

Corporate governance statement

Corporate governance statement

NBN Co is committed to meeting high standards of corporate governance which it considers essential to its long-term performance and sustainability, and to be in the best interests of its shareholders.

Corporate structure and governing legislation

This statement, which was approved by the Board on 6 August 2020, outlines the most significant aspects of NBN Co's corporate governance framework.

NBN Co and its subsidiaries together are referred to as the Group in this statement. The activities of each subsidiary in the Group are overseen by its own Board of Directors. These Boards currently comprise senior NBN Co management personnel.

As NBN Co is wholly-owned by the Commonwealth of Australia, under Section 250N (4) of the *Corporations Act 2001*, it is not required to hold an Annual General Meeting.

NBN Co's governance framework is regularly reviewed to ensure it aligns to Government, regulatory and legislative requirements, and market practice. NBN Co's governance practices continue to evolve, having regard to the:

- *National Broadband Network Companies Act 2011*
- *PGPA Act 2013 and Public Governance, Performance and Accountability Rule 2014* (PGPA Rule 2014)
- *Corporations Act 2001*
- *Telecommunications Act 1997*
- *Competition and Consumer Act 2010*
- *Public Interest Disclosure Act 2013*
- *Freedom of Information Act 1982*
- *Commonwealth Competitive Neutrality Policy Statement*
- Commonwealth Government Business Enterprise Governance and Oversight Guidelines (January 2018) (GBE guidelines)
- Other resource management guides issued by the Department of Finance that are applicable to NBN Co
- NBN Co's voluntary adoption of those ASX Corporate Governance Principles and Recommendations. While this statement reports against the 3rd edition Principles and Recommendations, the Group's practices are consistent with the 4th edition Principles and Recommendations (February 2019), which are relevant to NBN Co.

Our governance framework is underpinned by:

- A skilled, experienced, diverse and independent Board supported by Board Committees dedicated to achieving high corporate governance standards
- Clear delegation, authorisation and accountability frameworks
- A robust risk management framework used to identify and manage risks to NBN Co's business
- Open and effective communications with Shareholder Ministers and their Departments
- A clear tone from the top with a strong internal control framework supported by NBN Co's Code of Conduct, policies and procedures
- An embracement of diversity and inclusion.

Principle: Lay solid foundations for management and oversight

(based on ASX Principle 1)

The role and responsibilities of the NBN Co Board

The *Corporations Act 2001* and NBN Co's Constitution establish and define the corporate powers of NBN Co which are exercised by the Board, unless exercised by the Shareholder Ministers under NBN Co's Constitution. The powers of NBN Co must be exercised in accordance with the objects set out in its Constitution, in particular to rollout, operate and maintain a national wholesale broadband network, and facilitate the implementation of Australian Government broadband policy and regulation.

The Board regards NBN Co as bound by and required to implement Australian Government broadband policy as set out in formal communications from its Shareholder Ministers as well as to exercise its powers in the best interests of NBN Co. The best interests of NBN Co are defined by reference to the objectives and purposes of NBN Co, Australian Government broadband policy and the GBE guidelines.

NBN Co's Board Charter sets out the powers and responsibilities of the Board. The Charter is reviewed annually by the Board and is available on NBN Co's website.

The Board's key responsibilities are:

- establishing and overseeing a sound corporate governance framework
- approving NBN Co's strategic direction
- engaging with its Shareholder Ministers on Australian Government policy requirements
- annually preparing and submitting a Corporate Plan to the Australian Government
- supervising and challenging Management in the implementation of NBN Co's strategic direction, the Corporate Plan and compliance with legal and regulatory obligations
- ensuring the solvency of NBN Co

- ensuring the long-term financial and organisational sustainability of NBN Co, including considering the culture and behaviours of NBN Co Management and personnel
- demonstrating leadership of NBN Co, challenging Management where necessary in its decision-making and holding Management to account
- taking the necessary steps to ensure compliance with duties and obligations imposed on the Board and NBN Co by law, and by NBN Co's Constitution (including in particular compliance and financial reporting requirements and the supervision of the development of risk management and internal control systems)
- setting work health, safety and environmental performance objectives, developing appropriate policies and controls, ensuring legal compliance, and ongoing progress monitoring
- approving and supervising the implementation of an appropriate internal governance framework for NBN Co including (but not limited to):
 - developing, promoting and ensuring compliance with NBN Co's values and governance framework
 - reporting on and investigating reports of unethical practice within NBN Co
 - setting diversity objectives, developing a diversity policy and monitoring progress towards achieving such objectives
 - approving policies and frameworks for, and monitoring, internal control systems
 - approving and monitoring NBN Co's compliance with NBN Co's internal and external audit requirements, including overseeing the implementation of all audits
 - monitoring the operation of each subsidiary of NBN Co and, when necessary, exercising the voting power attached to NBN Co's shares in the subsidiary
 - either approving or noting (where appropriate) and then monitoring those policies which bind NBN Co's employees, Directors or, (where specifically provided for in a relevant policy) third parties dealing with NBN Co.
- ensuring NBN Co acts within its powers as set out in rule 4 of its Constitution
- regularly monitoring the ongoing independence of each Director and the Board generally
- establishing and maintaining a register of interests to ensure potential conflicts can be managed and identified.

Delegation of powers

The Board may delegate its powers as it considers appropriate and has:

- established a formal delegation of authority framework
- delegated many of its powers to the Chief Executive Officer (CEO) who is responsible for implementing strategic objectives, policies, the Corporate Plan and budget of NBN Co (approved by the Board) and the additional responsibilities set out in rule 12.2 of NBN Co's Constitution. The CEO has delegated some of his powers to the members of NBN Co's Executive Committee
- established standing committees to streamline the discharge of its responsibilities.

Matters specifically reserved for the Board are detailed in Section 3.4 of NBN Co's Board Charter.

Rule 8.1.1 of NBN Co's Constitution states that the Commonwealth may pass a resolution, to the extent permitted by law, where the Ministers sign the resolution and provide it to the Company for its records and that any power exercisable by the Company may be exercised in that manner.

