

Annual  
Report  
2019



## Legal Notice

### NBN Co

NBN Co Limited (NBN Co or the Company) is wholly-owned by the Commonwealth of Australia as a Government Business Enterprise (GBE), incorporated under the *Corporations Act 2001* and operating in accordance with the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act).

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NBN Co Limited  
Level 11, 100 Arthur Street  
North Sydney NSW 2060  
Australia

### Annual Report

This Annual Report is for the year ended 30 June 2019 and provides information about the Company and its subsidiaries (together referred to as the NBN Co Group or the Group).

The Financial Report was authorised for issue by the Directors on 8 August 2019. The Directors have the power to amend and reissue the Financial Report.

### Glossary

Defined terms within this Annual Report should be read in conjunction with the Glossary on pages 184 to 188.

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## About NBN Co

Who we are

**NBN Co is the  
company building  
and operating the  
nation's wholesale,  
local access  
broadband network.**

By providing access to fast, reliable and affordable broadband services, NBN Co is helping Australian homes and businesses realise the social and economic benefits that high-speed broadband can unlock.



## NBN Co's purpose is to lift the digital capability of Australia.

NBN Co is accountable to the Commonwealth Government and is working to deliver a National Broadband Network that meets the government's Statement of Expectations<sup>1</sup>, 24 August 2016.

The Company is working to complete the network build and ensure that all Australians have access to fast broadband as soon as possible, at affordable prices, and at least cost to taxpayers.

In addition to building and maintaining a network that is resilient and secure, NBN Co is committed to delivering access to peak wholesale download speeds of at least 25 megabits per second (Mbps) to all premises, and at least 50Mbps to 90 per cent of the fixed-line premises<sup>2</sup>. NBN Co will ensure that upgrade paths are available for the network's multi-technology mix as required.

As the network wholesaler, NBN Co provides access to all Retail Service Providers (RSPs) on a non-discriminatory basis. This approach is intended to level the playing field in the Australian telecommunications industry, enhancing competition and providing greater choice for customers<sup>3</sup> across the country. It is through RSPs that customers connect to the **nbn**<sup>TM</sup> network for access to high-speed internet.

NBN Co is delivering high-speed broadband to customers across Australia's broad expanse of more than seven million square kilometres. As NBN Co approaches the final stages on network construction, the Company is strengthening its focus on becoming a full-scale service delivery organisation. As the Company undertakes this transition, it has brought into sharper focus the needs and expectations of residential and business customers across Australia. The Company is committed to working with Delivery Partners, RSPs and stakeholder groups to help more Australians use the network to drive positive benefits for themselves and their communities.

1 <https://www.communications.gov.au/publications/nbnstatementofexpectations>

2 This will be achieved at the end of co-existence, which refers to the period where there are active Telstra services running over the parts of the legacy Telstra network that NBN Co has acquired from Telstra.

3 Final downstream customers to NBN Co's Retail Service Providers (RSPs).





## Our values

Our values underpin the way in which we act and behave. They describe what is important to us and guide us on how we think and interact with our customers, each other, and our communities.

### We are one team

**Actively** engaging and valuing input from others

**Focusing** on and prioritising the common goal

**Actively** supporting team decisions

### We deliver

**Setting** clear goals, planning and measuring progress

**Taking** accountability, owning actions and financial responsibility

**Focusing** on and prioritising the right things

### We are fearless

**Speaking** up to improve outcomes with transparency

**Seeking** new and better ways and taking informed risks

**Decisiveness** and acting with a sense of urgency

### We care

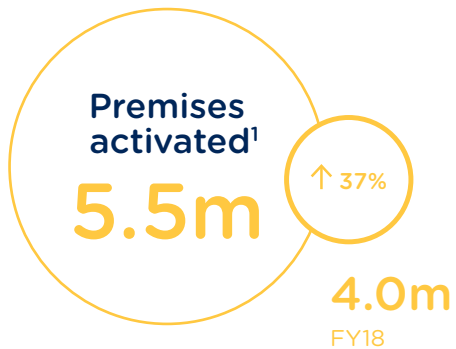
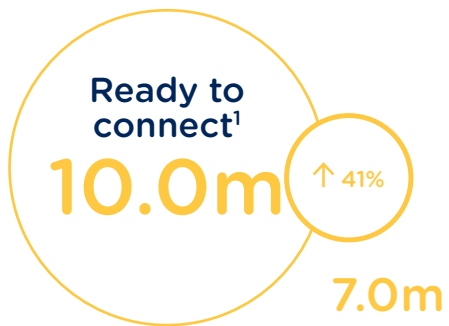
**Fostering** the wellbeing and growth of our people

