CITIZEN



At QIC, we understand the importance of making a positive contribution to the communities we operate in, and our people recognise the value in giving back.

During 2018-19, QIC has continued to provide support to community and charitable organisations to contribute to improved social outcomes. We do this through employee volunteering, fundraising and partnership initiatives and targeted sponsorship.



ShareFest, Los Angeles.

QIC COMMUNITY DAY

Every year, our people can utilise their annual Community Day to volunteer at or on behalf of a community-based organisation, providing hands-on support to groups who need it the most. During 2018-19, QIC employees volunteered their time to support a large number of community initiatives and charity organisations in Australia, the U.S. and UK including OzHarvest, ShareFest Los Angeles, Foodbank, Youngcare, Smith Family Appeal, the Salvation Army, the World's Biggest Garage Sale and Orange Sky Australia.

OUR CHARITABLE PARTNERSHIP WITH ORANGE SKY AUSTRALIA

Throughout the past year, QIC has continued its support of Orange Sky Australia as its charity of choice. Orange Sky Australia provides mobile free laundry and shower services across the country to people experiencing homelessness or disconnection from the community.

Thanks to the fundraising and marketing efforts of QIC employees in 2018-19, more than AUD\$42,000 has been raised to enable Orange Sky Australia to continue to provide their services to vulnerable members of society.

SUPPORTING THE QUEENSLAND COMMUNITY FOUNDATION

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

In 2019, QIC continued its support of the QCF's Philanthropist of the Year Awards, supporting the Emerging Philanthropist of the Year Award. This award honours an innovative, emerging philanthropist, team of students or giving circle, whose significant early achievements embody the qualities that define philanthropic excellence, outstanding generosity and creativity.

Alongside our ongoing sponsorship commitments, QIC's Chief Executive Officer, Damien Frawley and Head of State Relationships, Andrew Arkell, have continued in their roles on QCF's Board of Governors.



Natalie Davidson, Fundraising Manager at the Women's Legal Service accepted the QCF Emerging Philanthropist of the year for 2019 on behalf of Astrid Jorgensen (not pictured).

CASE STUDY

THE BUSINESS DEVELOPMENT FUND



The QIC Global Private Capital team oversees the Business Development Fund (BDF) on behalf of the Queensland Government. The Fund was established in 2016 to provide early stage and follow-on venture capital fund investing to support innovative Queensland businesses. The AUD\$80 million fund is sector agnostic with a portfolio that stretches across a wide variety of sectors including:

- healthcare
- education and employment
- environment, energy and mining,
- tourism and hospitality
- media and entertainment
- consumer staples and property
- construction and logistics.

Investing in such businesses has had a vast social impact on the Queensland ecosystem, boasting the creation of more than 410 direct jobs and the attraction of over 100 new investors to the state. QIC is in a unique position with its involvement to leverage our professional relationships to provide an array of opportunities to all BDF portfolio companies. Key to ensuring a long-term and sustainable future for these early stage businesses through the BDF, the Global Private Capital team at QIC provides strong governance guidance and embeds supporting principles to ensure they reach their goals in a sustainable and effective way.

BDF company profile: Tritium

Tritium is a technology company with a mission to offer energy freedom—empowering electric vehicle (EV) owners to drive as far as they want, whenever they want, and enjoy unprecedented freedom in how they manage their energy needs. Its range of hardware, software and services is developed and designed to support the global transition to e-mobility for clean, healthy and convenient cities. The company has installed over 3,000 of its fast charging EV stations in 30 countries and it recently won a deal to install charging stations at 2,500 locations in the UK.



Image: Tritium's fast charging EV stations have been installed in 30 countries to date.

CASE STUDY

DOMAIN CENTRAL QUEENSLAND FLOOD APPEAL

“Domain Central is a hub for the local community, and we felt it was very important to play our part in providing assistance to those who had been severely impacted by the flooding event.”