NBN Co holds an annual strategic planning meeting attended by Directors and key executives. NBN Co's Shareholder Ministers and representatives of its Shareholder Ministers' Departments are invited to attend the meeting. External guest speakers may also be invited to present at the meeting.

NBN Co's 2020 strategic planning meeting is expected to be held in the second half of the 2020 calendar year.

NBN Co's Executive Committee (ExCo)

ExCo comprises the CEO and Executives. Further details about ExCo are outlined on pages 76 to 81.

Appointments

Directors are appointed by the Commonwealth in a formal letter of appointment setting out the key terms and conditions, including certain information prescribed in the GBE guidelines to ensure each Director clearly understands NBN Co's expectations of the Director.

Rule 5.5.1 of NBN Co's Constitution states that the term of office of a Director is to be determined by the Commonwealth at the time of appointment, with the maximum term of office to be three years. Rule 5.5.2 of NBN Co's Constitution states that a Director retires, but is eligible for re-appointment on the expiry of his or her term of office. The Commonwealth may at any time by written notice to NBN Co:

- appoint a person to be an additional or replacement Director
- remove a Director from his or her office without compensation, whether or not the Director's appointment was expressed to be for a specified period.

Rule 7.3.1 of NBN Co's Constitution states the Chairman must be appointed by the Commonwealth from amongst the Directors. In accordance with section 2.8(b) of the GBE guidelines, the current Chairman is not an NBN Co Executive.

Performance of the Board

The effectiveness of the process and the performance of NBN Co's Board are reviewed annually. The review process is determined by NBN Co's Nominations Committee and the final report is provided to the Board.

Annual reviews of the performance of the whole of Board, Board Committees and individual Directors (including the Chairman) have been undertaken each year from 2011 to 2019.

The 2019 review was undertaken internally by the Chairman and a report on the outcomes of the 2019 review was provided to NBN Co's Shareholder Ministers. The report informs the Board's continuous improvement process.

Performance of the Senior Executives

The performance of NBN Co's Senior Executives is reviewed annually by the People and Remuneration Committee.

The outcomes of the FY20 performance evaluations and information about NBN Co's remuneration framework and policies for the Senior Executives are set out in the Remuneration report on pages 93 to 99.

Company Secretaries

In accordance with rule 5.9.1 of NBN Co's Constitution, the Company Secretaries hold office on terms and conditions determined by the Board. The appointment or removal of the Company Secretaries is to be made or approved by the Board. Details of the Company Secretaries are included on page 82.

The responsibilities of the Company Secretaries are detailed in Section 7 of the Board Charter. Each Director has access to the Company Secretaries.

The Company Secretaries are accountable to the Board through the Chairman on all matters relating to the proper functioning of the Board and also have a management reporting line to the CEO or his delegate.

The roles and responsibilities of each Company Secretary are managed internally.

A high-performing workforce

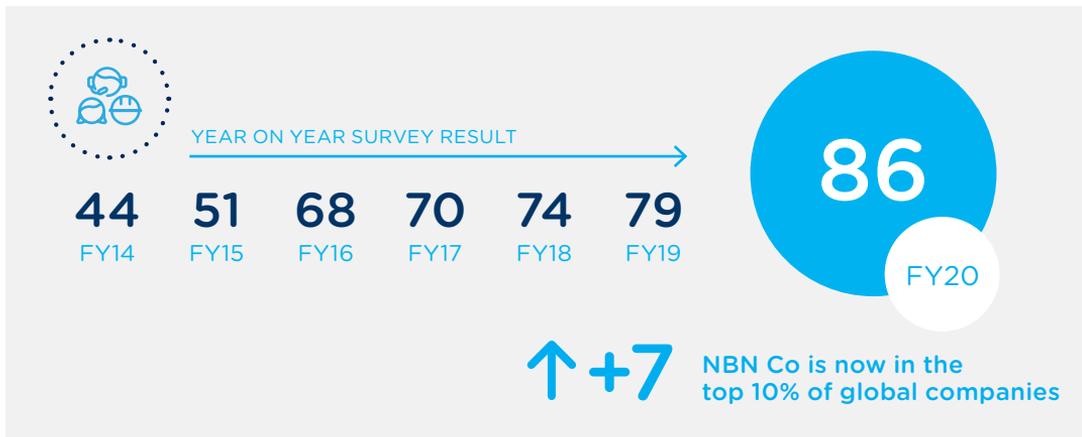
NBN Co employees are proud of their continuing individual and collective efforts to deliver one of the largest and most complex infrastructure projects ever undertaken in Australia.

NBN Co seeks to create an environment that attracts and retains the right talent to deliver the Company’s purpose aligned to its values, while striving to remain in the top quartile engagement scores of global companies. Our people have always felt great pride in what they do, and through NBN Co’s continued focus on supporting communities through natural disasters such as the bushfires and COVID-19 pandemic, our engagement score has increased substantially.

NBN Co’s 2020 annual employee survey achieved a participation rate of 94 percentage points, and an engagement score of 86 percentage points, which is the Company’s highest score yet. This is a seven-point increase from 2019 and for the first time, places the Company in the top 10% of global companies.

NBN Co is committed to keeping the Company a safe and inclusive working environment that respects and supports the diverse backgrounds and perspectives of all our people, enabling teams to work together across the Company to solve problems and innovate to achieve the Company’s purpose.

Annual employee surveys (%)



Diversity and inclusion

At NBN Co we are committed to the promotion of diversity and inclusion amongst our people, in our workplace and in the community.

A focus on inclusion enhances decision-making, helps to attract and retain talent and is key to creating the customer-led, one team culture that is necessary to deliver on our purpose of lifting the digital capability of Australia. We continually strive to foster an environment that celebrates diversity in which all our people have a sense of belonging, connection to our purpose and commitment to living our values.

NBN Co is focused on five pillars that strengthen its Diversity and Inclusion strategy across the organisation:



Gender Equality



Accessibility



Cultural Diversity



LGBTIQ Pride



First Peoples

Objectives and targets for female representation

NBN Co is working towards achieving gender equality throughout the organisation.