**Listening** to and delighting customers

**Making** the nation a better place

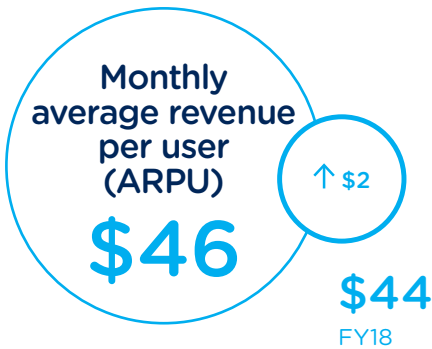
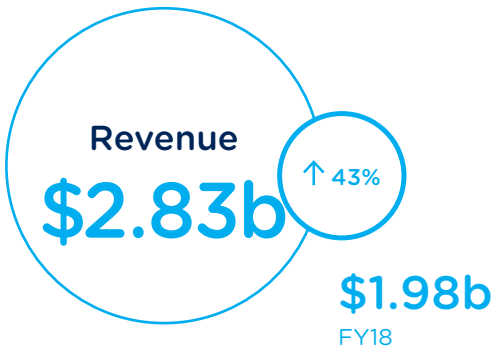
## 2019 Results summary

NBN Co has made significant progress building the nbn™ access network, growing revenue and ARPU whilst working to improve the residential and business customer experience.



<sup>1</sup> Cumulative number of premises ready to connect and activated.





2 Refer to pages 26 to 27 for progress against key customer experience metrics.

## Chairman and Chief Executive Officer's message

**In the ten years since NBN Co was established, the Company and its employees have reached some truly significant milestones in order to connect Australians with a fast, secure and reliable broadband network and in doing so, help unlock social and economic benefits that this vital piece of communications infrastructure delivers.**

FY19 has been one of our most challenging and rewarding years on this journey. The Company and its employees have tackled difficult builds and introduced new technologies, while successfully exceeding rollout milestones and financial targets.

In the last twelve months the Company has almost completed the regional and rural construction of the network and rolled through some of the nation's most densely populated metropolitan centres to make fast broadband available to almost three million homes and businesses. That means that today more than 10 million homes and businesses are now ready to connect to the **nbn™** access network.

To contextualise the scale of this achievement in just one year, it wasn't until the end of FY16, some five years into the build, that the first three million homes and businesses were able to connect to the **nbn™** access network.

FY19 saw the Company continue its trajectory of strong financial discipline as it exceeded its Corporate Plan targets, produced strong revenues, and added 1.5 million new customers to the network. The Company continued its revenue growth with a 43 per cent increase to

\$2.825 billion, as the Company reached 85 per cent construction completion, and as the total number of active premises to join the network surpassed the 5.5 million mark.

NBN Co delivered strong gains in terms of its Average Revenue Per User (ARPU), which increased to \$46 a month, compared to \$44 just twelve months ago. There were three main drivers of that ARPU increase: customer migration to higher speed plans, increased data consumption, and strong growth in the nascent business segment.

Increasing revenues are required for the Company to ensure that in future it will have the financial strength to continually upgrade and maintain a safe, secure and reliable network, while working to meet the ever-increasing data demands of our customers. The importance of this cannot be underestimated as we seek to ensure we have an evolving and sustainable network that will deliver for all Australians no matter where they choose to work and live.

## NEW OPPORTUNITIES

FY19 was also a noteworthy year for two other important reasons: the launch of scaled deployment of Fibre-to-the-Curb (FTTC) technology and the accelerated participation of NBN Co into the wholesale telecommunications business sector. Both of these initiatives will be very important to NBN Co's future success.

FTTC represents NBN Co's commitment to utilising new technologies, and the rollout of FTTC at scale demonstrates the agility the Company has embedded as part of its engineering process, so that it can bring options to market in an effective and efficient manner. Over the last 12 months, the Company has deployed FTTC at a scale not seen anywhere else in the world, increasing the number of ready to connect premises by more than 580,000. It has increased the number of activated premises on this access technology from 4,000 at the end of FY18 to almost 230,000 at the close of FY19.