Sandy Corbett, Domain Central Centre Manager



In response to the flooding that occurred in North Queensland at the start of the year, employees at Domain Central, a shopping centre in Townsville owned and operated by QIC Global Real Estate, coordinated more than AUD\$100,000 worth of brand new goods to be donated to those in need in the Townsville community. The items donated were collected through the assistance of GIVIT's Queensland Flood Appeal and Townsville Rotary. By working with more than 60 retailers at the shopping centre, the donation allowed the collation of household necessities, such as washing machines, bed linen, and household electronics, to be distributed to those most in need.

KEY SUSTAINABILITY DATA



ENERGY

QIC Global Real Estate electricity consumption*

ELECTRICITY KWH	FY17	FY18	FY19	VARIANCE	% VARIANCE
NUMBER OF METERED AREAS	64	64	66	2	3.1%
Area m ²	1,517,383	1,578,599	1,820,325	241,726	15.3%
Usage kWh	138,638,991	138,145,589	149,144,541	10,998,952	8.0%
Intensity kWh/m ²	91	88	82	-6	-6.4%

* This data covers the QIC Property Fund (QPF), QIC Shopping Centre Fund (QSCF), QIC Government Office Fund (QGOF), QIC Active Retail Property Fund (QARP) and the QIC Australia Core Plus Fund (QACPF).

QIC Global Real Estate gas consumption*

GAS MJ	FY17	FY18	FY19	VARIANCE	% VARIANCE
NUMBER OF METERED AREAS	12	11	13	2	18.2%
Area m ²	603,668	551,991	761,674	209,683	38.0%
Usage MJ	98,037,800	100,368,322	176,966,212	76,597,890	76.3%
Intensity MJ/m ²	162	182	232	51	27.8%

* This data covers the QIC Property Fund (QPF), QIC Shopping Centre Fund (QSCF), QIC Government Office Fund (QGOF), QIC Active Retail Property Fund (QARP) and the QIC Australia Core Plus Fund (QACPF).

GHG EMISSIONS

QIC total emissions tCO₂e*

Emission Source	FY19
Scope 1 (direct emissions)	15,367
Scope 2 (purchased electricity)	146,832
Scope 3 (business travel - flights)	4,597
TOTAL	167,426

* These emissions cover all of QIC's corporate office space and real estate investments we own in Australia and offshore, and the emissions associated with our business travel.

QIC Global Real Estate Scope 1 emissions*

GHG SCOPE 1 tCO ₂ -e	FY17	FY18	FY19	VARIANCE	% VARIANCE
NUMBER OF METERED AREAS	12	11	13	2	18.2%
Area m ²	603,668	551,991	761,674	209,683	38.0%
Usage tCO ₂ -e	5,064	5,199	9,157	3,958	76.1%
Intensity tCO ₂ -e/m ²	0.0084	0.0094	0.0120	0	27.6%

* This data covers the QIC Property Fund (QPF), QIC Shopping Centre Fund (QSCF), QIC Government Office Fund (QGOF), QIC Active Retail Property Fund (QARP) and the QIC Australia Core Plus Fund (QACPF).

QIC Global Real Estate Scope 2 emissions*

GHG SCOPE 2 tCO ₂ -e	FY17	FY18	FY19	VARIANCE	% VARIANCE
NUMBER OF METERED AREAS	63	63	65	2	3.2%
Area m ²	1,517,383	1,578,599	1,820,325	241,726	15.3%
Usage tCO ₂ -e	120,599	122,655	134,959	12,303	10.0%
Intensity tCO ₂ -e/m ²	0.0795	0.0777	0.0741	0	-4.6%

This data covers the QIC Property Fund (QPF), QIC Shopping Centre Fund (QSCF), QIC Government Office Fund (QGOF), QIC Active Retail Property Fund (QARP) and the QIC Australia Core Plus Fund (QACPF).