Measure	Objective	Future targets
Female representation in management ¹	Increase representation of women in management roles	Increase representation to 40% by FY25
Employee engagement	Increase engagement of women to equal to, or greater than, that of NBN Co-wide engagement	Equal engagement of males and females
Female representation in graduate intake	Maintain female representation in graduate intake	Maintain 50% female representation

Senior Executive positions held by females (as at 30 June 2020):

Role	Percentage
Non-Executive Directors	57%
Executive Committee	33%
Senior Management	33%
Middle Management	31%
Total Women in Management	32%

¹ Including Executive, Senior and Middle Management, excluding Board.

Health, Safety and Environment (HSE)

The HSE team supports the broader NBN Co business and its partners to make tomorrow safer, healthier and more sustainable than today.

The HSE team provides HSE strategy, processes, systems, support and programs that aim to enhance the physical health and mental wellbeing of NBN Co's people, ensure the safety of everyone every day and the safety of the **nbn**[™] access network and associated infrastructure. HSE also aims to preserve and minimise the impact on the natural environment, reduce NBN Co's overall energy consumption and waste to landfill, and preserve sites of cultural and heritage significance. In FY20, NBN Co established a program that aims to reduce greenhouse gas emissions by a cumulative total of 91 kt over a three-year period and result in a 15 per cent reduction in the FY23 forecast emissions.

In the year ahead, the HSE team will remain focused on further embedding risk controls, engaging with Delivery Partners through industry collaboration, uplifting both internal and industry HSE capability, and aligning HSE systems and processes to changing business requirements.

Principle: Structure the Board to add value

(based on ASX Principle 2)

The Board

Pursuant to Rule 5.4.1 of NBN Co's Constitution, the Board is to comprise a minimum of three and a maximum of nine Directors. The Board currently comprises seven Non-Executive Directors and one Managing Director who is the CEO. Membership of the Board as at the signing date comprises:

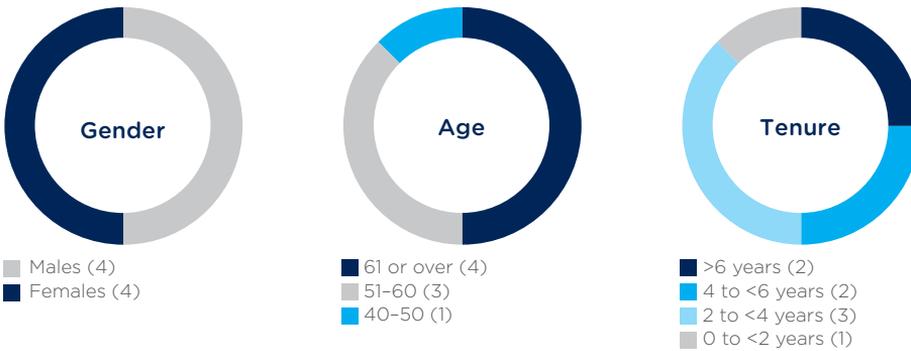
- Dr Ziggy Switkowski AO, Chairman (Non-Executive Director) appointed as Executive Chairman of NBN Co effective 3 October 2013 who reverted to the role of Non-Executive Chairman from 2 April 2014 following the appointment of Mr William Morrow as CEO
- Mr Drew Clarke AO PSM, appointed as a Non-Executive Director effective 22 August 2017
- Ms Shirley In't Veld, appointed as a Non-Executive Director effective 2 December 2015
- Mr Michael Malone, appointed as a Non-Executive Director effective 20 April 2016
- Ms Kate McKenzie, appointed as a Non-Executive Director effective 1 December 2019
- Ms Zoe McKenzie, appointed as a Non-Executive Director effective 1 July 2018
- Mr Stephen Rue, appointed as Managing Director and CEO effective 1 September 2018
- Dr Kerry Schott AO, appointed as a Non-Executive Director effective 28 September 2012.

With the exception of Ms Kate McKenzie, the abovenamed Directors were in office for the full period from 1 July 2019 to 30 June 2020. Mr Patrick Flannigan and Mr Justin Milne both ceased to be Non-Executive Directors of the Board as at the end of their terms of appointment on 10 November 2019.

Full details of current Directors including names, appointment dates, term expiration dates, qualifications, experience and remuneration are included in the Directors' report on pages 70 to 74 and Remuneration report on pages 100 to 101.

Board diversity

The NBN Co Board seeks to ensure it has an appropriate mix of skills, experience and diversity to enable it to effectively discharge its responsibilities.



Meetings

Agendas for all Board meetings are prepared and finalised by the nominated Company Secretary in consultation with the Chairman and the CEO. Directors receive Board reports in advance of each meeting via NBN Co's Board portal.

Key NBN Co Executives are invited to participate in Board meetings.

The Board met 10 times during the period from 1 July 2019 to 30 June 2020. Directors' attendances are set out on page 75.

Standing Committees - an overview

To assist in the performance of its responsibilities, the Board currently has three Committees, each of which is governed by a formal charter setting out its purpose, role, responsibilities, composition, structure and membership.

NBN Co's governance framework

Board of Directors

Audit and Risk Committee

Nominations Committee

People and Remuneration Committee

NBN Co Board and Committee membership:

	Board	Audit and Risk Committee	Nominations Committee	People and Remuneration Committee
Mr Drew Clarke AO PSM	●	-	●	●
Mr Patrick Flannigan ¹	●	●	-	●
Ms Shirley In't Veld	●	●	●	-
Ms Kate McKenzie ²	●	●	●	●
Ms Zoe McKenzie ³	●	●	●	-
Mr Michael Malone ⁴	●	●	●	●
Mr Justin Milne ¹	●	-	●	●
Mr Stephen Rue	●	●	●	●
Dr Kerry Schott AO	●	●	●	-
Dr Ziggy Switkowski AO ⁵	●	●	●	●

● Board or Committee chair ● Board or Committee member ● Attends Board or Committee ex officio

- 1 Mr Patrick Flannigan and Mr Justin Milne ceased to be members of the relevant Committees as at the end of their terms of appointment as Non-Executive Directors of NBN Co on 10 November 2019.
- 2 Ms Kate McKenzie was appointed to the Audit and Risk Committee effective 4 February 2020, and the Nominations Committee and People and Remuneration Committee effective 1 December 2019.
- 3 Ms Zoe McKenzie was appointed to the Audit and Risk Committee effective 4 February 2020.
- 4 Mr Michael Malone was a member of the Audit and Risk Committee during the reporting period from 1 July 2019 until his retirement as a member of the Committee effective 4 February 2020.
- 5 Dr Switkowski was appointed Chair of the People and Remuneration Committee effective 19 November 2019.

