

Statement of Corporate Intent

Year ending 30 June 2012

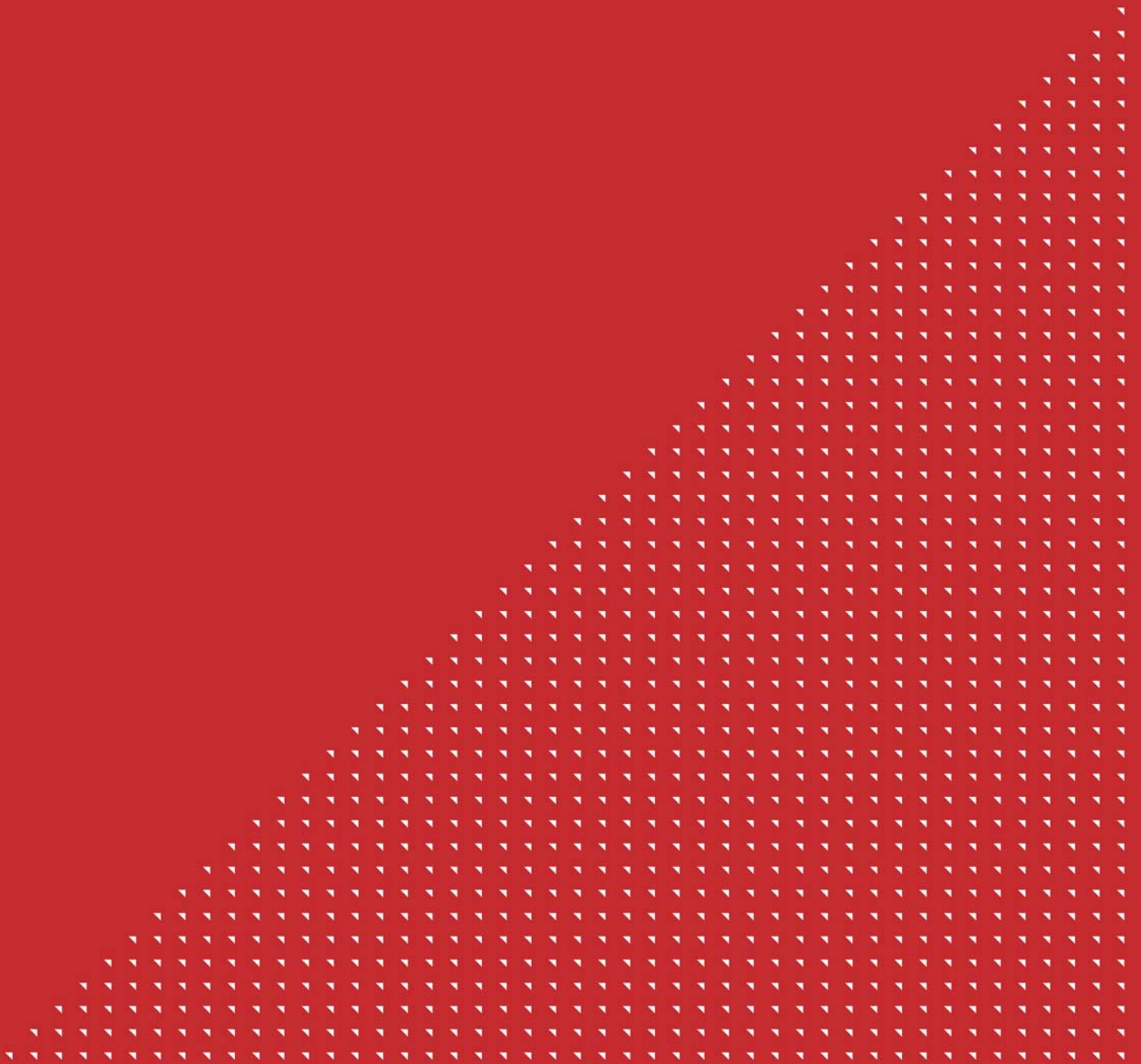


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QIC Limited ACN 130 539 123 (“QIC”) is a company government owned corporation constituted under the Queensland Investment Corporation Act 1991 (Qld). QIC is regulated by State Government legislation pertaining to government owned corporations in addition to the Corporations Act 2001(Cth) (“Corporations Act”). QIC does not hold an Australian financial services (“AFS”) licence and certain provisions (including the financial product disclosure provisions) of the Corporations Act do not apply to QIC. Please note however that some wholly owned subsidiaries of QIC have been issued with an AFS licence and are required to comply with the Corporations Act.

QIC, its subsidiaries, associated entities, their directors, employees and representatives (“the QIC Parties”) do not warrant the accuracy or completeness of the information contained in this document (“the Information”). To the extent permitted by law, the QIC Parties disclaim all responsibility and liability for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying on the Information, whether that loss or damage is caused by any fault or negligence of the QIC Parties or otherwise. The Information is not intended to constitute advice and persons should seek professional advice before relying on the Information.

I. Scope/policy position

I.1 Main Undertakings

To perform its functions as required by the *Queensland Investment Corporation Act 1991* (“QIC Act”), and in accordance with requirements in the *Government Owned Corporations Act 1993* (“GOC Act”) to act commercially, QIC has identified its core business functions as being:

- Ownership, management and control of a diversified suite of investment management boutiques;
- Delivery of competitive investment products and solutions to existing clients;
- Provision of high levels of tailored service and support to clients;
- Actively seeking profitable new business opportunities; and
- Generally operating in such a manner as to generate a satisfactory financial return.

The main operating companies within the QIC group and their principal activities are:

- QIC Limited – primary operating vehicle through which funds management activities are conducted plus the holding company for the companies listed below.
- QIC Private Capital Pty Limited – provision of investment management services and trusteeship of a number of unlisted trusts.
- QIC Properties Pty Limited – provision of property services including operating, managing and developing real estate assets, with a particular focus on shopping centres.
- QIC (UK) Management Limited – provision of property investment advisory services to QIC Limited in respect of assets held in the United Kingdom.
- Queensland BioCapital Funds Pty Limited – provision of services to QIC Limited in biotechnology funds management.
- QIC US Management Inc – provision of employees and facilities to QIC Limited in respect of investment research activities and assets held in the United States.

QIC has adopted a ‘house of boutiques’ operating model. The primary benefits of this model are that it should:

1. Ensure appropriate alignment between boutiques and their clients;
2. Provide QIC employees with a heightened sense of ownership of their particular operation or boutique, thereby promoting sustainability of boutique investment performance;
3. Enable QIC to offer a broad range of products under a single, stable and efficient umbrella;
4. Provide QIC with a diversified income base with which to support individual boutiques, or all boutiques, in times of difficult market conditions;
5. Introduce flexibility to QIC’s business such that activities may be readily introduced, varied or discontinued without directly impacting other QIC activities.

QIC conducts its funds management operations through 10 boutiques, which are centrally supported and serviced by QIC’s support functions. Those boutiques are:

1. **QIC Australian Equities** focuses on the top 100 companies listed on the Australian Securities Exchange (“ASX”) and specialises in comprehensive after-tax investing.

2. **QIC Australian Small Companies** focuses on smaller companies listed on ASX and seeks to outperform the S&P/ASX Small Ordinaries Index.
3. **QIC Capital Markets** provides a range of overlay services to manage strategic risks for superannuation funds and other institutional clients.
4. **QIC Global Fixed Interest** is a leading global manager of fixed interest solutions
5. **QIC Global Infrastructure** is focused on constructing and managing diversified global portfolios of primarily direct infrastructure investments for the benefit of its clients.
6. **QIC Global Private Equity** invests directly in private equity opportunities around the globe and with other private equity managers, including venture, growth and distressed asset managers based in Europe and the US.
7. **QIC Global Real Estate** is a leading Australian real estate manager that has over the last 20 years acquired and developed a significant portfolio of regional shopping centres and commercial buildings.
8. **QIC Implemented Equities** is a leading Australian manager of equities fund managers (a multi-manager capability).
9. **QIC Quantitative Management** develops systematic absolute return products aimed at delivering strong risk-adjusted performance with low correlation to other investments.
10. **QIC Strategy** is a leading provider of practical, strategic investment solutions. By using a proprietary risk management and portfolio construction framework, QIC Strategy is able to analyse the impact of changing market conditions on clients' objectives and respond appropriately in real time.

1.2 Corporate and Operational Objectives

In its 2012 to 2016 Corporate Plan, QIC has listed the following corporate and operational objectives and strategies for the next five years:

- Generating a satisfactory financial return from investment management operations. For the 2012 Statement of Corporate Intent, QIC has interpreted this objective to mean achieving budget for the year.
- Assisting each QIC funds management boutique to realise its business potential.
- Identifying and developing new QIC funds management boutiques so as to diversify the corporate income base which is used to support individual boutiques.
- Developing and communicating a corporate culture consistent with a house of boutiques operating structure.
- Assessing which markets, potential clients and funds management capabilities are consistent with the QIC corporate culture.
- Developing business and marketing strategies for targeted clients and markets.
- Actively raising awareness of QIC's capabilities and appropriately positioning the QIC brand.
- Providing outstanding service and support to clients.
- Refining and streamlining back and middle office functions so that they are appropriate in functionality and scalability for QIC's existing and intended growth profile.
- Continually re-examining QIC's business model in the context of a changing operating environment.

Consistent with its Corporate Plan, QIC's primary corporate and operational objective for 2012 is to generate a satisfactory financial return for its shareholding Ministers. For the 2012 Statement of Corporate Intent, QIC has interpreted this objective to mean achieving or exceeding budget for the year.

1.3 Corporate and Operational Strategies

Consistent with its corporate and operational objective at section 1.2 and its Corporate Plan, QIC's key strategies for 2012 are as follows.

- i. Continue the development of a high performance risk-aware culture.
- ii. Safeguard against the loss of existing business.
- iii. Assist each funds management boutique to win new profitable business.
- iv. Build compelling new boutiques, and manage existing boutiques, so as to diversify the corporate income base which is used to support individual, or all, boutiques in times of difficult markets.
- v. Seek to reduce QIC's cost base without loss of operational efficiency or flexibility.