NBN Co's accelerated participation in the business market, which is targeted as contributing \$1 billion per annum in recurring revenue in future years, represents our commitment to bringing more competition to market. This part of the business hit the ground running in FY19 with the launch of wholesale products capable of delivering Gigabit speeds<sup>1</sup> designed for government and enterprise customers, and wholesale broadband bundles targeted to small and medium sized businesses.

<sup>1</sup> Regardless of the retail service you purchase, the actual wholesale speeds delivered by the **nbn**<sup>™</sup> Enterprise Ethernet product will be less than 1000 Mbps due to equipment and network limitations. Your experience, including the speeds actually achieved over the **nbn**<sup>™</sup> network, depends on some factors outside our control (like your equipment quality, software, and how your service provider designs its network). If your service provider has not selected a bandwidth in the highest of three classes of service available for **nbn**<sup>™</sup> Enterprise Ethernet, the speeds you experience may be affected by contention on the **nbn**<sup>™</sup> network, particularly in busy periods.

## CUSTOMER-LED FOCUS

Meeting these construction and operational objectives are important milestones for the Company, but the goal to connect homes and businesses to the **nbn**<sup>™</sup> access network and to lift Australia's digital capability is much more than a 'numbers game'.

This commitment continued throughout FY19 and has been further elevated under an enhanced customer-led strategy to drive collaboration with retail partners, the industry, regulators and the government to help ensure customers will get the best possible experience from their **nbn**<sup>™</sup> service.

NBN Co's key customer experience metrics remained steady throughout FY19, with Right First Time installations of **nbn**<sup>™</sup> equipment coming in at 91 per cent; agreed installation times met on 96 per cent of occasions; and just 0.6 faults after connection per 100 premises per month. This is a sound achievement, however we know that in a build of this scale, even a small fault rate impacts a significant number of people.

Over the coming year we will be working hard to reduce missed appointments or faults and outages even further but appreciate that there is always more we can be doing to enable this. That is why the Company is striving to continuously improve its processes, metrics, and overall approach to better understand customer needs and ultimately drive improvements in the day to day **nbn**<sup>™</sup> experience.

The Company is also aware that it has a significant role to play in working with retail partners to assist customers in navigating connection and usage issues. Furthermore, we have a part to play in educating customers on aspects of their broadband experience that fall outside of the **nbn**<sup>™</sup> network such as in-home wiring and Wi-Fi setup. It is also important for customers to understand what retail products best suit their individual needs. These matters will receive greater focus as the build comes to completion.

As part of our commitment to prioritising customer experience over financial returns, we were pleased to see our HFC re-engineering work come to a close in FY19, as the Company released remediated footprint with more than two million premises declared RTC, which included all premises impacted by the HFC pause. As a result, the Company more than doubled HFC activations in FY19 to more than 900,000.

We know the HFC network is in a better shape today than it was previously, but we know we still have work to do to improve the experience for customers on our Fixed Wireless network where some customers have experienced congestion during evening hours. High consumer demand across our Fixed Wireless network has seen us make significant investments to upgrade capacity on congested towers and backhaul links to help retailers give regional Australians an improved experience. These investments continued throughout FY19 and will continue to add more capacity into the future.

## PRICING AND TAKE-UP

Our wholesale pricing discounts also continued to play an important role in improving customer experience by introducing homes and businesses to the benefits of fast broadband. At the end of FY19, 64 per cent of all **nbn**<sup>™</sup> plans were based on wholesale speed tiers of 50Mbps or higher, compared to 45 per cent in FY18 and just 16 per cent in FY17. We are now seeing around 80 per cent of all new sales of plans based on a wholesale 50Mbps speed tier or higher.

In June 2019, NBN Co released its Wholesale Pricing Review Consultation Paper to more than 50 Retail Service Providers (RSPs) and Special Interest Groups. At its core, the consultation paper has three important outcomes it is seeking to address: to work with industry to deliver a better customer experience to more Australians; identify options to increase take-up of the **nbn**<sup>™</sup>

access network and address the needs of all consumer segments; and finally to ensure the Company has a sustainable business model which allows it to continue to invest in upgrading and maintaining the network, create new wholesale products, and develop new technologies. It is through this approach that we hope to demonstrate our commitment to working with Industry to meet customer needs by providing a tailored and responsive approach to wholesale pricing.