Audit and Risk Committee

The Audit and Risk Committee was established on 13 August 2009 and assists the Board in:

- satisfying itself that NBN Co and its subsidiaries comply with their financial management, performance reporting, risk oversight and management, reporting obligations, and internal control and compliance with relevant laws and policies
- providing a forum for communication between the Board, Senior Management of NBN Co, and the internal and external auditors of NBN Co. In particular, the Committee supervises or reviews and makes the necessary recommendations to the Board in relation to: the preparation of periodic financial statements of NBN Co to comply with its financial reporting requirements; the delivery and effective

implementation of an annual strategic internal audit plan; an annual external audit plan; NBN Co's risk management system; a plan setting out procedures and strategies for the effective prevention, detection and management of fraud or corruption and other inappropriate practices; a system for the integration and alignment of assurance processes; the delivery of the Internal Audit and Fraud Plan and Enterprise Risk Strategy; significant changes in accounting policies; the maintenance of effective and efficient internal and external audit processes; the approach followed in establishing NBN Co's resilience planning arrangements; the steps Management takes to embed a culture that promotes the proper use of Commonwealth resources, a commitment to ethical and lawful behaviour and a

proactive approach to dealing with compliance; Auditor independence and performance; and compliance with laws and regulations by NBN Co.

Subject always to the PGPA Act and PGPA Rule the Committee is appointed by the Board, and is to consist of at least three members. All Committee members are independent Non-Executive Directors.

At least one member is to have financial expertise and the necessary technical knowledge and understanding of the industry in which NBN Co operates so as to be able to assist the Committee to effectively discharge its risk related mandate. For independence purposes, the Chair of the Committee is an independent Non-Executive Director appointed by the Board who is not the Chairman of the Board.

As at 30 June 2020, the Committee comprised:

- Dr Kerry Schott AO (Chair appointed effective 12 November 2013)
- Ms Shirley In't Veld (appointed 15 December 2015 effective 1 January 2016)
- Ms Kate McKenzie (appointed effective 4 February 2020)
- Ms Zoe McKenzie (appointed effective 4 February 2020)

Dr Ziggy Switkowski AO, Chairman attends the Committee meetings ex officio.

As Managing Director and CEO, Mr Stephen Rue attends the Committee meetings ex officio.

Mr Patrick Flannigan was a member of the Committee during the reporting period from 1 July 2019 until the end of his term as a Non-Executive Director of NBN Co on 10 November 2019.

Mr Michael Malone was a member of the Committee during the reporting period from 1 July 2019 until his retirement as a member of the Committee effective 4 February 2020.

Refer to pages 70 to 74 of the Directors' report for the relevant qualifications and experience of the Committee members.

The Committee will normally schedule four meetings each year. Details of the number of Committee meetings each Director was eligible to attend and the number of Committee meetings attended during the period from 1 July 2019 to 30 June 2020 are set out in the Directors' report on page 75.

In accordance with Section 4.6 (d) of its Charter, the Committee met separately with NBN Co's external auditors during the period from 1 July 2019 to 30 June 2020.

A copy of the Audit and Risk Committee Charter can be found on the NBN Co website: <https://www.nbnco.com.au/content/dam/nbnco2/2020/policies/Audit-and-Risk-Committee-Charter-040220.pdf>

Nominations Committee

The Nominations Committee was established on 24 March 2015 and assists the Board in fulfilling its governance responsibilities in relation to:

- the appointment, induction, independence and ongoing assessment of the skills and experience of Directors
- Board composition
- CEO recruitment
- succession planning for Directors, the CEO and members of NBN Co's Executive Committee
- evaluating the performance of the Board, its Committees and Directors.

The Committee is to consist of at least three members including the Chairman of the Board, and Chairs of the Board's other sub committees. All Committee members are independent Non-Executive Directors. The Chair of the Committee is an independent Non-Executive Director appointed by the Board and may be the Chairman of the Board.

As at 30 June 2020 the Committee comprised:

- Dr Ziggy Switkowski AO (Chairman and Chair) (appointed effective 24 March 2015)
- Mr Drew Clarke AO PSM (appointed effective 22 August 2017)
- Ms Shirley In't Veld (appointed effective 1 January 2016)
- Ms Kate McKenzie (appointed effective 1 December 2019)
- Ms Zoe McKenzie (appointed effective 1 July 2018)
- Mr Michael Malone (appointed effective 20 April 2016)
- Dr Kerry Schott AO (appointed effective 24 March 2015).

As Managing Director and CEO, Mr Stephen Rue attends Committee meetings ex officio.

Mr Patrick Flannigan and Mr Justin Milne ceased to be members of the Committee as at the end of their terms of appointment as Non-Executive Directors of the Board on 10 November 2019.

The Committee will schedule a minimum of one meeting each year. Details of the number of Committee meetings each Director was eligible to attend and the number of Committee meetings attended during the period from 1 July 2019 to 30 June 2020 are set out in the Directors' report on page 75.

People and Remuneration Committee

The People and Remuneration Committee (formerly Remuneration and Nominations Committee) was established on 7 February 2014. Following a Board resolution at the Board meeting held on 24 March 2015 the Committee changed its name from Remuneration and Nominations Committee to People and Remuneration Committee, effective 24 March 2015. The remit for the Committee was also updated at this time.

The Committee assists the Board in fulfilling its governance responsibilities in relation to:

- establishing people management and remuneration policies for NBN Co that enable NBN Co through its executive leadership to attract and retain capable employees who can help deliver its vision
- fostering exceptional talent and performance while motivating and supporting employees to pursue the growth and success of the **nbn**[™] access network consistent with NBN Co's Corporate Plan
- fairly and responsibly rewarding employees, having regard to the performance of NBN Co, individual performance, statutory and regulatory requirements, and current business norms.

The Committee is to consist of at least three members, the majority of whom are independent Non-Executive Directors.