1.4 Corporate and Operational Performance Outcomes

In accordance with the above corporate and operational objective, QIC undertakes to achieve the following corporate and operational outcomes in 2012:

i. Continue the development of a high performance culture			
Critical Success Factor	KPI	KPI Measure	Target
Maintain superior investment performance in a risk-controlled environment.	Primary focus of investment boutiques is to exceed relevant benchmarks / documented performance and governance expectations	Actual investment performance against benchmark / documented performance expectation	Investment benchmarks / documented performance expectations to be exceeded
'Buy-in' by employees of QIC's corporate objective of generating a satisfactory financial return	Focus of energies throughout QIC on generating a satisfactory financial return	Actual financial performance against budget	Actual performance in 2012 to at least match budgeted net profit after tax of \$13.1 million
Retention of key employees	Low rate of departure of key employees	Actual number of departures of key employees	Minimal loss of employees considered vital to QIC's success
Attracting outstanding people	Actual employment of individuals identified and targeted by QIC	Conversion rate of targeted people	Subjective – high conversion rates

ii. Safeguard against the loss of existing business			
Critical Success Factor	KPI	KPI Measure	Target
Meet clients' investment expectations	Investment returns versus benchmark	QIC's investment performance to exceed benchmark	Depends on risk profile of asset class as most are expected to underperform in one year out of four to ten
Client service	Timely service and no surprises	Subjective – client satisfaction levels	Subjective – few complaints of substance from clients

iii. Assist each funds management boutique to win new profitable business			
Critical Success Factor	KPI	KPI Measure	Target
Funds under management	Amount of third party funds under management	Actual funds under management at 30 June 2012 versus 30 June 2011	Grow funds under management at a higher rate than the industry average – at a boutique and corporate level
Net profit before tax (EBIT)	Each boutique's profit for the 2012 financial year	Actual financial performance against budget	Actual performance in 2012 to at least match or exceed budget of \$26.5 million

iv. Build compelling new boutiques, manage existing boutiques, to diversify income base			
Critical Success Factor	KPI	KPI Measure	Target
Business case of potential new boutique	Any new boutique must be justified on the basis of expected profitability, growth prospects and cultural compatibility	New boutique must be able to meet QIC's corporate objective of generating satisfactory financial return within a reasonable period	Focus on domestic asset classes, new domestic investor groups and international markets, predominantly in Asia

v. Seek to reduce QIC's cost base without any loss of operational efficiency or flexibility			
Critical Success Factor	KPI	KPI Measure	Target
QIC cost base	Reduction in corporate cost base	QIC's actual cost base	Actual cost base in 2012 to meet or be lower than budget of \$191.4 million.
Functionality	At least maintaining back and middle office functionality	Subjective – boutique satisfaction levels	Subjective – few complaints of substance from boutiques

1.5 Performance Drivers

The primary performance drivers that have the ability to significantly impact QIC's ability to achieve its corporate objective of generating a satisfactory financial return and budgeted 2012 net profit after tax are:

- **Growth profile of the Australian investment management market.** The Australian market has been growing at a rate in excess of 11% per annum since 1992 and is expected to at least maintain this rate for the foreseeable future. However, in any given year the growth rate may be substantially lower, even negative, due to unexpected economic developments, for example, the global financial crisis. A significant unexpected event may have a materially negative impact on industry growth rates and, consequently, QIC's profitability.
- **Market volatility.** The recent volatility in economic markets, weather and natural phenomena is manifesting itself in increased caution on the part of some investors. As a consequence, a higher proportion of investment funds are being directed towards less risky, and lower cost, investments such as index funds, cash and fixed interest. As a result of its diversified portfolio of boutiques, QIC does not anticipate this performance driver materially impacting financial performance in 2012.
- **Competition.** The growth profile of the Australian investment management industry is resulting in increased competition for investment mandates. Almost all of the world's top 20 fund managers now have operations in Australia competing with very large domestic competitors. It is foreseeable that new entrants may be willing to acquire market share through low fees, resulting in loss of mandates and an overall lowering of fees across the market.
- **Target market.** QIC's primary target market comprises larger Australian superannuation funds. As a result of regulatory change and competitive pressures, this target market is undergoing a period of consolidation and internalisation of activities that were previously outsourced. QIC has already lost funds under management as a direct result of clients being involved in mergers. Continued consolidation and internalisation within QIC's target market may directly impact funds under management and, therefore, financial returns.
- **Key employees.** QIC's success is directly linked to the calibre and performance of its people. The loss of key employees or the inability to attract appropriate new people would be likely to negatively impact performance. QIC's house of boutiques operating structure and attaching performance and remuneration schemes have been developed to mitigate against the risk of losing, or failing to attract, key employees.

1.6 Strategic Expectations Letter

In their letter to QIC's Chairman on 22 November 2010, QIC's shareholding Ministers provided ten strategic performance expectations. Those expectations and the manner in which QIC proposes to address them are set out below.

Expectation	Where Addressed
i. That QIC will carefully consider any potential adverse impacts that its pursuit of new clients may have on the interests of funds managed on behalf of the Queensland Government, particularly in respect of private market assets.	Sections 1.3(ii) and 1.4(ii).
ii. That when seeking new business opportunities within the house of boutiques structure, QIC should ensure equality of treatment of foundation clients for comparable mandates.	Sections 1.3(ii) and 1.4(ii).
iii. That shareholding Ministers be notified of the details of all new business involving external client investments greater than 1% of QIC's funds under management.	Noted for future reference and action in quarterly reports.

<p>iv. That QIC include in its quarterly reports a table on funds under management split by the various client categories showing columns for current quarter, previous quarter and change.</p>	<p><i>Noted for future reference and action in quarterly reports.</i></p>
<p>v. That details be provided of instances where QIC wishes to seed new internally managed QIC product from Queensland Government assets.</p>	<p><i>Noted for future reference and action.</i></p>
<p>vi. That QIC continue to focus on cost containment and improving efficiency, productivity and commercial returns.</p>	<p><i>Sections 1.2, 1.3 and 1.4.</i></p>
<p>vii. That QIC ensures all corporate entertainment and hospitality expenditure is in accordance with approved guidelines and only in respect of events where there is a clear basis for such expenditure.</p>	<p><i>Attachment 3</i></p>
<p>viii. That QIC complies with all relevant Queensland Government policies and regulatory and reporting requirements.</p>	<p><i>Attachments 5 and 6</i></p>
<p>ix. That shareholding Ministers are provided with the appropriate level of information, both financial and non-financial, on a timely basis to form an informed view of the operations of QIC.</p>	<p><i>Noted for future reference and action.</i></p>
<p>x. That the QIC Board will manage QIC's business prudently and in accordance with its commercial charter to provide a rate of return and a level of dividend that meet Government's expectations while also enhancing the value of its investment.</p>	<p><i>Sections 1.2, 1.3 and 1.4</i></p>

2. Mandatory Matters

In accordance with Section 119(3) of the GOC Act, the board of QIC undertakes that the financial and non-financial targets in sections 2.1 and 2.2 and the financial statements in section 3.1 will form the basis for assessment of quarterly outcomes as reported to shareholding Ministers. Definitions for the financial and non-financial Statement of Corporate Intent targets are provided in Attachment 1 and are consistent with the key performance indicator (KPI) definitions included in the Corporate Plan and quarterly reporting templates submitted by QIC to shareholding Ministers.

2.1 Financial Key Performance Indicators (KPIs)

QIC's corporate and operational objective is to generate a satisfactory financial return for its shareholding Ministers. For the 2012 Statement of Corporate Intent, QIC has interpreted this objective to mean at least achieving budget for the year.

In accordance with the above corporate and operational objective, the board of QIC undertakes to achieve at least the following performance target in 2012:

Financial KPIs							
Budget 2011-2012				Financial KPIs	Forecast 2010-11	Budget 2011-12	
Sep	Dec	Mar	Jun				
2,581	3,307	4,157	8,501	Net profit after tax (\$'000)	27,607	18,545	
5,635	6,677	8,040	14,246	Earnings before interest, tax, depreciation and amortisation (\$'000)	46,796	34,599	
3,616	4,655	6,039	12,238	Earnings before interest and tax (\$'000)	39,417	26,549	
93.00%	91.12%	88.80%	79.59%	Cost to income ratio	81.46%	87.82%	
				Average 5 year growth rate			

2.2 Non-Financial KPIs

In accordance with the above corporate and operational objective, the board of QIC undertakes to achieve at least the following non-financial performance targets in 2012.

- QIC Growth Fund achieving performance in excess of CPI+4% over a 5 year period.
- No unanticipated loss of funds under management from Queensland Government related clients.

Non-Financial KPIs							
Budget 2011-2012				Non-Financial KPIs	Forecast 2010-11	Budget 2011-12	
Sep	Dec	Mar	Jun				
63,119	64,638	66,499	67,843	Funds Under Management (\$M)	61,417	67,843	

2.3 Assumptions

QIC's undertaking to achieve its performance outcomes is predicated upon the following assumptions:

Financial KPI Assumptions							
Budget 2011-2012				Assumptions	Forecast 2010-11	Budget 2011-12	
Sep	Dec	Mar	Jun				
				Economic Indices			
62,268	63,777	65,468	67,171	Average FUM (\$M)	57,900	64,630	
				Revenue			
				New business funds under management (inflow) (\$M)			
				New business revenue (\$'000)			
				Performance fees (\$'000)			
2,149	1,974	2,137	2,437	QIC corporate working capital investment income (0.4% return in excess of UBS bank bill index 5.2%) (\$'000)	8,384	8,697	
				Expenses			
16	(1)	2	(2)	FTE staff movement	(25)	16	
497	505	506	506	Average FTE	490	497	

2.4 Community Service Obligations (CSOs)

No CSOs have been identified for QIC in 2012.

2.5 Employment and Industrial Relations (E&IR) Plan

An E&IR Plan meeting the requirements of Section 149 of the GOC Act and the *Guidelines for the Development of Employment and Industrial Relations Plans in Government Owned Corporations* (E&IR Plan Guidelines) is provided to shareholding Ministers as attachment 2 to this Statement of Corporate Intent.

The remuneration arrangements for the Directors, Chief Executive Officer and all senior executives of QIC, in line with the E&IR Plan Guidelines, are also detailed in the E&IR Plan provided as Attachment 2 to the Statement of Corporate Intent.

3. Additional Matters

3.1 Financials

3.1.1 Group

STATEMENT OF COMPREHENSIVE INCOME (Consolidated)								
Sep	Budget 2011-2012			Description	Actual	Budget	Forecast	Budget
\$'000	Dec	Mar	Jun		2009-2010	2010-2011	2010-2011	2011-2012
	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
Revenue								
<u>Operating Revenue</u>								
46,933	47,918	49,259	54,976	Investment Management and Performance Fees	206,991	176,916	187,156	199,087
2,149	1,974	2,137	2,436	Investment Income	7,504	4,450	8,384	8,697
2,550	2,554	2,540	2,540	Other Revenue	3,614	8,367	17,107	10,184
51,633	52,446	53,936	59,952	Total Operating Revenue	218,109	189,732	212,647	217,967
Expenses								
<u>Operating Expenses</u>								
33,071	33,107	33,401	33,392	Payroll Related Expenses	128,194	129,792	126,006	132,971
1,236	1,236	1,236	1,236	Computer Operating Expenses	4,937	5,165	3,679	4,946
2,605	2,614	2,614	2,614	Tenancy Expenses	12,513	10,248	9,472	10,448
2,352	2,318	2,335	2,316	Professional Services	7,716	8,700	8,889	9,321
1,479	1,719	1,548	1,501	Travel Expenses	3,738	4,644	4,114	6,247
5,255	4,773	4,761	4,645	Other Expenses	19,037	17,143	13,691	19,435
45,998	45,769	45,896	45,706	Total Operating Expenses	176,136	175,692	165,851	183,368
5,635	6,677	8,040	14,246	EBITA	41,974	14,040	46,796	34,599
2,019	2,022	2,001	2,008	Depreciation and Amortisation	6,189	8,029	7,379	8,050
3,616	4,655	6,039	12,238	EBIT	35,784	6,010	39,417	26,549
1,035	1,348	1,882	3,737	Income Tax Equivalent Expense	9,483	1,803	11,811	8,003
2,581	3,307	4,157	8,501	Operating Profit After Tax	26,301	4,207	27,607	18,545

STATEMENT OF FINANCIAL POSITION
(Consolidated)