WATER

QIC Global Real Estate water consumption*

WATER kL	FY17	FY18	FY19	VARIANCE	% VARIANCE
NUMBER OF METERED AREAS	54	55	58	3	5.5%
Area m ²	1,473,222	1,513,142	1,785,775	272,633	18.0%
Usage kL	1,452,561	1,503,035	1,716,663	213,629	14.2%
Intensity L/m ²	986	993	961	-32	-3.2%

* This data covers the QIC Property Fund (QPF), QIC Shopping Centre Fund (QSCF), QIC Government Office Fund (QGOF), QIC Active Retail Property Fund (QARP) and the QIC Australia Core Plus Fund (QACPF).

WASTE

QIC Global Real Estate waste to landfill*

WASTE- LANDFILL Tonnes	FY17	FY18	FY19	VARIANCE	% VARIANCE
NUMBER OF METERED AREAS	43	44	50	6	13.6%
Area m ²	1,364,335	1,407,003	1,692,581	285,578	20.3%
Usage Tonnes	17,939	18,551	22,457	3,905	21.1%
Intensity tonnes/m ²	0.0131	0.0132	0.0133	0	0.6%

* This data covers the QIC Property Fund (QPF), QIC Shopping Centre Fund (QSCF), QIC Government Office Fund (QGOF), QIC Active Retail Property Fund (QARP) and the QIC Australia Core Plus Fund (QACPF).

QIC Global Real Estate recycling*

WASTE- RECYCLING Tonnes	FY17	FY18	FY19	VARIANCE	% VARIANCE
NUMBER OF METERED AREAS	39	40	46	6	15.0%
Area m ²	1,341,024	1,357,217	1,657,585	300,368	22.1%
Usage Tonnes	9,440	9,557	12,430	2,872	30.1%
Intensity tonnes/m ²	0.0070	0.0070	0.0075	0	6.5%

* This data covers the QIC Property Fund (QPF), QIC Shopping Centre Fund (QSCF), QIC Government Office Fund (QGOF), QIC Active Retail Property Fund (QARP) and the QIC Australia Core Plus Fund (QACPF).

ECONOMIC VALUE

Direct Economic Value Generated and Distributed

QIC	\$'000
Direct Economic Value Generated	445,289
Economic Value Distributed	
Operating Costs	83,897
Employee Wages and Benefits	262,373
Payments to Providers of Capital	59,289
Payments to Government	29,178
Community Investments	259
Total Economic Value Distributed	434,996
Economic Value Retained	10,293

PEOPLE

QIC's diversity and inclusion targets

Focus area	Target	Performance
Inclusion	At least 80% of our people think the culture in their team is positive and inclusive, measured annually.	83%
Flexibility	At least 80% of our people have formal or informal flexibility in to their work routine, measured annually.	89%
Reconciliation	Implementation of our Reconciliation Action Plan.	<i>Reflect RAP</i> launched
Gender balance	Gender balance across QIC to be +/- 5%.	-4% (46% female)
	Gender balance in the senior leadership of QIC to be +/- 10%.	-10% (40.6% female)
	Board gender balance of 50/50 composition by 2020.*	44.4% female 55.6% male
Gender pay equity	Within +/- 2% average compa-ratio, measured annually.	0.24%

* The QIC Board is composed of nine members. Currently there are four female directors and five male directors.

People data

Relevant GRI Indicator, Title & Requirements	Response				
GRI 102-8 - Information on employees and other workers					
A. Total number of employees by employment contract (permanent and temporary), by gender.		f	m	Grand Total	
	Casual	14	27	41	
	Maximum Term	46	31	77	
	Open Term	414	496	910	
	QIC Project Workforce (Non Permanent)	7	9	16	
	Grand Total	481	563	1044	
Excludes consultants, directors and agency contractors.					
B. Total number of employees by employment contract (permanent and temporary), by region.		AUS	UK	USA	Grand Total
	Casual	22		19	41
	Maximum Term	72		5	77
	Open Term	650	11	249	910
	QIC Project Workforce (Non Permanent)	16			16
	Grand Total	760	11	273	1044
Excludes consultants, directors and agency contractors.					
C. Total number of employees by employment type (full-time and part-time), by gender.		f	m	Grand Total	
	Demand*	14	27	41	
	Full Time	412	531	943	
	Part Time	55	5	60	
	Grand Total	481	563	1044	
	*Demand denotes a causal employee Excludes consultants, directors and agency contracts.				
D. Whether a significant portion of the organization’s activities are performed by workers who are not employees. If applicable, a description of the nature and scale of work performed by workers who are not employees.	Not applicable.				