## TOWARDS 2020

With the finish line for construction of the network within sight, it will be another big year ahead. Completing the major construction phase of the build by the end of FY20<sup>1</sup> means we will tackle some of the hardest to reach, most complex to build, and difficult to access premises in the country. These include premises in the hearts of our bustling city centres, culturally significant sites and heritage listed homes and buildings.

In future years, we anticipate that ongoing social, economic and technology changes will see greater demand for broadband capability. This will see an increasing role for the Company in facilitating positive economic and social outcomes in areas such as small business, health, education, agriculture and tourism. This is why 2020 is such an important year as we focus on completing the build, overlaid with a strong commitment to customer experience. Getting this right will lay the platform for NBN Co in years ahead to deliver upon our purpose to lift the digital capability of Australia.



*J. Z. Switkowski*  
**Dr Ziggy Switkowski AO**  
Chairman



*Stephen Rue*  
**Stephen Rue**  
Chief Executive Officer

<sup>1</sup> This represents the connection of standard installation premises only. Network construction will continue beyond 2020 in relation to new residential and business developments and complex installations, which includes properties that are difficult to access, culturally significant areas and heritage sites.

# Directors' report

**The Directors of the Company present their report on NBN Co Limited (NBN Co or the Company) and its subsidiaries (the Group or the NBN Co Group), together with the Financial Report of the Group for the year ended 30 June 2019 and the auditor's report thereon.**





## Operating and financial review

The principal activities of NBN Co are to build and operate the **nbn™** access network, which has been structured as a wholesale-only access network available on equivalent terms to all access seekers.

NBN Co is wholly-owned by the Commonwealth of Australia as a Government Business Enterprise (GBE), incorporated under the *Corporations Act 2001* and operating in accordance with the *Public Governance, Performance and Accountability Act 2013* (Cth) (PGPA Act).

Since establishment, the government has presented NBN Co's mandate through a Statement of Expectations (SoE), which is supplemented from time to time by policy directives and correspondence. NBN Co's current objectives are set out in the government's SOE, 24 August 2016.



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## Our business

### 1 NBN Co's purpose

To lift the  
digital  
capability  
of Australia

### 2 What are NBN Co's goals?

Complete the build by  
30 June 2020<sup>1</sup>

Enhance the network  
capability over time to  
meet the growing and  
diverse needs of  
Australian homes and  
businesses

<sup>1</sup> This represents the connection of standard installation premises only. Network construction will continue beyond 2020 in relation to new residential and business developments and complex installations, which includes properties that are difficult to access, culturally significant areas and heritage sites.

3

## What are NBN Co's priorities?



Ensure all Australians have access to **high-speed, resilient and secure broadband**



Keep NBN Co a great place to work, **underpinned by a customer-led culture**



Deliver a customer experience that drives **satisfaction, use and network preference**



Develop a product and pricing portfolio that **addresses customers' diverse needs**



Strengthen relationships with government, industry and community to **optimise customer benefits**



Build capabilities for the future and grow profitability to **enable re-investment to benefit our customers**

4

## Supported by

**6,400**

NBN Co staff<sup>1</sup>

**More than 100**

Retail Service Providers selling services over the **nbn™** access network

<sup>1</sup> This figure includes NBN Co employees and contractors.

## Our progress and performance

**NBN Co has made significant progress building the nbn™ access network, growing revenue and ARPU, whilst working to improve the residential and business customer experience.**

FY19 was the Company's single biggest year for the build with an additional 3.0 million premises made Ready to Connect (RTC). As at 30 June 2019, almost 10.0 million premises were declared RTC, exceeding the Corporate Plan 2019-22 target by 254,000 premises. This achievement means that approximately 86 per cent of Australian premises can now order a service over the nbn™ access network.

During FY19, premises activated increased by 37% with an additional 1.5 million premises connecting to a service over the nbn™ access network within the twelve month period. As a result, together with RSP's, NBN Co had activated broadband services over the nbn™ access network to more than 5.5 million Australian premises as of 30 June 2019. This result exceeded the 2019-22 Corporate Plan target by 32,000 premises.

Revenue growth continued during the year, primarily driven by the significant growth in the number of premises activated. The Company generated revenue of \$2.8 billion in FY19, a 43 per cent increase compared to FY18, exceeding the 2019-22 Corporate Plan target by \$225 million. Monthly Average Revenue Per User (ARPU) increased from \$44 in FY18 to \$46 in FY19 driven by the growth in business revenues, an increase in the customer take-up of higher speed plans and the growing demand for data.