Budget 2011-2012					Actual 2009-10 \$'000	Budget 2010-11 \$'000	Forecast 2010-11 \$'000	Budget 2011-12 \$'000
Sep \$'000	Dec \$'000	Mar \$'000	Jun \$'000					
959	959	959	959	Current Assets				
34,720	35,285	36,072	36,085	Cash	588	1,689	959	959
135,500	139,016	161,119	177,357	Receivables	55,624	41,706	29,729	36,085
8,337	8,337	8,343	8,583	Investments	125,272	110,191	164,833	177,357
				Other	6,570	7,570	8,000	8,583
179,516	183,597	206,493	222,984	Total Current Assets	188,054	161,156	203,521	222,984
				Non Current Assets				
19,342	18,620	17,876	17,138	Property Plant and Equipment	23,258	20,332	20,144	17,138
12,056	11,467	10,883	10,298	Intangible Assets	10,397	14,606	12,653	10,298
4,051	4,051	4,051	4,051	Investments	5,904	3,441	4,051	4,051
22,509	22,509	22,509	25,526	Future Income Tax Benefit	19,941	16,589	19,941	25,526
57,958	56,647	55,319	57,013	Total Non-Current Assets	59,500	54,968	56,789	57,013
237,474	240,244	261,812	279,997	Total Assets	247,554	216,124	260,310	279,997
				Current Liabilities				
21,413	5,394	5,940	17,801	Payables	21,362	7,254	25,892	17,801
15,106	23,617	32,134	40,658	Accruals	38,232	43,448	39,140	40,658
15,638	15,695	15,753	15,812	Provisions	17,364	8,712	15,579	15,812
3,420	3,931	4,946	9,830	Income tax equivalent provision	10,099	2,041	5,369	9,830
55,577	48,637	58,773	84,101	Total Current Liabilities	87,057	61,455	85,980	84,101
				Non-Current Liabilities				
16,559	19,450	22,625	25,804	Provisions	8,830	5,276	13,715	25,804
637	637	637	637	Deferred Income Tax	642	798	637	637
64,337	64,337	64,337	64,337	Payables	64,337	64,337	64,337	64,337
81,533	84,424	87,599	90,778	Total Non-Current Liabilities	73,809	70,411	78,689	90,778
137,110	133,061	146,372	174,879	Total Liabilities	160,866	131,866	164,669	174,879
100,364	107,183	115,440	105,118	Net Assets	86,688	84,258	95,641	105,118
				Shareholders Equity				
37,475	37,475	37,475	37,475	Contributed Capital	37,475	37,475	37,475	37,475
62,889	69,708	77,965	67,643	Retained Profits	49,213	46,783	58,166	67,643
100,364	107,183	115,440	105,118	Total Shareholders' Equity	86,688	84,258	95,641	105,118

STATEMENT OF CASH FLOWS
(Consolidated)

Budget 2011-2012					Actual 2009-10 \$'000	Budget 2010-11 \$'000	Forecast 2010-11 \$'000	Budget 2011-12 \$'000
Sep \$'000	Dec \$'000	Mar \$'000	Jun \$'000					
165,793	136,460	139,975	162,078	Cash at the beginning of the financial year	109,318	132,233	128,560	165,793
				Cash flows from operating activities				
52,988	55,722	57,611	40,339	Receipts from customers	223,536	202,586	211,222	206,660
(73,171)	(34,591)	(34,411)	(32,806)	Payments to suppliers and employees	(173,858)	(203,663)	(150,043)	(174,979)
(11,028)	(2,665)	(2,912)	8,004	Tax equivalent payments	(13,754)	(4,395)	(16,293)	(8,602)
(31,211)	18,466	20,288	15,537	Net cash provided by operating activities	35,924	(5,472)	44,886	23,079
				Cash flows from investing activities				
(271)	(361)	(322)	(1,735)	Payments for Property, Plant & Equipment	(5,370)	(6,337)	(6,517)	(2,689)
2,149	1,974	2,137	2,436	Other	4,018	4,445	12,015	8,697
1,878	1,613	1,815	701	Net cash provided by investing activities	(1,352)	(1,892)	5,498	6,008
				Cash flows from financing activities				
-	(16,564)	-	-	Dividends paid	(18,031)	(10,119)	(13,151)	(16,564)
-	(16,564)	-	-	Net cash provided by financing activities	(18,031)	(10,119)	(13,151)	(16,564)
(29,333)	3,515	22,103	16,238	Net increase/(decrease) in cash held	16,541	(17,483)	37,233	12,523
136,460	139,975	162,078	178,316	Cash at the end of the financial year	125,859	114,750	165,793	178,316

Equity Injections / (Withdrawals)
Consolidated)

Budget 2011-2012				Assumptions	Forecast 2010-11	Budget 2011-12
Sep	Dec	Mar	Jun			
-	-	-	-	Equity injections / (withdrawals)	-	-

**Dividends, Tax Equivalent Payments and Community Service Obligations
(Consolidated)**

Budget 2011-2012				Assumptions	Forecast 2010-11	Budget 2011-12
Sep	Dec	Mar	Jun			
1,548	1,984	2,494	5,100	Dividends provided	16,564	11,127
1,035	1,348	1,882	3,737	Tax paid / payable	11,811	8,003

3.1.2 Financials: QIC Private Capital Pty Ltd

**Statement of Comprehensive Income
QIC Private Capital Pty Ltd**

	Actual 2009-10 \$'000	Budget 2010-11 \$'000	Forecast 2010-11 \$'000	Budget 2011-12 \$'000
Total Revenue	78,023	71,612	74,767	79,731
Total Expenses	53,947	52,985	49,905	55,047
EBIT	24,076	18,627	24,862	24,684
Income Tax Equivalent Expense	7,218	5,588	7,459	7,405
Operating Profit After Tax	16,858	13,039	17,403	17,279

**Statement of Financial Position
QIC Private Capital Pty Ltd**

	Actual 2009-10 \$'000	Budget 2010-11 \$'000	Forecast 2010-11 \$'000	Budget 2011-12 \$'000
Total Current Assets	59,577	51,455	43,452	41,479
Total Non-current Assets	5,814	3,830	5,814	6,680
Total Assets	65,391	55,285	49,266	48,159
Total Current Liabilities	52,638	48,086	39,446	37,456
Total Non-current Liabilities	6,691	1,137	3,758	4,641
Total Liabilities	59,329	49,223	43,204	42,097
Net Assets	6,062	6,062	6,062	6,062
Contributed Equity	-	-	-	-
Retained Earnings	6,062	6,062	6,062	6,062
Total Equity	6,062	6,062	6,062	6,062

**Statement of Cash Flows
QIC Private Capital Pty Ltd**

Cash assets are nil due to centralisation of cash management. Group working capital is provided by the parent entity.

3.1.3 Financials: QIC Properties Pty Ltd

Statement of Comprehensive Income QIC Properties Pty Ltd				
	Actual 2009-10 \$'000	Budget 2010-11 \$'000	Forecast 2010-11 \$'000	Budget 2011-12 \$'000
Total Revenue	48,904	47,635	48,193	50,332
Total Expenses	41,948	42,257	39,655	41,087
EBIT	6,956	5,378	8,538	9,245
Income Tax Equivalent Expense	2,093	1,614	2,561	2,774
Operating Profit After Tax	4,863	3,764	5,977	6,472

Statement of Financial Position QIC Properties Pty Ltd				
	Actual 2009-10 \$'000	Budget 2010-11 \$'000	Forecast 2010-11 \$'000	Budget 2011-12 \$'000
Total Current Assets	19,754	22,047	19,400	18,479
Total Non-current Assets	3,434	3,614	3,434	3,434
Total Assets	23,188	25,661	22,834	21,913
Total Current Liabilities	16,839	18,597	15,170	13,835
Total Non-current Liabilities	871	1,586	2,186	2,600
Total Liabilities	17,710	20,183	17,356	16,435
Net Assets	5,478	5,478	5,478	5,478
Contributed Equity	-	-	-	-
Retained Earnings	5,478	5,478	5,478	5,478
Total Equity	5,478	5,478	5,478	5,478

Statement of Cash Flows QIC Properties Pty Ltd				
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Cash assets are nil due to centralisation of cash management. Group working capital is provided by the parent entity.

3.2 Main Undertakings and Businesses

QIC is not actively considering the disposal of any main undertakings or acquisition of new undertakings in 2012. Should this position change during the course of the year, QIC will keep shareholding Ministers informed on a timely basis and will seek prior written approval.

3.3 Capital Expenditure Program

Budgeted Capital Expenditure		
	Forecast 2010-11 \$'000	Budget 2011-12 \$'000
Board approved and not requiring shareholding Ministers' approval		
Sophis implementation (phase 2) (expenditure over 2009-2010 and 2010-2011 FY)		
QIC Global Real Estate Marlin Program (phase 3)		
Target operating model (TOM)		
Computer hardware		
Office equipment		
Computer software		
Total	16,398	12,389

3.4 Other Significant Expenses

Refer section 3.5.

3.5 Major Initiatives Being Undertaken by QIC

Significant activity is taking place throughout QIC consistent with its corporate objective of generating satisfactory returns. However, the most significant initiative being undertaken by QIC is enhancing QIC's support infrastructure and aligning it to the industry best practice. In March 2011, the Board approved the outsourcing of several middle and back office functions to Northern Trust. The project to implement the new model is expected to be completed in August 2012.

3.6 Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements

Consistent with the Corporate Entertainment and Hospitality Guidelines and QIC's Entertainment Policy, QIC has budgeted the following total amounts for Sponsorship, Advertising, Corporate entertainment, Donations and other Arrangements for 2012. Full details of the budgeted expenditure are provided in Attachment 3 to the Statement of Corporate Intent.

Sponsorships, Advertising, Corporate Entertainment, Donations and Other Arrangements								
Budget 2011-2012				Activity	Budget 2010-11 \$	Forecast 2010-11 \$	Budget 2011-12 \$	
Sep \$	Dec \$	Mar \$	Jun \$					
101,000	111,000	111,000	111,000	Sponsorship	350,000	323,289	434,000	
59,023	59,023	59,023	59,023	Advertising	226,000	155,576	236,091	
117,987	119,597	98,987	108,997	Corporate Entertainment	449,000	463,799	445,569	
9,125	9,125	9,125	9,125	Donations	25,000	136,662	36,500	
-	-	-	-	Other Related Activities	-	-	-	
287,135	298,745	278,135	288,145	Total	1,050,000	1,079,327	1,152,160	

* includes all activities both above and below \$5,000

QIC will provide details of any significant changes to the listed commitments in quarterly reports to shareholding Ministers and will notify shareholding Ministers of any significant proposed sponsorship arrangements prior to the signing of a binding contract.

3.7 Other

As part of its performance agreement with shareholding Ministers, the board of QIC provides the following additional undertakings:

3.7.1 Prudential Financial Information

The board will ensure QIC takes full responsibility to ensure that prudent financial practices will be applied both within the Corporation and within its subsidiaries (whether fully controlled or otherwise).

3.7.2 Capital Structure

The board will prudently manage the financing of QIC's existing business and new business developments. As an integral part of financing the Corporation, overall debt will be managed to ensure that QIC maintains the appropriate credit rating or other rating as directed by shareholding Ministers. QIC's board will ensure QIC complies with this requirement.

3.7.3 Weighted Average Cost of Capital (WACC)

The board will ensure that QIC reviews its WACC on an annual basis. As part of the Statement of Corporate Intent negotiation process, QIC's beta and optimal capital structure have been determined in consultation with shareholder representatives. Separate WACCs have been calculated for those parts of QIC's operations that face differing business risk profiles.