People data (continued)

Relevant GRI Indicator, Title & Requirements	Response										
GRI 401-1- New employee hires and employee turnover											
A. Total number and rate of new employee hires during the reporting period, by age group, gender and region.	AUS		AUS Total	UK		UK Total	US		US Total	Grand Total	
	f	m		f	m		f	m			
	<30	27	24	51		1	7	10	17	69	
	31-40	39	37	76	1		6	8	14	91	
	41-50	23	22	45			7	8	15	60	
	51-60	9	6	15			4	9	13	28	
	60+	3	4	7			1	2	3	10	
	Grand Total	101	93	194	1	1	2	25	37	62	258
	AUS		AUS Total	UK		UK Total	US		US Total	Grand Total	
	f	m		f	m		f	m			
	<30	39.1%	34.8%	73.9%	0.0%	1.4%	1.4%	10.1%	14.5%	24.6%	100%
	31-40	42.9%	40.7%	83.5%	1.1%	0.0%	1.1%	6.6%	8.8%	15.4%	100%
	41-50	38.3%	36.7%	75.0%	0.0%	0.0%	0.0%	11.7%	13.3%	25.0%	100%
51-60	32.1%	21.4%	53.6%	0.0%	0.0%	0.0%	14.3%	32.1%	46.4%	100%	
60+	30.0%	40.0%	70.0%	0.0%	0.0%	0.0%	10.0%	20.0%	30.0%	100%	
Grand Total	39.1%	36.0%	75.2%	0.4%	0.4%	0.8%	9.7%	14.3%	24.0%	100%	
B. Total number and rate of employee turnover during the reporting period, by age group, gender and region.	FY18/19 Turnover was 16.5% of which 9.1% was voluntary turnover (open term) and 7.4% was involuntary turnover. In total we had 195 leavers for the financial year.										
	1)										
	AUS			UK			US			Grand Total	
	f	m			m		f	m			
	<30	13	7				3	7		30	
	31-40	29	23		1		8	4		65	
	41-50	16	24		1		8	7		56	
	51-60	9	6				1	11		27	
	60+	5	4				2	6		17	
	Grand Total	72	64		2		22	35		195	
	2)										
	AUS		AUS Total	UK		UK Total	US		US Total	Grand Total	
	f	m			m		f	m			
<30	43.3%	23.3%	66.7%	0.0%	0.0%	10.0%	23.3%	33.3%	100%		
31-40	44.6%	35.4%	80.0%	1.5%	1.5%	12.3%	6.2%	18.5%	100%		
41-50	28.6%	42.9%	71.4%	1.8%	1.8%	14.3%	12.5%	26.8%	100%		
51-60	33.3%	22.2%	55.6%	0.0%	0.0%	3.7%	40.7%	44.4%	100%		
60+	29.4%	23.5%	52.9%	0.0%	0.0%	11.8%	35.3%	47.1%	100%		
Grand Total	36.9%	32.8%	69.7%	1.0%	1.0%	11.3%	17.9%	29.2%	100%		