### Improving customer experience<sup>1</sup>

Throughout FY19, NBN Co’s ‘Focus on 50’ campaign and associated wholesale bundle pricing discounts have helped contribute to 64 per cent of homes and businesses on peak wholesale download speed plans of 50Mbps or above, compared to approximately 16 per cent of customers using wholesale speed tiers of 50Mbps or above in 2017.

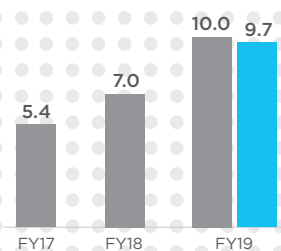
In addition, the wholesale bundle pricing discounts have helped drive average network bandwidth congestion from five hours and 23 minutes per week as of 30 June 2017 to 50 minutes per week as of June 2019 (excluding the Sky Muster™ satellite service)<sup>2</sup>.

The Company has also maintained its focus on working to improve customers’ connection experience, with agreed installation times met with RSPs on 96 per cent of occasions (in June 2019, noting that there have been some fluctuations during the year); reducing the prevalence of faults after connection, with 0.6 faults after connection per 100 homes and businesses connected (in June 2019), compared to 0.8 per 100 in June 2018; and, when faults do occur, improving its ability to meet agreed fault resolution times, with NBN Co meeting agreed fault restoration times with RSPs on 91 per cent of occasions in June 2019 (noting that there have been some fluctuations during the year).

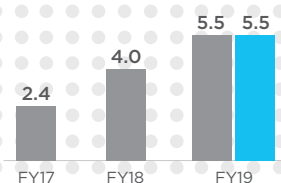
1 Please refer to pages 26 to 27 for progress against key customer experience metrics.

2 This is calculated across all bandwidth purchased by all RSPs across the entire network (CVC congestion). Please note that while bandwidth congestion is caused by the level of provisioning of capacity by the RSP, there are also other types of congestion that may occur on the nbn™ access network.

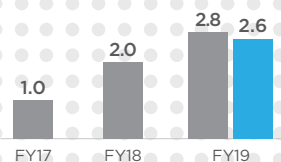
Cumulative RTC Premises (million)



Cumulative Activations Premises (million)



Annual Revenue (\$ billion)



■ Actual  
 ■ Corporate Plan 2019-22

## NBN Co's performance was underpinned by several key milestones during the year, including:

### Network

- **Scaling of Fibre-to-the-Curb (FTTC)** footprint with more than 600,000 premises declared RTC
- Released optimised HFC footprint with more than 2 million **premises declared RTC**, which includes all premises impacted by the HFC pause in FY18
- Started implementing a **DOCSIS 3.1\* upgrade** across the HFC network, enabling the **nbn™** access cable network to **deliver faster wholesale speeds in the future**, provide significant capacity uplifts, and improve service reliability and availability
- **Commenced HFC Gigabit trials** to identify and prove viability of upgrade path to accommodate customers' future broadband requirements

### Customer

- **Wholesale pricing construct** and initiatives have resulted in 64 per cent of homes and businesses on peak wholesale download speed plans of 50Mbps or higher<sup>1</sup>
- Launched **Enterprise Ethernet, delivering 1 Gigabit per second (Gbps)<sup>2</sup>** wholesale symmetrical services to government and enterprise customers
- Introduced **Business Bundles tailored to the needs of small to medium businesses** and focused on improving the customer experience
- Opened the **Business Operation Centre** to provide tailored services and **streamline the process of migrating businesses to the nbn™** access network

1 Refer to the uptake to higher wholesale plans footnote on page 182 for further details on how this metric is calculated.

2 Regardless of the retail service you purchase, the actual wholesale speeds delivered by the **nbn™** Enterprise Ethernet product will be less than 1Gbps due to equipment and network limitations. Your experience, including the speeds actually achieved over the **nbn™** broadband access network, depends on the configuration over which services are delivered to your premises, whether you are using the service during the busy period, and some factors outside NBN Co's control (like your equipment quality, software, chosen broadband plan or how your service provider designs its network). If your service provider has not selected a bandwidth in the highest of three classes of service available for **nbn™** Enterprise Ethernet, the speeds you experience may be affected by contention on the **nbn™** network, particularly in busy periods.