Other than the annual review process, in the event QIC encounters a significant change to the risk profile of its business, its WACC will be recalculated in consultation with shareholder representatives.

Details of QIC's WACC calculations are provided in Attachment 4 to the Statement of Corporate Intent.

3.7.4 Dividend Policy and Payment

While the dividend process is governed by the GOC Act and the *Corporations Act 2001* (Cth), the board will also ensure that QIC's dividend policy takes into account the return its shareholders expect on their investments. The board of QIC will recommend and pay a dividend amount equivalent to 60% of QIC's adjusted consolidated profit for 2012. The board will adopt such a recommendation on the basis of its shareholders agreeing to provide the necessary funding for projects which have received board and shareholding Ministers' approval or for the maintenance of QIC's approved capital structure or for ensuring the operational viability of QIC. QIC's board undertakes to ensure the dividend policy is adhered to.

The dividend letter provided by the board to shareholding Ministers in May 2011, will provide an estimate of the dividend for the financial year ending 30 June noting the potential for adjustment and recommend a dividend as a percentage of adjusted consolidated profit for the financial year. 'Adjusted profit' is defined as:

- i. the total of income less expenses (including income tax equivalent expense), excluding the components of other comprehensive income¹; and
- ii. adjusted for material non-cash items including any associated tax credit or expense.

QIC commits to providing information in its dividend letter to shareholding Ministers for 2012 that includes, but is not limited to, the following:

- a statement that:
 - the legal and accounting requirements for payment of the dividend under the Corporations Act 2001 have been taken into account at the time of providing the board's recommendation in the dividend letter;
 - compliance by the board with the requirements Of section 254T (and any other applicable requirements) of the Corporations Act 2001 at the time of dividend payment will be necessary before the dividend is paid;
- the current estimated amount of consolidated profit for the financial year (excluding components of other comprehensive income);
- the current estimated amount of 'adjusted consolidated profit' for the financial year;
- details of adjustments made to determine the 'adjusted consolidated profit' from the estimated consolidated profit and a statement providing a breakdown of the value and reason for each adjustment;
- a statement that adjustment items or further adjustment items may be identified during the audited financial statement preparation;
- QIC's recommended dividend as a percentage of the estimated 'adjusted consolidated profit';
- the current estimated dollar amount of the proposed dividend for the financial year ending 30 June;
- a statement that the dividend is to be declared out of profits;
- a statement that the dividend payment will be the dividend approved or directed as a percentage of adjusted audited consolidated profit;
- a statement that any material differences between the estimated dollar amount of the dividend and the actual dividend to be paid for 2012 will be advised by QIC as soon as identified.

When determining the actual dividend to be paid based on the audited financial results, the board will ensure shareholding Ministers are consulted through their Departments and that written agreement is received for any material changes to the adjustment items previously identified in May and for any subsequent new adjustment items identified. This written agreement is to be obtained by QIC prior to payment of the final dividend by the board.

¹ Other comprehensive income comprises items of income and expense that are not recognised in profit or loss as required or permitted by Australian Accounting Standards.

3.7.5 Corporate Governance Guidelines for Government Owned Corporations

The board of QIC undertakes to continually monitor and review its corporate governance arrangements to reflect good practice, having regard to the *Corporate Governance Guidelines for Government Owned Corporations* (Corporate Governance Guidelines).

QIC has adopted all the recommendations in the Corporate Governance Guidelines.

3.7.6 Risk Management

The board of QIC has ultimate responsibility for the management of all potential internal and external risks for the Corporation. The Corporation's risk identification and management process is monitored by the Audit and Risk Committee, which is a subcommittee of the board and which reports to the board on a regular basis.

The risk management framework is designed to ensure that all potential financial, operational and other risks are regularly identified, assessed, monitored and reported to the Audit and Risk Committee and the QIC board, as appropriate, along with risk mitigation and management plans. In particular, potential security risks have been considered and identified and a framework to respond to security threats has been developed. The board will continually monitor security risks and update QIC's response framework as necessary.

Risk management plans have been incorporated in QIC's budgetary and strategic planning processes.

3.7.7 Compliance with Government Policies

The board of QIC and its subsidiaries will comply with all relevant Government policies and guidelines as set out in Attachment 6. In particular, QIC and its subsidiaries will comply with the approval, notification, reporting and other requirements of those policies and guidelines.

4. Performance Agreement

DIRECTORS' STATEMENT AND AGREEMENT OF SHAREHOLDING MINISTERS

This Statement of Corporate Intent and all attachments, for 2012, are presented in accordance with Chapter 3, Part 8 of the GOC Act.

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the Statement of Corporate Intent represents a formal performance agreement between the board of QIC and its shareholding Ministers, with respect to the financial and non-financial performance targets specified for the financial year. The Statement of Corporate Intent also represents an acknowledgment of and agreement to major activities, objectives, undertakings, policies, investments and borrowings of QIC for 2012.

This Statement of Corporate Intent is consistent with QIC's 2012 – 2016 Corporate Plan submitted to, and agreed to by, shareholding Ministers in accordance with Chapter 3, Part 7 of the GOC Act.

In signing the document the board of QIC undertakes to ensure that the document, and all reports to shareholding Ministers, are prepared with accuracy and timeliness.

In signing this document QIC's board undertakes to achieve the targets proposed in the Statement of Corporate Intent for 2012.

Major changes to key assumptions and outcomes detailed in this Statement of Corporate Intent, and which come to the board's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this Statement of Corporate Intent will be dealt with in accordance with the GOC Act.

This Statement of Corporate Intent is signed by the Chairman on behalf of all the Directors in accordance with a unanimous decision of the board of QIC.

.....

Peter F Young, AM

Chairman

Date

.....

The Hon Andrew Fraser MP

Treasurer and Minister for State Development and Trade

Date

.....

The Hon Rachel Nolan MP

Minister for Finance and The Arts

Date

5. Attachments

ATTACHMENT 1

List of financial and non-financial target definitions

ATTACHMENT 2

Employment and Industrial Relations Plan

ATTACHMENT 3

Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements

ATTACHMENT 4

WACC Calculations

ATTACHMENT 5

Corporate Governance Guidelines for Government Owned Corporations

ATTACHMENT 6

Compliance with Government Policies

Attachment I

List of financial and non-financial target definitions

KPI	Use	Definition
Funds Under Management	Indicates amount of funds managed by QIC	Funds managed directly or via other managers under QIC's direction on behalf of QIC's clients
NPAT	Measures profitability	Group net profit after tax

Attachment 2

Employment and Industrial Relations Plan

Supplied separately

Attachment 3

Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements

Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements

Table 1 - Sponsorship, Advertising, Corporate Entertainment, Donations and Other Related expenses

Activity ¹	Description / Benefit	Budget 2010-2011 \$	Forecast 2010-2011 \$	Budget 2011-2012 \$	Budget 2011-2012			
					SEP	DEC	MAR	JUN
Sponsorships								
CIE Sponsorship (Centre for Investor Education)	- includes- CIO Symposium, Chair's Forum, CEO Summit, International Investing, Real Estate, Investing in Private Markets - various presenting and panel opportunities - branding and signage exposure	\$142,000	\$142,000	\$110,000	\$27,500	\$27,500	\$27,500	\$27,500
The Association of Superannuation Funds of Australia Limited (ASFA) Luncheon series (Queensland)	- significant brand exposure at 12 events pa - 2 speaker opportunities - continuing education for QIC attendees	\$14,000	\$7,500	\$12,000	\$3,000	\$3,000	\$3,000	\$3,000
The Association of Superannuation Funds of Australia Limited (ASFA) Luncheon series (Victoria)	- significant brand exposure at 12 events pa - 2 speaker opportunities - continuing education for QIC attendees	\$14,000	\$13,650	\$12,000	\$3,000	\$3,000	\$3,000	\$3,000
Independent Fund Administrators and Advisors Pty Ltd (IFAA)	- attendance 1 representative April & September conferences, dinner and post conference function - presenter opportunities branding and signage exposure at conference and on associated materials	\$10,000	\$9,500	\$10,000	\$5,000			\$5,000
The Association of Superannuation Funds of Australia Limited (ASFA) Annual Dinner	- major social event of the annual National ASFA conference - significant brand exposure including address and signage on night and acknowledgement in all associated material - attended by existing and potential clients - delivers invaluable brand exp	\$33,000	\$31,532	\$35,000		\$35,000		
Conference of Major Superannuation Funds (CMSF)	Significant brand exposure	\$0	\$0	\$15,000			\$15,000	
Investment Magazines	Sponsorship of investment related Roundtable discussions	\$0	\$0	\$50,000	\$12,500	\$12,500	\$12,500	\$12,500
Australian Superannuation Investment conference	- branding and signage exposure at conference and on associated material	\$22,000	\$20,000	\$15,000	\$15,000			
Queensland Community Foundation	Supporting QCF through provision of funding and office facilities	\$80,000	\$72,727	\$80,000	\$20,000	\$20,000	\$20,000	\$20,000
Mothers Day Classic	- fun run/walk supporting the National Breast Cancer Foundation - internal event which builds staff loyalty while offering the opportunity to support a worthwhile cause	\$7,000	\$7,000	\$7,000				\$7,000
QUT Partners in Excellence	Finance related university sponsorship	\$10,000	\$10,000	\$0				
Workplace Improvement Forum Sponsorships	Raise QIC's profile, encourage teamwork and interaction across divisions and to encourage an active & healthy lifestyle.	\$15,000	\$0	\$5,000	\$1,250	\$1,250	\$1,250	\$1,250
Total Sponsorship over \$5,000		\$347,000	\$313,909	\$351,000	\$87,250	\$102,250	\$82,250	\$79,250
Total Sponsorship below \$5,000		\$3,000	\$9,380	\$83,000	\$13,750	\$8,750	\$28,750	\$31,750
Total Sponsorship		\$350,000	\$323,289	\$434,000	\$101,000	\$111,000	\$111,000	\$111,000
Advertising								
Investment & Technology	Advertising	\$35,000	\$35,000	\$34,000	\$8,500	\$8,500	\$8,500	\$8,500
Financial Standard	Advertising	\$23,000	\$23,000	\$24,000	\$6,000	\$6,000	\$6,000	\$6,000
Industry publications	Advertising			\$100,000	\$25,000	\$25,000	\$25,000	\$25,000
E Newsletters Top 1000Funds	Advertising	\$48,000	\$44,000	\$0				
Total Advertising over \$5,000		\$106,000	\$102,000	\$158,000	\$39,500	\$39,500	\$39,500	\$39,500
Total Advertising below \$5,000		\$120,000	\$53,576	\$78,091	\$19,523	\$19,523	\$19,523	\$19,523
Total Advertising		\$226,000	\$155,576	\$236,091	\$59,023	\$59,023	\$59,023	\$59,023