As at 30 June 2020 the Committee comprised:

- Dr Ziggy Switkowski AO (Chair appointed effective 19 November 2019)
- Mr Drew Clarke AO PSM (appointed effective 20 November 2017)
- Ms Kate McKenzie (appointed effective 1 December 2019)
- Mr Michael Malone (appointed effective 19 November 2019)

As Managing Director and CEO, Mr Stephen Rue attends Committee meetings ex officio.

Mr Patrick Flannigan and Mr Justin Milne ceased to be members of the Committee as at the end of their terms of appointment as Non-Executive Directors of the Board on 10 November 2019.

Mr Milne was Chair of the Committee during the period from 1 July 2019 to and including the end of his term as a Non-Executive Director of NBN Co on 10 November 2019. Dr Switkowski AO was appointed Chair of the Committee effective 19 November 2019. The Committee will schedule a minimum of three meetings each year. Details of the number of Committee meetings each Director was eligible to attend and the number of Committee meetings attended during the period from 1 July 2019 to 30 June 2020 are set out in the Directors' report on page 75.

Standing Committees - in general

Committee members are appointed by the Board for a term that coincides with the earliest of the expiration of the Director's term of appointment, his or her death or resignation or removal as a Committee member or as a Director or, the termination of the Committee. Existing members may be reappointed. The Chair of each Committee is appointed by the Board.

All Directors who are not Committee members are entitled to attend any Committee meeting, subject to conflicts of interest. All Directors have access to all Board and Committee reports via NBN Co's Board portal.

Key NBN Co Executives are invited to participate in Committee meetings.

Each Committee operates pursuant to a Board approved Charter which is reviewed annually by the Committee and any proposed changes to a Charter must be approved by the Board. Each Committee Charter is available on NBN Co's website.

Agendas for all Committee meetings are prepared and finalised by the nominated Company Secretary in consultation with the Committee Chair and appropriate key NBN Co Executives. Committee members receive Committee reports in advance of each meeting via NBN Co's Board portal.

At the Board meeting immediately following a Committee meeting, the Board is provided with a report by the Chair of the Committee on the Committee's deliberations, conclusions, resolutions and recommendations. The nominated Company Secretary, in consultation with the Board and Committee members, sets Board and Committee meeting dates at least 12 months in advance.

Board skills

The Board seeks to ensure it has an appropriate mix of skills, experience and diversity to enable it to effectively discharge its responsibilities. This is supported through one of the Board's standing committees, the Nominations Committee, which reviews the Directors' skills and experience in the form of a skills matrix, and the composition of the Board. This is generally reported upon annually to the Shareholder Ministers in the form of an annual Board Plan.

A review of the Directors' skills matrix is expected to be undertaken by the Nominations Committee during calendar year 2020. Each Director's skills, experience and performance as a member of the Board is considered as part of NBN Co's annual Board performance review.

Based on the most recent review of the Director skills matrix, collectively the Board's high level of skills and expertise are in the following areas:

- Board dynamics and communication
- Business judgement
- Commitment and engagement
- Corporate governance
- Customer focus
- Ethics and integrity
- Executive leadership
- Financial or commerce or accounting
- Government relations
- Human resources or workplace relations
- Issues management
- Leadership
- Legal and regulatory
- Major transition program
- Negotiation
- Previous Board experience
- Public policy
- Risk management and compliance
- Strategy

Independence of Directors

As at the date of this statement, the Board considers all Directors are independent and have remained so throughout the term of their appointment.

At least annually, each Director is requested to complete a declaration of personal interests which is subject to review by NBN Co's Nominations Committee and subsequently by the Board.

In addition, an assessment of independence is made at any time a Director discloses any new interest or relationship. The Board, through the Chairman, evaluates the materiality of any declared interest or relationship that could be perceived to compromise the independence of a Director on a case-by-case basis having regard to the Director's circumstances.

Further, Directors are cognisant of their ongoing obligations to keep the Board and any Committee informed of an interest which could potentially conflict with the interests of the Group. Where a Director has a declared material personal interest and/or may be presented with a potential material conflict of interest in a matter being presented to the Board or a Committee, the Director does not receive copies of Board/Committee reports relating to the matter and generally recuses himself/herself from the Board or Committee meeting at the time the matter is being considered.

Consequently, the Director also does not vote on the matter. Any disclosures made by a Director at a meeting are minuted.

NBN Co has a Director's Conflicts of Interest Policy which, as of August 2018, incorporates NBN Co's former External Securities (Declaration of Interests) Policy.

The Director's Conflicts of Interest Policy is reviewed and approved by the Board on a biennial basis or, more frequently if it is considered necessary or appropriate to do so, as determined by the Board or Management.

Independent advisors

In so far as it relates to enabling Directors to fulfil their responsibilities and to exercise independent judgement when making decisions, the Board collectively and each Director individually:

- has access to:
 - any information in the possession of NBN Co
 - any information relating to NBN Co subsidiaries
 - Management to seek explanations and information in relation to NBN Co and its subsidiaries, and to NBN Co's auditors (both internal and external) to seek explanations and information from them in relation to the management of NBN Co

- with the prior written consent of the Chairman, may seek any independent professional advice in accordance with NBN Co's Funding Director Access to Independent Advice Policy which is reviewed and approved by the Board on a biennial basis or, more frequently if it is considered necessary or appropriate to do so, as determined by the Board or Management
- may seek any advice or services to be provided to NBN Co by third party advisers in accordance with applicable NBN Co policies and procedures, as amended from time to time.

Induction

NBN Co has an induction program for new Directors. Upon appointment, each Director receives a letter from NBN Co confirming his/her appointment which includes Directors' and Officers' liability insurance details; references to extensive reading material via NBN Co's Board portal and a list of formal induction sessions with key NBN Co Executives.

The induction program is reviewed at least annually by the nominated Company Secretary in consultation with Shareholder Ministers' Departments, by NBN Co's Nominations Committee, and subsequently by the Board.

Ongoing education for Directors is delivered through individual briefings, presentations made by key NBN Co Executives, and Directors visiting some of NBN Co's operational locations.