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

<p>A. Benefits which are standard for full-time employees of the organization but are not provided to temporary or part-time employees, by significant locations of operation. These include, as a minimum:</p> <ul style="list-style-type: none"> i. life insurance; ii. health care; iii. disability and invalidity coverage; iv. parental leave; v. retirement provision; vi. stock ownership; vii. others. 	<ul style="list-style-type: none"> i. life insurance – US employees only, notwithstanding default life insurance within Australian Superannuation Plans held by individual ii. health care – US employees only iii. disability and invalidity coverage – US employees only, notwithstanding disability/TPD and income protection insurance within Australian Superannuation Plans held by individual iv. parental leave – available to any employee who has met the required 6 months of service eligibility criteria v. retirement provision – AU is 9.5% mandatory contribution via superannuation, 3% 401k, UK currently 3% from 6 April 2019 as per the UK Pension Regulator. vi. stock ownership – investment opportunities through the staff investment scheme are available to all employees with a least 6 months service vii. Critical illness insurance – available for US employees
<p>B. The definition used for ‘significant locations of operation’.</p>	<p>Defined by geography of QIC offices e.g. Australia, United States and Europe.</p>

GRI 401-3-Parental Leave

<p>A. Total number of employees that were entitled to parental leave, by gender.</p>	<p>Throughout the period, any QIC employee employed for 6 months or longer was eligible for paid parental leave entitlements, which equates to 948 employees (91%).</p>
<p>B. Total number of employees that took parental leave, by gender.</p>	<p>In Australia, 38 employees (33 female and 5 male) accessed the paid parental leave benefit as a primary carer and 25 employees (all male) access the non-primary carer parental leave benefit. In addition, 9 US employees (6 female and 3 male) accessed the paid parental leave benefit as a primary carer meaning, that throughout FY18/19 a total of 72 employees took parental leave.</p>
<p>C. Total number of employees that returned to work in the reporting period after parental leave ended, by gender.</p>	<p>In Australia, 16 employees (15 female and 1 male) are currently on paid parental leave, 21 employees (17 female and 4 male) have returned to work, and 1 female employee that did not return to work. In the US, 4 employees (2 female and 2 male) are currently on paid parental leave and 5 have returned to work (4 female and 1 male).</p>
<p>D. Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender.</p>	<p>Data not available</p>
<p>E. Return to work and retention rates of employees that took parental leave, by gender.</p>	<p>Data not available Anecdotally we are confident that the retention and return rate of our parental leave population is quite high.</p>

People data (continued)

GRI 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	
A. Types of injury, injury rate (IR), occupational disease rate (ODR), lost day rate (LDR), absentee rate (AR), and work-related fatalities, for all employees, with a breakdown by: i. region; ii. gender.	Physical injury – 1 Absenteeism rate – <1% Work related fatalities – 0
B. Types of injury, injury rate (IR), and work-related fatalities, for all workers (excluding employees) whose work, or workplace, is controlled by the organization, with a breakdown by: i. region; ii. gender.	Nil
C. The system of rules applied in recording and reporting accident statistics.	In accordance with internal OHS incident reporting and legislative state-based WorkCover requirements.

GRI 404-2 Programs for upgrading employee skills and transition assistance programs	
A. Type and scope of programs implemented and assistance provided to upgrade employee skills.	<p>QIC Professional Development complements business unit technical specialisations with an emphasis on providing a transferable skills toolkit facilitated by external professionals. These programs continue to expand as the needs of the business evolve and some include:</p> <ul style="list-style-type: none"> - Intensive Negotiation Training - Advanced Negotiation Skills - Service Excellence - Leadership Excellence - Emerging Leaders - Business Writing Skills - 1:1 Mentoring and Coaching as required - Presentation Skills - Unit Pricing 101 Workshop - Manager Success Workshop Series - Resilience and Wellbeing <p>QIC has also rolled out LinkedIn Learning to all staff to encourage continuous learning offering access to over 14,000 courses and video tutorials covering business, leadership and technology topics or creative hobbies.</p>
B. Transition assistance programs provided to facilitate continued employability and the management of career endings resulting from retirement or termination of employment.	Outplacement services by an expert third party are provided to this group

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

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

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

GRI 405-1- Diversity of governance bodies and employees

A. Percentage of individuals within the organization's governance bodies in each of the following diversity categories:

i. Gender;

ii. Age group: under 30 years old, 30-50 years old, over 50 years old;

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

i. 4 females (44.4%), 5 males (55.6%) on the board

ii. Age group

- under 30 years old– 0

- 30 to 50 years old – 1

- Over 50 years- 10

iii. NA

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

i. Gender;

ii. Age group: under 30 years old, 30-50 years old, over 50 years old;

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

This table represents the employment category by 'Level of Work' throughout QIC, on a gender and age basis. The scale is level of work 1 (most junior employees) to level of work 5 & Exec (senior managers and Executives).