cont'd

Activity ¹	Description / Benefit	Budget 2010-2011 \$	Forecast 2010-2011 \$	Budget 2011-2012 \$	Budget 2011-2012			
					SEP	DEC	MAR	JUN
Corporate Entertainment								
Arts related events								
Actual event hasn't been decided.	TBA	\$5,000	\$5,000	\$0				
Actual event hasn't been decided.	TBA	\$5,000	\$5,000	\$0				
Sporting related events								
QIC Golf Day	- networking function for high value clients - strengthen existing relationships and forge new ones.	\$34,000	\$16,530	\$11,454	\$11,454			
State of Origin	- build and strengthen relationships with key, decision making contacts in a social situation	\$12,000	\$12,000	\$10,000	\$10,000			
Rugby	- build and strengthen relationships with key, decision making contacts in a social situation	\$9,500	\$8,636	\$0				
Cricket - Test cricket (Ashes)	- build and strengthen relationships with key, decision making contacts in a social situation	\$13,000	\$13,000	\$0				
Cricket - Test cricket (final Ashes)	- build and strengthen relationships with key, decision making contacts in a social situation	\$6,500	\$6,500	\$0				
Melbourne Spring Racing Carnival	- build and strengthen relationships with key, decision making contacts in a social situation	\$0	\$7,499	\$16,362		\$16,362		
Brisbane International Tennis	- build and strengthen relationships with key, decision making contacts in a social situation	\$0	\$5,274	\$5,454			\$5,454	
Australian Open Tennis	- build and strengthen relationships with key, decision making contacts in a social situation	\$0	\$5,275	\$5,454			\$5,454	
General marketing events								
Stakeholder & Community Engagement								
Mothers Day Classic (event portion)	- fun run/walk supporting the National Breast Cancer Foundation - internal event which builds staff loyalty while offering the opportunity to support a worthwhile cause	\$18,000	\$18,000	\$20,000				\$20,000
Other entertainment expenditure								
ASFA Cocktail event	- build and strengthen relationships with key, decision making contacts in a social situation	\$0	\$0	\$6,364		\$6,364		
Cocktail function - VIC	- build and strengthen relationships with key, decision making contacts in a social situation	\$0	\$0	\$8,181			\$8,181	
Cocktail function - NSW	- build and strengthen relationships with key, decision making contacts in a social situation	\$0	\$0	\$5,454				\$5,454
Brisbane Club	Dinner for QIC Board, Executives and 10 year veterans	\$9,000	\$9,000	\$7,000		\$7,000		
Staff Christmas Party	Staff Morale - Global Real Estate	\$7,000	\$7,000	\$10,000		\$10,000		
Staff Mid-Year Picnic	Staff Morale	\$26,000	\$26,000	\$26,000	\$26,000			
Staff Christmas Party	Staff Morale	\$49,000	\$49,000	\$50,000		\$50,000		
Total Corporate Entertainment over \$5,000		\$194,000	\$193,714	\$181,723	\$47,454	\$89,726	\$19,089	\$25,454
Total Corporate Entertainment below \$5,000		\$255,000	\$270,085	\$263,846	\$70,533	\$29,871	\$79,898	\$83,543
Total Corporate Entertainment		\$449,000	\$463,799	\$445,569	\$117,987	\$119,597	\$98,987	\$108,997
Donations								
Great Barrier Reef Foundation		\$0	\$12,850	\$12,850			\$12,850	
Premiers Flood Relief Appeal		\$0	\$115,000	\$0				
Total Donations over \$5,000		\$0	\$127,850	\$12,850	\$0	\$0	\$12,850	\$0
Total Donations below \$5,000		\$25,000	\$8,812	\$23,650	\$9,125	\$9,125	-\$3,725	\$9,125
Total Donations		\$25,000	\$136,662	\$36,500	\$9,125	\$9,125	\$9,125	\$9,125
Other Related Activities								
Total Other Related Activities (\$)		\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL for ALL ACTIVITIES		\$1,050,000	\$1,079,327	\$1,152,160	\$287,135	\$298,745	\$278,135	\$288,145

Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements

Table 2 - Corporate Entertainment: Activities less than \$5,000 per event

Activity	Budget 2010-2011 \$	Forecast 2010-2011 \$	Budget 2011-2012 No. of Activities	Budget 2011-2012 \$	Budget 2011-2012			
					SEP	DEC	MAR	JUN
Corporate Entertainment Total								
Staff Functions	\$70,251	\$81,026	160	\$79,154	\$21,160	\$8,961	\$23,970	\$25,063
Business Development	\$177,360	\$187,060	241	\$180,692	\$48,373	\$19,910	\$54,929	\$57,480
Stakeholder and Community Engagement	\$7,389	\$2,000	8	\$4,000	\$1,000	\$1,000	\$1,000	\$1,000
Total under \$5,000	\$255,000	\$270,085		\$263,846	\$70,533	\$29,871	\$79,898	\$83,543

Attachment 4

WACC Calculations

QIC Post tax WACC : Budget 2011-2012

QIC Post tax WACC : Budget 2011-2012			
	WACC		
Rd	Cost of Debt		
Re	Return on equity		
D	Debt based on target capital structure		
E	Equity based on target capital structure		
V	Total capital employed		
Y	Gamma – proportion of imputation on credits that can be used by shareholders		
T	Tax collected at company level		
Re	Return on equity		
Rf	Market risk free rate 10 Year Cwth Bond rate		
Rm	Market Risk Premium		
Be	Equity beta		

Attachment 5

Corporate Governance Guidelines for Government Owned Corporations

Nil Items

Attachment 6

Compliance with Government Policies

In its corporate capacity, QIC complies with relevant policies and guidelines issued by the Queensland Government except in limited cases where a policy or guideline is not binding on QIC and where strict compliance would be inconsistent with the fulfilment of the commercial objectives which QIC is legally obliged to pursue under the Queensland Investment Corporation Act 1991 (QIC Act). The QIC Board and management consider the imperative of conducting a successful commercial business delivering better than average industry performance, in accordance with the QIC Act, and weigh this imperative against strict compliance with each Government policy or guidelines.

Government Policies and Guidelines

- Biannual Reporting: Guidelines for the Preparation of Interim Reports (2009)
- Community Service Obligations – A Policy Framework (1999)
- Corporate Entertainment and Hospitality Guidelines (2008)
- Corporate Governance Guidelines for Government Owned Corporations (2009)
- Cost of Capital Principles – Government Owned Corporations (2006)
- Government Owned Corporations Air Travel Policy (2009)*
- Government Owned Corporations Bargaining Guidelines (2010)
- Government Owned Corporations Governance Arrangements for Chief and Senior Executives (2009)
- Government Owned Corporations Guidelines for the Preparation of Statements of Corporate Intent and Corporate Plans (2010)
- Government Owned Corporations Release of Information Arrangements (2010)
- Government Owned Corporation Subsidiaries - Key Shareholder Requirements for
- Constitutions (2006)
- Government Owned Corporations Wages Policy (2010)
- Guidance for Chief Executive Officers - Agreement Making and Industrial Relations in Government Owned Corporations (2010)
- Guidelines for the Development of Employment and Industrial Relations Plans in Government Owned Corporations (2009)
- Guidelines for Export of Services by Government Owned Corporations (2001)
- Investment Guidelines for Government Owned Corporations (2009)
- Local Industry Policy: A Fair Go for Local Industry (2008)
- Minimum Disclosure Requirements for Directors and Chief and Senior Executives of Government Owned Corporations (2009)
- Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation Employees (2009)
- Purchasing Carbon Offsets for Queensland Government Air Travel (2008)
- QFleet ClimateSmart Policy (2008)
- Queensland Code of Practice for the Building and Construction Industry (2009)
- Sport and Recreation Sponsorship Policy (2009)
- State Procurement Policy (2010)

Note: QIC complies with the GOC Air Travel Policy (2009) with the exception of its requirements in relation to frequent flyer schemes. In the case of frequent flyer schemes it is industry practice to allow staff to keep for private use frequent flyer points generated through business related travel. QIC's Board's judgment is that, for QIC to retain the staff it needs to meet its commercial obligations it would be more costly in the long run for QIC to abolish this industry practice. Shareholding Ministers approved this position on 26 July 2007. QIC ensures, in a very competitive market for qualified staff, that retention of frequent flyer points does not result in distorting behaviour regarding travel which would be adverse to QIC's interests.*

Additional Representations:

QIC will inform shareholding Ministers before submitting any projects for declaration as a “significant project” under the State Development and Public Works Organisation Act 1971.

2011 to 2012

Employee & Industrial Relations Plan

March 2011

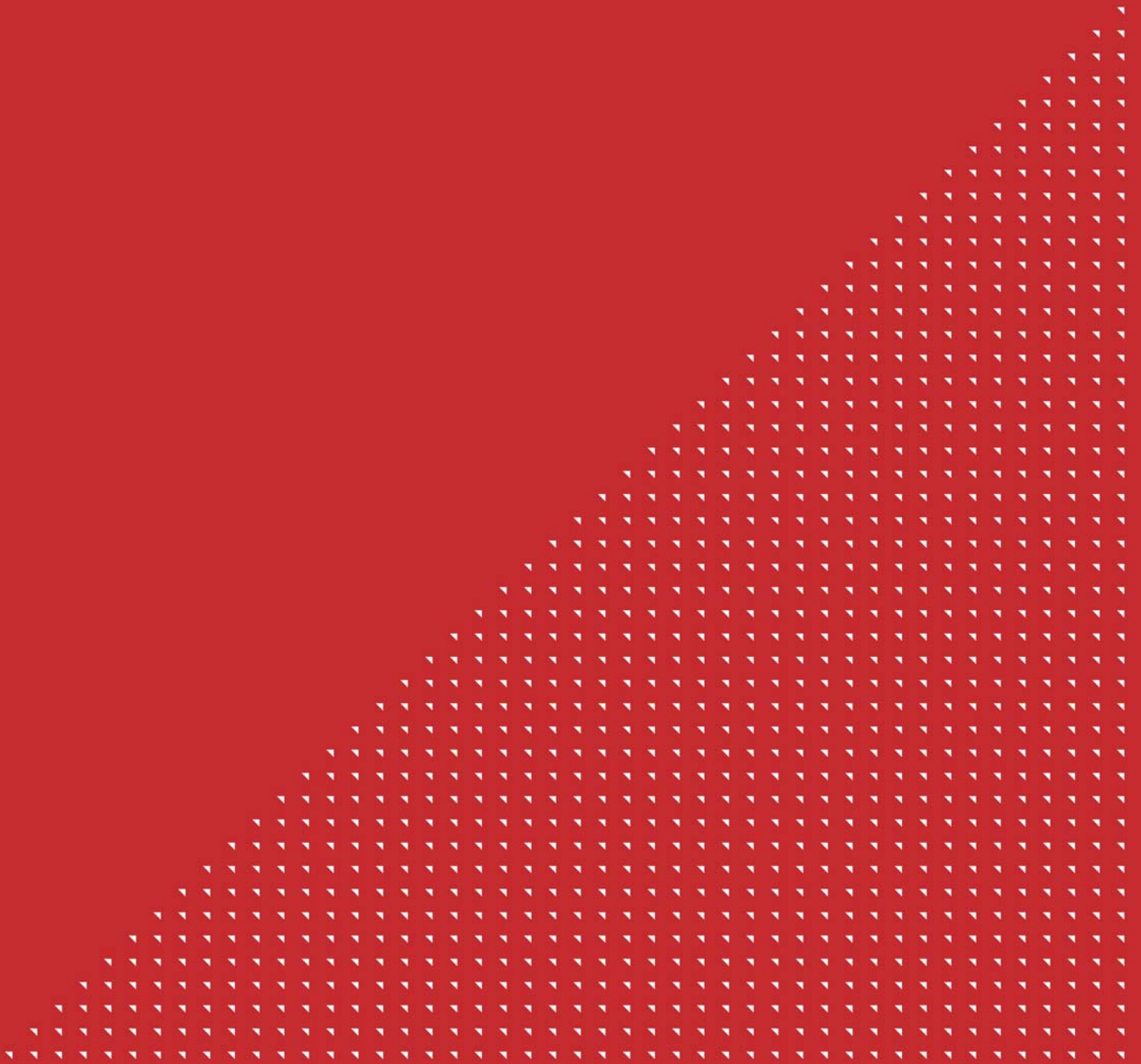


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QIC Limited ACN 130 539 123 (“QIC”) is a company government owned corporation constituted under the Queensland Investment Corporation Act 1991 (Qld). QIC is regulated by State Government legislation pertaining to government owned corporations in addition to the Corporations Act 2001 (Cth) (“Corporations Act”). QIC does not hold an Australian financial services (“AFS”) licence and certain provisions (including the financial product disclosure provisions) of the Corporations Act do not apply to QIC. Please note however that some wholly owned subsidiaries of QIC have been issued with an AFS licence and are required to comply with the Corporations Act.