Directors have ongoing access to professional development opportunities which directly relate to their role as a Director of NBN Co and that will benefit their performance as a member of the Board.

Principle: Act ethically and responsibly

(based on ASX Principle 3)

Directors' shareholding interests

The Directors have no interests in NBN Co shares which are held solely by the Commonwealth of Australia.

Code of Conduct of the Board

NBN Co aims to carry out its business in an open and honest manner, while complying with all applicable laws.

The Directors are committed to the promotion of ethical, honest and responsible decision-making and the observance of their fiduciary duties. Directors will:

- at all times bring independent judgment to bear on matters before the Board
- consider the reasonable expectations of NBN Co's stakeholders (including the Shareholder Ministers, and through them the Commonwealth and the Parliament, NBN Co employees, its customers and its suppliers, and, where applicable, given the scale of the project, the broader community)
- investigate reports of breaches by any Director of the Directors' Code of Conduct and will monitor the investigation by Management of breaches by employees of the NBN Co Code of Conduct to ensure any systemic issues are adequately addressed.

NBN Co's Directors' Code of Conduct is contained within the Board Charter.

NBN Co also has in place numerous policies including a Code of Conduct, which governs its employees, contractors and consultants who are expected to be aware of and comply with this code as well as obligations set out in relevant legislation. The purpose of the code is to promote a safe, healthy and productive workplace. The code is underpinned by NBN Co's values (as set out on page 4) and the principle of respect. Failure to comply with the Code of Conduct is a serious breach of NBN Co policy. A substantiated breach of the Code of Conduct may result in action, from disciplinary steps through to a person's termination of employment or engagement with NBN Co. A copy of the Code of Conduct, in addition to other key NBN Co policies, including NBN Co's Whistleblower Policy, can be found on NBN Co's website.

Privacy

Taking a respectful and transparent approach to the way that personal information is collected, used, disclosed and protected by NBN Co is essential to building trust and supports the important work that we do in delivering Australia's National Broadband Network. NBN Co's Privacy Officer is supported by a team of privacy professionals who work in partnership with the business to deliver on our privacy related objectives:

1. We are driven by a purpose to connect Australia and to put access to information in the hands of all Australians. In this context, we recognise the value of all information and we strive to protect it as an important asset of individuals, communities and enterprises.
2. We strive for best practice in complying with the Australian Privacy Principles, which are contained in Schedule 1 of the Privacy Act, in our handling of personal information.
3. We embed privacy into the development, innovation and improvement of specifications, standards, systems and services.
4. We are transparent about the ways in which we collect, use and disclose personal information.
5. When we handle personal information, we do so in a way that aligns with NBN Co's values.

Security Group

NBN Co has adopted a holistic security framework, aligning its cyber, physical, investigatory, analytics, privacy and assurance security practices in a converged model aligned with Australian Government requirements and international best practice. This is to ensure that all Australians have access to broadband that is trusted, resilient and secure. The multifaceted NBN Co Security Group proactively supports investment in cyber and physical security, undertakes ongoing security awareness activities, and is committed to protecting NBN Co's reputation, people, assets and information now and into the future.

Competition law

Compliance with the *Competition and Consumer Act 2010*, the *National Broadband Network Companies Act 2011* and the other regulatory obligations applying to NBN Co is a key focus for NBN Co.

This includes the supply of certain services and the undertaking of related activities on a non-discriminatory basis, as well as implementing and complying with NBN Co's Special Access Undertaking (SAU), as accepted by the Australian Competition and Consumer Commission (ACCC) on 13 December 2013.

Whistleblower

NBN Co has an established formal Whistleblower Policy (available on NBN Co's website), which, amongst other things, meets the requirements of the three whistleblower regimes that apply to the Company as a GBE, namely the *Public Interest Disclosure Act*, the *Corporations Act* and the *Taxation Administration Act*. The policy was created to promote and maintain an open working environment in which eligible individuals including Directors, employees and other stakeholders are able to raise genuine concerns regarding actual, unethical, unlawful or undesirable conduct, without fear of reprisal and with the support and protection of NBN Co.

The Whistleblower Policy is reviewed and approved by the Board on a biennial basis or, more frequently if it is considered necessary or appropriate to do so as determined by the Board or Management.

Value for money

As a GBE, key principles regarding value for money, efficiency, transparency and competition are central to NBN Co's buying decisions.

NBN Co has developed and maintained Purchasing Rules to facilitate a fair, competitive process that achieves value for money on a whole-of-life basis. The rules ensure NBN Co achieves efficient and competitive outcomes, reduces the risk of anti-competitive conduct, makes value based decisions and effectively manages contracts.

The Purchasing Rules are supported by policies and processes for demand planning, sourcing and engaging suppliers, and implementing and managing supplier contracts. The rules are also the means by which NBN Co satisfies conditions set out in NBN Co's Special Access Undertaking (SAU), as accepted by the ACCC on 13 December 2013.

All expenditure at NBN Co should comply with the Procurement Rules and be executed in accordance with NBN Co's Delegation of Authority Policy, agreed principles and audit requirements. The Delegation of Authority Policy is reviewed and endorsed by the Audit and Risk Committee and approved Board annually. This review and approval cycle may occur more frequently if it is considered necessary or appropriate to do so as determined by the Board or Management.

Our environment

NBN Co aims to build a network that can be operated and used in a way that lowers environmental impact. Through the implementation of its Health, Safety and Environment Management System and approach to sustainability, NBN Co is committed to adopting ecologically sustainable development principles. This is now further supported by developing NBN Co's Sustainability Program, focusing on social, economic and environmental considerations. Specifically, in regards to the environment, NBN Co is committed to reducing its energy consumption, greenhouse gas emissions, natural resource consumption and waste; preventing pollution; seeking and respecting the views of our stakeholders and community consultation.

Principle: Safeguard integrity in corporate reporting

(based on ASX Principle 4)

The Audit and Risk Committee assists the Board in:

- satisfying itself that NBN Co and its subsidiaries are complying with their financial management, performance reporting, risk oversight and management, reporting obligations, and internal control and compliance with relevant laws and policies
- providing a forum for communication between the Board, Senior Management of NBN Co, and the internal and external auditors of NBN Co. Refer to page 111 for more information on NBN Co's Audit and Risk Committee.