## People

- Company-wide **employee engagement score** increased to 79%
- Improved safety metrics with a **reduction** in Total Recordable Injury Frequency Rate (TRIFR) and the frequency of HSE incidents with the potential to cause serious harm

## Environment

- **Participation** in the Cross Dependencies Initiative (XDI) Sydney, jointly with the NSW Government
- Implemented initiatives to **integrate energy considerations** into network planning, design and operational processes

## Financials

- **\$2.8b** ↑ 43%  
Generated revenue of \$2.8 billion, an increase of 43 per cent compared to FY18
- **\$608m**  
Achieved earnings before interest, tax, depreciation, and amortisation (EBITDA) and subscriber payments of \$608 million
- **\$46** ↑ \$2  
Increased ARPU to \$46, up from \$44 in FY18

## Our network

### Strong partnerships with Delivery Partners have helped the Company achieve its biggest deployment year, expanding the RTC footprint to almost 10.0 million premises.

NBN Co is dedicated to the deployment of a secure and reliable network, with agreed wholesale network performance and stability measures for customers.

#### Maintaining progress and meeting future expectations

NBN Co's performance during the year has not only been focused on maintaining rollout progress but also meeting future expectations. NBN Co has undertaken a number of network improvement initiatives this year to raise the quality and performance of the network, including HFC optimisation, FTTC serviceability and Fixed Wireless capacity upgrades.

The Company will complete the build on time, by 30 June 2020<sup>1</sup>, but has amended its activation targets for FY20. Given the current priority on network optimisation and the degree of civil build required for FTTC, there has been a shift in phasing during FY20 for the deployment and activations.

This extended the end point for the respective 18-month migration periods for some customers beyond the previously forecast timing. The Company therefore now expects to connect 8.1 million customers by 30 June 2021, approximately six months later than foreshadowed in previous Corporate Plans.

#### Future technology roadmap

The completion of the build by 2020 is an important milestone but not the end goal for NBN Co. The Company is steadily transitioning to a service delivery organisation, optimising the end-to-end performance of the **nbn**<sup>™</sup> access network wherever possible. This approach includes a commitment to continually evolve the product portfolio to meet changing customer demands. NBN Co has identified a potential upgrade path for each access technology that could enable the provision of greater speed and capacity over time as demand increases.

NBN Co has also developed a ten-year technology strategy to optimise the end-to-end performance of its network and systems.

Combined with continued advances in automation and analytics, this will enable dynamic, iterative changes in network maintenance, performance and operation, and provide a cost-effective means to deliver new capability that enhances customer experience. NBN Co has commenced this transition and will continue to assess the maturity of technology as the Company reduces capability duplication and moves towards open standard implementations.

<sup>1</sup> This represents the connection of standard installation premises only. Network construction will continue beyond 2020 in relation to new residential and business developments and complex installations, which includes properties that are difficult to access, culturally significant areas and heritage sites.



## Future technology roadmap

Current wholesale products<sup>1</sup>

Potential upgrade path →

Potential mid-term upgrade path peak download speed<sup>3</sup>

### Fibre-to-the-Premises (FTTP)

Deploys fibre optic cable all the way to premises. Available in a variety of existing locations as well as most large new developments, and to customers who can select FTTP through the Technology Choice program.



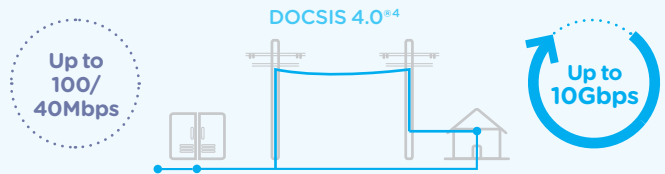
### Fibre-to-the-Node/Building/Curb (FTTN<sup>2</sup>/B/C)

Deploys fibre into neighbourhoods and then makes use of the existing copper into the premises.



### Hybrid Fibre Coaxial (HFC)

Leverages existing networks of fibre and coaxial cable, coupled with DOCSIS<sup>®</sup> technology, to deliver broadband services into the premises.



### Fixed Wireless

Largely targeted at regional communities and provides the means for fast broadband to extend to Australians outside the reach of the nbn<sup>™</sup> fixed-line network.



### Sky Muster<sup>™</sup> satellite

Among the world's largest and most advanced communication satellites. The satellite service allows the nbn<sup>™</sup> network to reach remote areas.