QIC, its subsidiaries, associated entities, their directors, employees and representatives (“the QIC Parties”) do not warrant the accuracy or completeness of the information contained in this document (“the Information”). To the extent permitted by law, the QIC Parties disclaim all responsibility and liability for any loss or damage of any nature whatsoever which may be suffered by any person directly or indirectly through relying on the Information, whether that loss or damage is caused by any fault or negligence of the QIC Parties or otherwise. The Information is not intended to constitute advice and persons should seek professional advice before relying on the Information.

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Shareholder Information

I. E&IR Philosophy/Direction

Operating Environment

Since its establishment in 1991, QIC has managed a number of transformational change activities in line with changes to market and economic conditions, and has shifted its business strategy during this evolution of the business. As one of Australia's largest wholesale funds managers, priority has been placed in recent years on having a strategy and culture which supports a strong profit-driven and commercially focussed enterprise. With this have come a number of key objectives on which the business has needed to reevaluate its 'People' focus within the context of the E&IR framework. To deliver on this, QIC's E&IR philosophy and direction has been to ensure the logical balance between Government ownership and operation within a highly competitive client and employee market whilst ensuring compliance with legislation.

Specifically, QIC has continued to aim for "best practice" in the areas of employment, remuneration and performance management policies and practices. QIC takes account of the responsibilities and accountabilities it assumes in being a Government Owned Corporation (GOC) whilst also giving due consideration to what is required to attract, retain and develop key employees to drive and deliver on the business strategy both domestically and internationally.

Outlined below are the areas upon which QIC is investing its time and resources to address the abovementioned considerations of attraction, retention and development within the context of the E&IR framework, together with QIC's strategic goals and objectives.

QIC has made significant progress in its continued commitment to becoming an 'Employer of Choice' within the last reporting period, having delivered:

- A firmly established 'House of Boutiques' model;
- A performance management process which facilitates measurement against strategically aligned performance objectives together with the opportunity for learning and development of our employees;
- The first QIC engagement survey to assess the priority areas of focus to deliver a high level of performance across the organisation alongside delivery of our employee promise;
- Approved benefits of eighteen (18) weeks paid maternity leave and communication to employees on the Government funded Paid Parental Leave Scheme; and
- A low level of turnover for the 2010 to 2011 reporting period

Long-Term Objectives

QIC will continue with this focus in the 2011 – 2012 reporting period with a planned agenda for the following items which seek to support our internal and external employee brand and proposition of being an employer that attracts and retains the best people in the industry through the provision of a supportive work environment, interesting and challenging roles and inspiring leadership to meet our performance objectives. The longer term items for the 2011 – 2012 period are outlined below:

- Development and delivery of a Talent Management framework incorporating leadership and management development and coaching to enable stronger engagement of the QIC team through the capability of our people leaders. In addition, this framework will identify high

performers within the QIC team and also assist in the management and improvement of poor performance within the business.

- Delivery of a strong performance and reward framework to identify, recognise and reward those employees who are excelling in their roles.
- Incorporation of funding for specific learning and development initiatives at the individual, business unit and organisational level to maximise the capability of our employees, and the ability to promote and recruit internally based on merit.
- Education and delivery of action plans in line with QIC's engagement survey results.
- Delivery of change and communication support as required in implementation of the above deliverables.
- Review and implementation of outcomes of the review phase of a potential organisational restructure within some of QIC's back office support functions. Employees have had regular manager and written communications regarding timing of this review together with the key results which were determined through the survey.

(Note: All review outcomes which result in changes to employment conditions and/or arrangements will be done in consultation with employees and in alignment with legislative requirements).

Workforce Capability

Given the low turnover rates across the business, it is paramount for QIC to ensure that the capability of our strong performers is maximised. The lower capability of our poor performers requires either further development or management in a fair and reasonable manner. Our longer-term objectives (as outlined above) are central to this goal of being able to retain highly capable and productive employees who also assist in creating a culture which delivers on our promise to potential employees to work alongside the best and brightest people in a highly supportive yet performance-driven environment.

The more specific areas of continued focus for the 2011-2012 reporting period which relate to Workforce Capability are outlined overleaf.

- practices for attracting and hiring people within QIC utilising merit-based recruitment methodology which upholds our Equal Employment Opportunity (EEO) and Anti-Discrimination commitments;
- refining and improving recruitment processes and marketing of our employee brand;
- developing and launching the Employer Brand and enhancing the Employee Value Proposition (EVP);
- succession planning (including the identification of high potential and high performing employees);
- managing and recognising performance; and
- development opportunities and promotion of internal talent based on merit.

People with specialist expertise will continue to be recruited as required, to broaden QIC's workforce capability in order to maintain delivery of current services and to ensure delivery of new services.

Workforce Diversity

Whilst QIC employs people from a broad demography, and supports the practice of providing a number of employment arrangements to meet both business and individual needs (including the engagement of permanent full-time and part-time, and fixed-term employees who have the opportunity to request flexible working arrangements), true workforce diversity is yet to be achieved. To support our succession plans and organisational values, QIC will look to developing and commence implementation of strategies to further diversify its workforce within the next reporting period. QIC will also continue its practice on the engagement of independent contractors in line with ATO and Government expectations on an as needs basis.

2. Significant and Emerging Issues

Employee Attraction and Retention

Despite QIC's solid external employment brand, industry competitiveness remains strong, in particular for our highly specialised front-office investment roles. QIC is constantly balancing the needs and requirements of being a Government Owned Corporation alongside the need to deliver an attractive employment offering (including financial and non-financial benefits) to its people.

As a commercially focussed, performance-driven organisation, we are at risk of losing key talent should we not have the management capability to support this culture change program. Specifically, having highly capable leaders who are able to facilitate and deliver on the non-financial benefits to their teams (including creation of a work environment where individual capability is maximised, rewarded and further developed). Financial benefits for the QIC workforce will continue to be managed via the utilisation of market specific data for individual roles across the business.

International Expansion

QIC's international portfolio focus remains in place with continued support for international transfers and secondments as required to expand our presence in these markets. The UK operating structure continues to be successful, with work currently being undertaken to support expansion into the US within 2011. Attraction and integration of the right talent (including capability and QIC cultural fit) within these markets will be vital to the success of these operations.

In addition, the development and delivery of best practice standards in relation to international secondments, transfers and promotions could possibly put global mobility firmly on the QIC agenda within the next reporting period.

EEO & Anti-Discrimination

QIC is strongly committed to providing a workplace free from discrimination and workplace harassment. This commitment is evidenced in a number of practices throughout the organisation. To ensure all employees have a good understanding of responsibilities and accountabilities relating to these areas, QIC has commenced delivery on a newly introduced and compulsory 'Walk the Talk' education program for all QIC employees. This program outlines EEO and Anti-Discrimination obligations as well as the requirements and expectations of all employees in accordance with the QIC organisational values and Code of Conduct. QIC will also continue to monitor potential issues across the business through the Human Resources team, and formally through exit interview and engagement data.

Awards

QIC clerical employees are currently employed under the '*QIC Clerical and Administrative Employees Award – State 2003*' (QIC Award) which expires on 31 December, 2013. In line with the introduction of Modern Awards, QIC will look to move to the relevant modern awards in 2011-2012.

3. Directors/Senior Executive Remuneration

Table I – Directors Remuneration

REMUNERATION AS AT 1 JANUARY 2011 ANNUALISED

Non-Executive Directors	Position	Directors Fees	Committee Fees	Superannuation	Other	Total
Peter Young	Chair	154,350	0	13,892	0	168,242
Maurice Newman	Director	64,707	9,578	6,686	0	80,971
Ken MacDonald	Director	51,244 ¹	23,946	0	0	75,190
Peter Jenkins	Director	64,707	0	5,824	0	70,531
David Harrison	Director	41,666	19,156	5,474	0	66,296
Bronwyn Morris	Director	41,666	23,946	5,905	0	71,517
Bradley Bowton	Director	64,707	9,578	6,686	0	80,971
Lyn Gearing	Director	64,707	19,156	7,548	0	91,411
Peter Forbes	Director	41,666	0	3,750	0	45,416

¹ Variance attributed to Ken not being on QIC Payroll and as such, not receiving superannuation entitlements. In addition, "Committee" rates have been applied for involvement in QPC and QIC Retail.

Table 2 – CEO and Senior Executives Remuneration

REMUNERATION AS AT 1 JANUARY 2011 ANNUALISED

CEO / Senior Executives	Position	Base Salary ¹	Employer Super Contributions ²	Motor Vehicle ³	Car Park ⁴	Other personal benefits ⁵	Total Fixed Remuneration ⁶	Other non-personal benefits ⁷
Douglas McTaggart	Chief Executive Officer	573,394	51,606	0	0	0	625,000	0
Hazel McNeilage	Head of Funds Management	500,000	45,000	0	0	0	545,000	0
Claire Blake	Chief Financial Officer	192,661	17,339	0	0	0	210,000	0
Paul Leitch	Managing Director, Human Resources	275,229	24,771	0	0	0	300,000	0
David Clarke	Managing Director, Organisational Risk and Legal	275,229	24,771	0	0	728	300,728	0
Willie Jordaan	Chief Operating Officer	275,229	24,771	0	0	** 98,400	398,400	0
David Addis	Managing Director, Corporate Strategy	321,101	28,899	0	0	0	350,000	0

* Employee commenced employment after the performance period (1 July 2009 to 30 June 2010), accordingly no performance payment made.

** Employment package includes weekly return flights from Sydney and a LAFHA of \$1,000/ week.

Footnotes per OGOC guidelines

- 1 Includes salary sacrifice items plus cash salary. For QIC purposes this is TFR less 9% employer superannuation.
- 2 Employer contributions to superannuation (other than by salary sacrifice).
- 3 Value of motor vehicle for business and personal use (other than by salary sacrifice). QIC does not provide motor vehicle benefits other than by salary sacrifice.
- 4 Value of car park if car park is a personal benefit to the Executive (other than by salary sacrifice). QIC does not provide car park benefits other than by salary sacrifice.
- 5 Includes, but is not limited to, general/expense allowances, subscriptions, home telephone/communication expenses, FBT not elsewhere included, etc (other than by salary sacrifice).
- 6 Sum of columns 1 to 5.
- 7 Include the value of non-personal benefits provided to the Executive to assist in the performance of their duties.