Internal Control Framework

The Board is responsible for the overall Internal Control Framework and for reviewing its effectiveness but recognises that even best practice internal control systems are unlikely to preclude all errors and irregularities. The framework is intended to provide appropriate assurance on:

- Accuracy and completeness of financial reporting against the key performance indicators in the GBE Guidelines
- Safeguarding of assets
- Maintenance of proper accounting records
- Segregation of roles and responsibilities
- Compliance with applicable legislation, regulation and best practice
- Effectiveness and efficiency of operations and information technology systems
- Key strategic and operational risks.

Internal controls have been implemented to identify, evaluate and manage significant risks to the achievement of NBN Co's objectives. These internal controls cover financial, operational and compliance risk, and take the form of appropriate financial delegations, financial planning and reporting, compliance with appropriate procurement standards, strategic and operational planning, and internal audit practices.

Periodic corporate reports

NBN Co produces a number of periodic corporate reports, including the annual Directors' report, Half-Year and Annual Report (including financial statements), annual Corporate Plan and quarterly financial statements.

The full year financial statements and Remuneration Report are audited by our external auditors. While the external auditors do not provide an audit opinion on the annual Directors' report, including the operating and financial review section, contained in the Annual Report, it is reviewed by them and the Audit and Risk Committee, prior to approval by the Board.

The half-year financial statements are subject to an audit review report by our external auditors.

Periodic corporate reports that are not audited or reviewed by external auditors are verified internally by Management prior to public release. In addition, certain reports are reviewed by the Shareholder Departments prior to being released. NBN Co's process for verifying unaudited periodic corporate reports is as follows:

- Reports are prepared by, or under the supervision of, subject-matter experts;
- Material statements in the reports are reviewed for accuracy with reference to company source documents or, if no source documents are available, by persons with the knowledge and expertise to confirm the accuracy and completeness of the disclosures; and
- Relevant executives further review and approve the disclosures.

These processes are intended to ensure that all applicable laws, regulations and company policies have been complied with, and that appropriate internal approvals are obtained before a report is publicly released.

Internal Audit

Internal Audit is a key component of NBN Co's governance framework. It provides independent and objective assurance and consulting activities designed to protect and enhance value and improve NBN Co's operations.

The Internal Audit function is independent, with NBN Co's Chief Audit Executive, the General Manager Group Internal Audit and Fraud reporting directly to the Chair of the Audit and Risk Committee to ensure free and unrestricted access to the Audit and Risk Committee and Board. The Audit and Risk Committee, in turn, has been constituted by the Board under Section 92 of the PGPA Act to review and endorse an annual internal audit plan. The Internal Audit function operates in accordance with a Board approved charter which is reviewed annually by the Audit and Risk Committee and the Board.

NBN Co operates a co-sourced internal audit model with dedicated professional in-house Internal Audit and Fraud staff working with Ernst & Young and KordaMentha resources as co-sourced internal audit and fraud service providers. Other providers are used on an as-needed basis.

Outcomes of internal audit reviews are provided to the Audit and Risk Committee for its review in compliance with Section 28 of the PGPA Rule 2014. The internal audit activity also seeks to meet or exceed the mandatory guidance provided in the International Professional Practices Framework, published by the Global Institute of Internal Auditors.

External audit

Under Section 98 of the PGPA Act, the Auditor-General is responsible for auditing the financial statements of Commonwealth companies. In addition, NBN Co's Annual Report is tabled in Parliament and its financial accounts lodged with the Australian Securities and Investments Commission. The Australian National Audit Office has contracted with PwC to audit the Group on behalf of the Auditor-General.

NBN Co applies audit independence principles in relation to the external auditors.

The Audit and Risk Committee meets with the external auditor during the year to:

- discuss the external audit plans, identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the consolidated financial statements
- review the results and findings of the external auditor, the appropriateness of accounting and financial reporting, performance reporting, risk oversight and management, the internal control system and the implementation of any recommendations made
- finalise annual reporting, review the preliminary Financial Report prior to sign-off and any significant adjustments required as a result of the external auditor's findings
- review fees paid by NBN Co to the external auditors which are provided in Note H7 to the financial statements.

Fraud risk and reporting

The Commonwealth Fraud Control Framework, which includes Section 10 of the PGPA Rule 2014 (the 'Fraud Rule'), Fraud Policy and Fraud Guidance, outlines the Government's requirements for fraud control, including that Government entities put in place a comprehensive fraud control program that covers prevention, detection, investigation, risk management and reporting strategies.

NBN Co has voluntarily adopted these requirements where appropriate. In addition, NBN Co has adopted a methodology consistent with the relevant recognised Australian Standards AS 8001-2008: Fraud and Corruption Control and the AS/NZS ISO 31000:2009 Risk Management - Principles and Guidelines.

As a GBE, NBN Co is committed to applying and adhering to these standards and as such, has a zero tolerance approach to fraudulent and/or corrupt behaviour.

NBN Co's Fraud and Corruption Control Policy and the Fraud and Corruption Control Plan also contribute to the sound management of fraud risk, and detail the requirements and responsibilities for the prevention, detection and response to fraud and corruption. In addition, the Fraud and Corruption Control Policy seeks to promote behaviour that is consistent with the Code of Conduct and other associated policies, which allow NBN Co to act appropriately and consistently in the investigation and reporting of suspected fraudulent or corrupt activity.

The Fraud and Corruption Control Policy is approved by the Audit and Risk Committee on an annual basis under delegation by the Board. The policy is also noted by the Board on an annual basis. This review and approval cycle may occur more frequently if it is considered necessary or appropriate to do so as determined by the Board or Management.

Certification by the Chief Executive Officer (CEO) and Chief Financial Officer (CFO)

Prior to the approval of the Financial Report by the Board, the CEO and the CFO provide confirmation in writing that the financial statements represent a true and fair view of NBN Co's operations and its financial position. The letter also includes representation to the Board in respect of the adequacy and effectiveness of NBN Co's risk management, internal compliance and control systems.