Count of Gender by Level of Work

	1		2		3		4		5 & Exec		Grand Total	
Row Labels	f	m	f	m	f	m	f	m	f	m		
<30	50	31	26	34	11	11	1	1				164
31-40	35	18	66	47	71	97	15	21	11	5	16	386
41-50	28	24	21	28	49	39	22	33	13	21	34	289
51-60	14	19	17	20	37	17	2	12	4	14	18	156
60+	7	11	5	8	5	6	2	4		1	1	49
Grand Total	134	103	135	137	143	211	41	71	28	41	69	1044

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

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

Applied to all QIC employees globally, the overarching remuneration ratio from male to female is 1:1, evidenced by the following:

- Median compa-ratio for men is 104.7%
 - Median compa-ratio for women is 104.5%
- Gender pay gap at the median is 0.24%

B. The definition used for 'significant locations of operation'.

Not applicable

GRI 102-41- Collective bargaining agreements

A. Percentage of total employees covered by collective bargaining agreements.

<1%- 3 Maintenance Technicians in the US

GRI CONTENT INDEX



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

GRI indicator	Title	Relevant section
102-14	Statement from senior decision-maker	CEO statement
102-1	Name of the organisation	Cover page
102-2	Activities, brands, products, and services	Business overview
102-3	Location of headquarters	Business overview
102-4	Location of operations	Business overview
102-5	Ownership and legal form	Business overview
102-6	Markets served	Business overview
102-7	Scale of organisation	Business overview
102-8	Information on employees and other workers	Key sustainability data
102-41	Collective bargaining agreements	Key sustainability data
102-9	Supply chain	Trusted organisation
102-10	Significant changes to the organisation and its supply chain	No
102-11	Pre-cautionary principle	Responsible investment manager
102-12	External initiatives	Responsible investment manager
102-13	Membership of associations	Responsible investment manager
102-45	Entities included in the consolidated financial statements	Business overview and QIC Annual Report
102-46	Defining report content and topic Boundaries	Understanding material issues
102-47	List of material topics	Understanding material issues
103-1	Explanation of the material topic and its boundary	Understanding material issues

GRI indicator	Title	Relevant section
102-48	Restatements of information	QIC Corporate Carbon Footprint – An allocation error was made in our 2018 Sustainability Report where some of QIC Global Real Estate’s scope 2 emissions were incorrectly allocated as scope 1 emissions. This has led to a minor change in the total emissions figure reported for FY18 (-0.27%) with the figures now having been appropriately adjusted in the report.
102-49	Changes in reporting	No significant changes from previous reporting period
102-40	List of stakeholder groups	Understanding material issues
102-42	Identifying and selecting stakeholders	Understanding material issues
102-43	Approach to stakeholder engagement	Understanding material issues/Active ownership
102-44	Key topics and concerns raised	Understanding material issues
102-50	Reporting period	CEO statement
102-51	Date of most recent report	October 2018
102-52	Reporting cycle	CEO statement
102-53	Contact point for questions regarding the report	Please email sustainabilityreport@qic.com
102-54	Claims of reporting in accordance with the GRI Standards	Welcome to our Sustainability Report
102-55	GRI content index	GRI content index
102-56	External assurance	This report is not externally assured
102-18	Governance structure	Business overview, Responsible investment manager, and QIC Annual Report
102-16	Values, principles, standards, and norms of behaviour	Business overview and Responsible investment manager
103-2	The management approach and its components	Responsible investment manager/Inclusive employer/Leading corporate citizen/Trusted organisation
103-3	Evaluation of the management approach	Responsible investment manager/Inclusive employer/Leading corporate citizen/Trusted organisation