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4. Employment Conditions

Source of Employment Conditions

QIC currently has employees whose employment is covered by the *QIC Clerical and Administrative Employees Award – State 2003* (expiry 31 December, 2013). This accounts for approximately 11% of all QIC employees [see Table 1, page 15]. In the event that any provisions of this transitional Award fall below those outlined in the National Employment Standards (NES), the Fair Work Act 2009 or the associated Modern Award, these provisions are applied.

There are a number of above Award provisions which QIC also offers its employees which have been previously endorsed by the QIC Executive and Board including:

- Salary Sacrificing for additional annual leave;
- Paid Parental Leave;
- Study Assistance; and
- Health Programs (including an Employee Assistance Program – EAP - service)
- Short-term Incentive Scheme

Non-Award employees are also eligible for the above benefits and are engaged on individual contracts of employment. Short-term incentive arrangements vary between individuals based on seniority and nature of role.

Given the nature of QIC's business and unique skill sets required, the business is in competition with private business to attract and retain the best employees in the industry. QIC offers terms, conditions and benefits which are aligned with those offered in the market through use of reliable and valid market data against individual roles.

QIC is currently reviewing its position on the transition of the QIC Award in line with the introduction of the Modern Award framework in 2010.

An overview of significant policies and practices which govern conditions of employment within QIC (in addition to statutory requirements) are outlined overleaf.

Remuneration

Remuneration is recognised at QIC as a critical lever to achieve a number of objectives:

- enhance QIC's ability to retain and develop key staff;
- provide a clear link between individual performance and reward outcomes;
- enhance QIC's competitiveness by enabling it to utilise the same range of remuneration strategies as its competitors and to employ them to the Corporation's best advantage;
- encourage and reward superior performance in line with client objectives; and
- maintain flexibility in times of extreme market volatility.

QIC balances these priorities with programs in place that provide the ability to reward differentiated individual performance and the flexibility to address retention risks. As a foundation to these programs, remuneration levels and mix are established and regularly assessed based on individual performance, market relativity and internal equity. QIC currently uses the market median as target positioning to evaluate both Total Fixed and Total Remuneration (including incentives) for every employee.

In addition to fixed reward, QIC also has a Short Term Incentive (STI) and Long-term Incentive (LTI) scheme in place, to reward select groups of employees for performance, and to ensure that retention mechanisms are in place for critical investment professionals over the long term:

- **The STI scheme** provides eligible employees with reward for achievement at the individual and business unit levels, contingent on overall corporate profitability. Individual opportunity is quantified as a target percentage of Total Fixed Remuneration, and varies based on level in the organisation and influence over financial and investment outcomes. The maximum that any participant can achieve is 150% of target.
- **The LTI scheme** is available to select senior investment professionals, with individual allocations subject to minimum investment boutique profitability. Allocations are subject to a three-year deferral period, and actual payments will be made based on boutique investment performance over the period.

QIC recognises that remuneration and benefits programs must be competitive and attractive as compared to organisations in the Funds Management industry, to ensure retention of critical talent. QIC regularly uses a number of market references to understand relative positioning of its remuneration programs, including the Financial Industry Remuneration Group, McLagan Investment Management, Hewitt IT and Avdiev Property Management. QIC engages external consultants as required to review senior management and Executive salaries as required.

Performance and Reward Linkage

Individual performance is assessed through QIC's Developing Dynamic People - Performance Management Program (PMP). QIC now uses a balanced scorecard approach to assessing performance, which considers financial, investment performance, risk and talent components. Performance ratings, in concert with other inputs, will have direct influence into fixed remuneration and STI payments.

Remuneration Planning

The annual review process commences at the end of the financial year, with remuneration budgeting. QIC uses market benchmarks for remuneration budgets set at comparator organisations, and also takes into account affordability, organisation performance and labour market trends, to determine the annual fixed remuneration budget.

Individual reward decisions are recommended by managers, based on business unit affordability, and individual performance, market positioning and retention risk. Those recommendations are moderated by the CEO and Head of Funds Management, and ultimately reviewed by the HR and Remuneration Committee, and approved by the QIC Board. Substantial changes to remuneration arrangements for Chief and Senior executives are communicated to Shareholding ministers.

Off-cycle remuneration adjustments are only made to account for significant role changes or to respond to active retention risks, and require CEO approval.

Flexible Remuneration and Packaging

QIC employs a Total Fixed Remuneration approach to reward management, which facilitates effective salary packaging of a number of optional benefits. Flexible salary packaging arrangements are available to all permanent employees, subject to adequate level of remuneration to enable the salary sacrifice arrangements and meet Australian Taxation Office requirements. To the extent that benefits selected are subject to FBT, that cost will also be treated as a deduction from the employee's Total Fixed Remuneration.

Recognition Program

As a commercially competitive organisation committed to retaining staff within a rewarding environment, QIC has recently implemented the Values in Action recognition award program, that provides formal recognition and reward, in the form of gift vouchers, to those employees recommended by their colleagues as exemplifying the QIC values in a significant achievement. All nominations are reviewed and approved by the MD Human Resources, in line with program intent.

Hours of Work

QIC has maintained a 7.25 hour day / 36.25 working hours per week as specified under the QIC Award. Salaried employees on individual contracts maintain the same work pattern with terms & conditions within individual contracts which specify no penalty payments for working above these specified hours.

Awards

- QIC Clerical and Administrative Employees Award – State 2003 (expiry 31 December, 2013).

Government Policy Guidelines on Agreement Making in GOCs

QIC does not have any Agreements in place however, has an arrangement with Savills (Aust) Pty Ltd to assist with Industrial Relations support for Savills shopping centre employees who are based in QIC owned properties. Under these arrangements, QIC was involved with the Enterprise Bargaining for the following Collective Agreement for some Savills (Aust) Pty Ltd shopping centre employees with the ACT.

Collective Agreement (ACT) 2010-2013

Parties to the Agreement are: (1) Savills (Aust) Pty Ltd, and (2) The Construction, Forestry, Mining & Energy Union ACT Branch.

This Collective Agreement applies only to Savills (Aust) Pty Ltd employees within the ACT.

Job Security

QIC acknowledges the 'Queensland Government's Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation Employees (September 2010).

QIC supports the Government's position on minimum employment conditions and industrial relations. As indicated elsewhere in this document, QIC's focus is on maintaining and enhancing employment conditions in order to attract and retain employees in a competitive environment. The principles set out in the Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation Employees have been adopted and incorporated into QIC's policies where appropriate rather than as a standard given the commercial nature of the Corporations' operation as outlined in this plan.

Where there are differences between those conditions contained in the Minimum Employment Principles and those conditions contained in QIC's industrial instruments as at January 2011, the January 2011 provisions from QIC's industrial instruments or applicable legislation will prevail.

5. Enterprise Bargaining and Productivity Initiatives

QIC currently does not have any Agreements in place and does not anticipate for any to be made during the 2011 to 2012 reporting period, however, acknowledges and supports the Government Policy Guidelines on Agreement Making in GOCs. As there are no Enterprise Bargaining Agreements in place, there are no Productivity Initiatives to report on.

QIC has not had any union claims and/or bargaining notices, nor has any industrial action taken place.

6. Employee Flexibility

QIC remains supportive and committed to a culture which supports individual needs. Requests for flexible working arrangements are responded to in line with legislative requirements and QIC's objective to provide best practice employment offerings in this area, where such arrangements are also operationally viable. Below are the various ways in which QIC endorses this stated commitment.

Part-time arrangements	Part-time arrangements are available to obtain or retain the skills of employees. Part-time employment may be approved where the needs of QIC and of the employee make such working arrangements feasible.
Flexible work hours	Flexible working arrangements may be agreed with employees, such as early and later start times and compressed working weeks. The arrangements must ensure business priorities are not adversely impacted.
Reduced Working Year/ Salary Sacrifice for Extra Annual Leave	QIC offers the option to access up to 4 weeks additional annual leave by salary sacrificing an amount equal to the extra weeks throughout the year.
Paid Parental leave	Eligible employees with 12 months continuous service with QIC who are primary carers are entitled to 18 weeks paid parental leave; 5 days paid leave is available if a QIC employee is the partner of the primary Carer. In addition, where possible, QIC supports requests for additional parental leave in line with legislative requirements.
Paid Adoption leave	Eligible employees with 12 months continuous service with QIC who are primary carers are entitled to 18 weeks paid parental leave; 5 days paid leave is available if a QIC employee is the partner of the primary Carer.
Telecommuting (work from home)	Remote access technology means that QIC employees can work from home and in other QIC offices.

7. Types of Employment and Workforce Planning

Employment Figures

Details of QIC Full Time Equivalent (FTE) count and employment contract type, as at 30 June, 2010, are provided in Tables 1 and 2, respectively.

Table 3 provides workforce plan estimates for the current and next three financial years. This plan is an estimate based on an assumption of a maximum 2-3% growth per year and the introduction of new target operating models. The actual growth in staff numbers may vary in response to business opportunities.

QIC continues to review and implement programs with a talent management focus, to manage retention risk for those employees that are high performing and critical to QIC's ongoing success.

Table 1: FTE by Employment Type

	FTE
Award	
Open Term Full Time	46.0
Open Term Part Time	2.5
Fixed Term Full Time	5.0
Fixed Term Part Time	0.0
Casual	2.3
Total Award	55.7
Employment Contract	
Casual	0.7
Open Term Full Time	385.0
Open Term Part Time	14.6
Fixed Term Full Time	29.0
Fixed Term Part Time	2.8
Total Employment Contract	432.2
Contractors	
Project Contractor	6.0
Temporary Contractor	16.0
Total Contractors	22.0
Total FTE	509.9

Table 2. FTE by Employment Contract

Contract Type	FTE
CEO	1.0
Executive	5.0
Other	503.9
Total	509.9

No apprentices or trainees are employed by QIC at the time of this submission. The use of trainees in the future will be assessed in line with workforce planning requirements.

Table 3. Estimated Workforce Numbers 2010-2011

	Budget 2010-2011	Budget 2011-2012	Budget 2012-2013	Budget 2013-2014	Budget 2014-2015
Employment Contract Type					
Permanent Full Time	454	455			
Permanent Part-time (FTE)	18	18			
Other Contract	32	31			
Senior Executive Contract	5	5			
Casual Employees (FTE)	3	3			

	Budget 2010-2011	Budget 2011-2012	Budget 2012-2013	Budget 2013-2014	Budget 2014-2015
Total Directly Employed Workforce:	512	512			
Contractor Employees (Professional/Administrative/ Clerical)	19	19			
Total Workforce:	531	531			

QIC does not have any current Apprentice, Trainee, Trade/Technical Contractor, or Labour Hire arrangements in place.

8. Workplace Health & Safety

Having a 100% office based workforce means that QIC has a focus on meeting its compliance objectives in line with WH&S statutory requirements. The focus which QIC has upheld since its establishment is the provision of an environment, systems, processes and programs which allow for the appropriate management of WH&S risks and reported incidents together with a proactive employee proposition to support the health and wellbeing of employees.

Given the nature of the workforce, Lost Time Injuries are rare and specific statistics are not significant with only two cases resulting in lost time injuries for the last reporting period, with one of these being a journey claim. All incidents are recorded through QIC's OHS Management system, via OHS Incident and Investigation Forms and subsequent documentation as required. This is stored in the OHS Management System library in Sharepoint.