Based on the evaluation performed as at 30 June 2020, the CEO and the CFO concluded that, as of the evaluation date, such risk management, internal compliance and control systems were reasonably designed so that the Group's financial statements and notes are in accordance with the PGPA Act and the *Corporations Act 2001* and there are reasonable grounds to believe the Group will be able to pay its debts as and when they fall due.

Principle: Make timely and balanced disclosure

(based on ASX Principle 5)

Continuous disclosure

NBN Co recognises that information is a vital and invaluable resource, both for the Company and for the broader Australian community which is why it fosters and promotes a pro-disclosure culture, with the goal of creating an organisation that is open, transparent and accountable.

As a GBE, NBN Co has continuous disclosure obligations to its Shareholder Ministers similar to the continuous disclosure obligations of a publicly listed company. These continuous disclosure obligations to its Shareholder Ministers are set out in the GBE guidelines as amended from time to time, and the PGPA Act and are reinforced by NBN Co's other reporting commitments to the Commonwealth.

NBN Co's transparency and reporting obligations are derived from its financial reporting obligations under the *Corporations Act 2001* and requirements imposed by its Shareholder Ministers. The Company also publicly releases financial and operating results on a quarterly basis together with a presentation from Management.

NBN Co is also subject to the *Freedom of Information (FOI) Act 1982*, and information about NBN Co's approach to FOI is separately available on its website at <https://www.nbnco.com.au/corporate-information/about-nbn-co/freedom-of-information.html>.

NBN Co has a Continuous Disclosure Policy which came into effect following approval by the Board on 13 October 2015.

The Continuous Disclosure Policy is reviewed and approved by the Board on a biennial basis or, more frequently if it is considered necessary or appropriate to do so as determined by the Board or Management.

Principle: Respect the right of shareholders

(based on ASX Principle 6)

Shareholder communication

NBN Co keeps its Shareholder Ministers and their departments informed of any significant developments on an ongoing basis.

NBN Co regularly reports to its Shareholder Ministers based on the best practice reporting timetable detailed in the GBE guidelines and other requests from the Shareholder Ministers.

The Shareholder Ministers are publicly accountable, and NBN Co is also subject to Parliamentary scrutiny through Parliamentary Committees.

NBN Co has a dedicated governance section on its website. The governance section provides information about, or links relating to the following:

- the names, photographs and biographical information for each of its Directors and Senior Executives
- its Constitution, Board Charter and the charters of each of its Board Committees
- its corporate governance policies
- its Corporate Plan
- its Annual Reports which include its financial statements
- quarterly presentations on financial and operating results.

Principle: Recognise and manage risk

(based on ASX Principle 7)

Risk management

NBN Co is required to address risk management in the context of its status as a GBE. The PGPA Act and the GBE guidelines prescribe the requirements NBN Co must meet to fulfil its obligations to its Shareholder Ministers to enable them to exercise their accountability to Parliament and to the general public.

As a GBE, NBN Co is responsible for providing a Corporate Plan to its Shareholder Ministers, of which risk identification, measurement and risk management strategies are key elements. NBN Co's Risk Management Policy, Risk Appetite Statement and Framework communicate objectives, approach and responsibilities with regard to risk management throughout NBN Co. The policy and framework also communicate NBN Co's commitment to support the development of a sound risk management culture. The Risk Management Policy and Risk Appetite Statement are reviewed and endorsed by the Audit and Risk Committee and approved by the Board annually. This review and approval cycle may occur more frequently if it is considered necessary or appropriate to do so as determined by the Board or Management.

NBN Co's Board and Management are committed to proactive identification, assessment and management of material risks. NBN Co's Risk Management Policy and Risk Appetite Statement articulate the Company's objectives, approach and responsibilities with regard to risk management and is reviewed annually by the Audit and Risk Committee and the Board.

Performance against NBN Co's Risk Appetite Statement is actively monitored through Key Risk Indicators (KRIs) which are reported to the Executive Committee and Board on a regular basis.

NBN Co has an enterprise risk operating model that involves active management of business risks by line management and staff, with regular reporting of material risks to the Executive Committee, the Audit and Risk Committee, and the Board.

A summary of NBN Co's material business risks is set out on pages 62 to 63.

NBN Co is developing a company-wide Sustainability Program, focusing on social, economic, and environmental considerations.

Treasury

NBN Co has recently upgraded its Treasury Policy, which is approved annually by the Audit and Risk Committee and establishes a prudential framework providing guidelines, controls and reporting systems for the management of NBN Co's treasury operations. Amongst other things, the Treasury Policy provides clear guidelines for managing treasury risk and making investment and hedging decisions which comply with the PGPA Act and NBN Co's obligations under the Amending Agreement Equity Funding Agreement dated 19 March 2014, the Government Loan Agreement dated 22 December 2016, the Amended and Restated Loan Agreement dated 26 March 2019, and the Shareholder Information Deed dated 26 March 2019.

The Treasury Policy is approved by the Audit and Risk Committee on an annual basis under delegation by the Board. Since May 2020, the policy is also approved by the Board on an annual basis. This review and approval cycle may occur more frequently if it is considered necessary or appropriate to do so as determined by the Board or Management.

Principle: Remunerate fairly and responsibly

(based on ASX Principle 8)

NBN Co's People and Remuneration Committee assists the Board in fulfilling its governance responsibilities in relation to:

- establishing people management and remuneration policies for NBN Co that enable NBN Co through its executive leadership to attract and retain capable employees who can help deliver its vision
- fostering exceptional talent and performance while motivating and supporting employees to pursue the growth and success of the **nbn**[™] access network consistent with NBN Co's Corporate Plan
- fairly and responsibly rewarding employees, having regard to the performance of NBN Co, individual performance, statutory and regulatory requirements, and current business norms.

Refer to page 113 for more information on NBN Co's People and Remuneration Committee.

Directors' remuneration

The Remuneration Tribunal determines the remuneration and travel allowances payable to Non-Executive Directors. Full details of Directors' remuneration are included in the Remuneration report on pages 100 to 101.

Senior Executives' remuneration

The remuneration of Senior Executives is set by NBN Co's People and Remuneration Committee on behalf of the Board. Full details of Senior Executives' remuneration are included in the Remuneration report on pages 93 to 99.