QIC upholds its compliance requirements of having designated Accredited Workplace Health & Safety Officers (WHSO), a firmly established and implemented WH&S Policy and Strategy, compulsory employee and contractor inductions upon commencement, and regular inspections and audits in place to ensure that the abovementioned objectives are met. QIC will continue to appoint a qualified person as workplace health and safety officer in its workplace(s) where 30 or more workers are normally employed at the workplace. External fire and evacuation training and equipment testing also occur on a six-monthly basis. The QIC OH&S Management system was implemented independently by Marsh.

Ergonomic or Occupational Therapist assessments are undertaken on a as needs basis and upon request through the engagement of an external provider.

All permanent employees at QIC continue to be eligible for participation in the Corporate Health Program via 'Peak Health', an independent specialist organisation that delivers voluntary flu shots, general health assessments and online information and seminars for our employees. QIC also extends support to all employees and their immediate family members through the 'Assure' Employee Assistance Program (EAP).

The aim of QIC's approach to workplace relations is to create and maintain a healthy, safe, bias-free and equitable working environment within the workplace. This approach is reinforced by QIC's Equity Policy.

The mutual obligations between QIC and its staff are set out in the Corporation's Code of Ethics and Code of Conduct. New employees are informed about these codes at the Corporate Induction program and are then required to read and acknowledge the codes on an annual basis. These documents outline the key values and standards that are to be adhered to in all decisions and actions.

In the most recent audit some minor non-conformances were identified such as those outlined below. We have also provided below the actions which have been taken upon receipt of this feedback.

- 1. Document and data control – ensure author/review dates are included on each document as well as each respective section of the OHS Document and Record Retention Register.** As part of Marsh's ongoing annual legislative review of QIC's OHS Management System, modifying and reviewing OHS documentation is included in the scope of the legislative review, and this is currently in hand with Marsh and the documents will be updated with author/review dates in due course.
- 2. Establish a procedure in relation to the development of OHS Activities Calendar, and ensure that OHS activities calendar is established for each office location.** A procedure has been established in relation to developing an OHS Activities Calendar, and QIC's OHS Activities Calendar has been developed and is held as an electronic copy in our OHS Management System. Consequently, the OHS Activities Calendar is readily available for all QIC offices and staff to view via QIC's intranet.
- 3. Review the responsibility allocation within the policies and procedures that form the OHS Management System.** OHS Management System policies and procedures responsibilities have been reviewed by QIC OHS Reps and management and QIC is satisfied with where all current responsibilities lie.

The last external audit was conducted on 16 July 2010 with the next scheduled for July 2011.

9. Equal Employment Opportunity and Anti-Discrimination

QIC is strongly committed to providing a workplace free from discrimination and workplace harassment. Under section 148 of the GOC Act, QIC is a relevant EEO agency for the *Public Sector Act 2008*, Chapter 2. In the 2010 / 2011 financial year QIC delivered an enhanced workplace behaviour program titled 'Walk the Talk'. This program included:

- Sessions facilitated by an external provider with the HR Remuneration Committee, the QIC Board and the Executive Leadership Team regarding Executive responsibilities in discrimination, harassment and bullying.
- An intensive compulsory training session tailored for managers and employees covering expectations and behaviour associated with the Code of Conduct, QIC values, Equal Employment Opportunity, discrimination, harassment and bullying.
- Development and launch of a new policy clarifying and simplifying escalation procedures for employees with concerns.

The enhanced 'Walk the Talk' program was compulsory, will be run annually for employees and incorporated into the induction program for new starters.

In 2010/2011 QIC also ran an employee engagement survey supported by a third party provider which provided a confidential channel to obtain feedback on any issues concerning employees. QIC has identified and actioned (as a priority and where necessary) any issues which were raised through the engagement survey feedback. This survey will be run biannually and smaller annual pulse surveys conducted.

QIC also maintain a number of existing practices through the organisation which include:

- The ability for employees to provide feedback on any workplace behaviour issues via externally outsourced, confidential and objective exit interviews;
- An enhanced policy framework and annual compliance process to ensure every employee reads, understands and acknowledges key policies;
- The compulsory attendance for new employees at corporate induction which incorporates appropriate EEO training;
- Recruitment practices which ensure that the candidate experience is free from discrimination and that appointments are based on merit;
- Support for flexible working arrangements which are operationally viable, and align with WH&S and legislative requirements; and
- The introduction in October 2010 of eighteen (18) weeks paid parental leave and education of employees when taking paid parental leave on the Government Paid Parental Leave scheme as well as the ability under the Fair Work Act 2009 to request additional parental leave at the conclusion of their leave period.

10. Interstate Acquisitions/Operations

QIC engages a small number of staff in New South Wales (NSW), Australian Capital Territory (ACT) and Victoria. These employees are engaged through individual contracts of employment or under the QIC Award where applicable. QIC also employs a small number of people in a London office. These individuals are engaged on individual contracts which comply with the local jurisdiction's terms and conditions and are underpinned by QIC's standard terms and conditions.

11. Joint Venture Projects

The QIC Group (both parent and subsidiary companies) are not involved in any joint venture projects.

12. Management of the Relationship between GOCs and Unions

During the last reporting period, there has been no interaction between QIC and the relevant industry Unions.

In 2003 QIC and the QPSU reached agreement on an updated QIC Award and the Award was approved by the Queensland Industrial Relations Commission. No significant changes to the award have been implemented since this time with the exception of wage reviews.

13. Redundancy Provisions

Redundancy provisions for the different categories of employees within QIC are as follows:

Award Employees

Staff employed under the terms of the QIC Award are entitled to a minimum of 2 weeks and a maximum of 4 week's notice of termination (plus an additional week if the employee is 45 years or older and has 2 year's service).

The QIC Award provides that employees are eligible for payment of 2 week's salary for each year of service commenced, up to the first 3 years, then payments of 1 week salary for each year of service commenced. The minimum payment is 4 weeks and the maximum is 52 weeks.

Where statutory requirements exceed these provisions, the higher standard is applied.

Non-Award Employees

Redundancy provisions as outlined in the requirements under the Fair Work Act 2009 will be applied to Contract Staff in the event of redundancy. Where a non-Award employee's individual contract has provisions which exceed these provisions, the higher standard is applied.

Contract Employees

Redundancy provisions as outlined under the Fair Work Act 2009 will be applied to Contract Staff in the event of redundancy. Where a contract employee is covered by an Award or individual contract, and the provisions outlined in that Award or individual contract exceed these provisions, the higher standard is applied.

All Staff

Outplacement services are offered to staff at the discretion of QIC Management. The level of service provided is determined in line with market expectations and the individual's needs.

14. Job Security

QIC has a proven track record in respect of employee retention, having maintained a below average turnover rate for the last reporting period. Where there have been organisational change impacts which have resulted in roles being made redundant, options for redeployment and retraining of staff are exhausted before the offer of redundancy is considered. Despite this, as a commercial enterprise, QIC has a requirement to respond to changing client and economic environment which at times calls for flexibility and changes to organisational role requirements. Given the highly specialised nature of the roles within QIC, it is often difficult to identify a viable and meaningful alternative to redeploy employees. Nonetheless, should there be any such future requirements, QIC would ensure consultation and approval occurs with Shareholding Ministers. Consultation with relevant unions would be undertaken where appropriate.

15. Contracting Out

QIC is committed to orderly and sustainable best practices in relation to the use of contractors, labour hire agreements and employment of skilled overseas staff via employer sponsorship arrangements. This includes measures being taken to ensure that relevant skills will be developed and available locally in the longer term. Independent Contractors (as defined by the Australian Taxation Office – ATO), short term labour hire, and skilled overseas staff are at times engaged to undertake project and skill specific duties. These engagements are currently reviewed by the Human Resources and Organisational Risk and Legal teams within QIC Back Office to ensure that these engagements are made in line with GOC requirements and are based on specific needs due to work volume and technical capability which cannot be met through QIC's current team. These engagements do not impact opportunity for permanent employees learning, development or training,

Where QIC engages individuals on 457 visas, these employees are engaged on the same terms and conditions as other QIC employees within their employment category and/or in accordance with the QIC Award.

Recruitment practices within QIC ensure that contractors are not appointed to any position as permanent employees unless advertising and selection processes have been followed. Pre-employment checks,

including the checking of any occupational licences, levels of competency and use of safe work practices and systems where relevant are completed through the utilisation of external agencies that provide written support for currency and validity.

All parties employed on the above arrangements undertake compulsory compliance and HR induction, which also includes Workplace Health & Safety requirements. In addition, when engaging individuals in the above capacities, the QIC Human Resources team ensures that advice is sought and implemented as necessary to ensure that any legislative obligations are met.

16. Superannuation

QSuper provides superannuation arrangements for all QIC staff, with the exception of directors and a small number of new employees for which superannuation choice has been provided. Superannuation policies are determined by the QSuper trust deed and relevant policies.

The options available to QIC staff through QSuper are as follows:

SGC ONLY

- 9% capped contribution
9% of ordinary time earning subject to a maximum superannuation contribution limit of \$3,799.80 (for the 2010-2011 financial year) per quarter; OR
- 9% uncapped contribution
9% of ordinary time earnings.

DEFINED BENEFIT

- Pre Tax 2.35% employee + 9.75% employer
- Pre Tax 3.52% employee + 10.75% employer
- Pre Tax 4.70% employee + 11.75% employer
- Pre Tax 5.88% employee + 12.75% employer
- Post Tax 2% employee + 9.75% employer
- Post Tax 3% employee + 10.75% employer
- Post Tax 4% employee + 11.75% employer
- Post Tax 5% employee + 12.75% employer

COMPREHENSIVE ACCUMULATION

- Pre Tax 2% employee + 9.75% employer
- Pre Tax 4% employee + 11.75% employer
- Post Tax 3% employee + 10.75% employer
- Post Tax 5% employee + 12.75% employer

Note that all QIC staff (excluding directors) are employed under total remuneration arrangements. As result, all contributions to superannuation including employer contributions are deducted from the overall package.

No changes to these contribution rates are anticipated unless legislated by Government. Details of the number of staff covered by the various superannuation arrangements are as follows:

Option	QIC Group (no. of staff)
SGC Capped	95
SGC Uncapped	247
Defined Benefit	35
Comprehensive Accumulation	109

As requested in the ER/IR Plan pro-forma the data outlined above reflects headcount rather than FTE data.

17. Consultation

In line with section 149 of the GOC Act, consultation on this draft plan will be carried out with shareholding Minister's Departments and the Public Sector Industrial and Employee Relations Division of the Department of Justice and Attorney General as part of the Statement of Corporate Intent (SCI).

QIC's E&IR Plan will be made available to all staff through the 'QIC Backyard', QIC's intranet facility.

The QIC Award provides for consultative processes that allow employees to participate in determining new employment conditions or the amendment of existing conditions.

There are currently no consultation arrangements in place between QIC and the Queensland Public Sector Union (QPSU).

18. Reporting

QIC is aware of its obligations and agrees to submit a brief report each year covering the following matters:

- confirming the implementation of the current E&IR Plan;
- outlining if there have been any events or matters that have occurred or due to occur that vary the E&IR Plan provisions for that cycle and explanations for those variations; and
- detailing any contentious issues that have arisen or are expected to arise during the current E&IR Plan cycle.

This will be submitted by QIC to OGOC at the same time as the first draft E&IR Plan for the upcoming year is submitted in January. This report will be separate from the E&IR Plan.