1 Your experience, including the speeds actually achieved over the nbn<sup>™</sup> access network, depends on the configuration over which services are delivered to your premises, how far away your premise is located from nbn<sup>™</sup> network equipment, your equipment quality, software, broadband plans, signal reception, the plan you choose from your provider, the performance of your modem, Wi-Fi, cabling, other devices in your premises and how your service provider designs its network. Speeds may be impacted by network congestion on the nbn<sup>™</sup> network, including during busy periods.

2 To achieve maximum attainable speeds available through G.fast/G.mgfast, technology upgrades may be required.

3 NBN Co is investigating potential technological developments that may be available to deploy in the nbn<sup>™</sup> network in the next 5-10 years. The download speeds referenced here were achieved in the context of trials conducted by the Company or third parties, and are not necessarily reflective of the speeds that will be experienced on the nbn<sup>™</sup> network. The Company will conduct further due diligence on the optional upgrade paths and demand at the time these future technologies are closer to mass market availability to determine the most effective approach in delivering ultra high-speed services over the nbn<sup>™</sup> network.

4 DOCSIS 4.0\* comprises of DOCSIS<sup>®</sup> 3.1, Full Duplex DOCSIS<sup>®</sup> 3.1, and Extended Spectrum DOCSIS<sup>®</sup> (ESD).

## Future technology roadmap

### XGS-PON and NG-PON

NBN Co continues to track and evaluate the evolution of FTTP technology. New technologies such as XGS-PON and NG-PON2 are being developed to leverage the significant untapped capacity of optical fibre.

This could help deliver additional capacity beyond residential consumer demand, for others such as enterprise businesses and mobile backhaul.

NBN Co's Chief Technology Office continues to evaluate these technology options in concert with the broader telecommunications technology industry.

### G.fast

The G.fast protocol is a future evolution from the existing Very-High-Bit-Rate Digital Subscriber Line (VDSL) technology currently used by FTTN, FTTB and FTTC. The G.fast protocol is being deployed within the FTTC network and expected to provide up to Gigabit capable wholesale speeds in the future when available to market. To achieve maximum attainable speeds available through G.fast/G.mfast, technology upgrades may be required.

G.fast provides greater bandwidth and improved noise mitigation on the copper pair network, and is able to achieve speeds up to 1Gbps over the shorter copper distances in typical FTTC deployments.

As G.fast can be deployed on existing copper networks, it is a viable alternative where fibre into the premises is too costly or difficult to deploy.

NBN Co has been steadily deploying G.fast capable distribution point units (DPUs) in the FTTC footprint since the end of 2018. Trials will soon commence to test the associated product offerings with RSPs and customers, as well as increase experience to the wide variety of conditions it will encounter over the Australian telecommunications copper network.

As with the introduction of VDSL, G.fast will force Australia's legacy copper networks to carry many times more bandwidth than it was required to support for the decades with voice, dial-up and ADSL. The higher frequencies employed invariably expose new network characteristics, not all of which can be forecast and simulated in the lab. NBN Co will also evaluate the next generation of G.fast, which has achieved speeds of 5Gbps over 70 metre copper lines in lab trials.

## HFC network upgrades and evolution

The next generation of HFC technology, based on DOCSIS 3.1<sup>®</sup>, provides a cost-effective means to deliver significant new capacity to homes and businesses. It is expected to enable the cable network to deliver faster wholesale speeds in the future, provide significant capacity uplifts and improve service reliability and availability.

Prior to launching DOCSIS 3.1<sup>®</sup>, the only way NBN Co could increase capacity on the HFC network was by installing new optical nodes, a process known as node-splitting, to reduce the number of premises served by existing optical nodes on the network. DOCSIS 3.1<sup>®</sup> improves the spectral efficiency of the HFC network and allows NBN Co to use higher range spectrum therefore doubling the capacity available.

DOCSIS 3.1<sup>®</sup> upgrades to the downstream of the HFC network commenced in August 2018.

In FY20, NBN Co will commence the deployment of DOCSIS 3.1<sup>®</sup> in the upstream, as well as further HFC plant and spectrum upgrades to the HFC network that will enable the full deployment of DOCSIS 3.1<sup>®</sup>, including the migration off and retirement of DOCSIS 3.0<sup>®</sup>.

In the coming years, NBN Co is expected to commence the journey to the next evolution of HFC architecture, known as Distributed Access Architecture (DAA). This exciting new architecture is expected to take advantage of NBN Co's deep-fibre deployments, and provide unparalleled levels of performance, reliability, and cost efficiencies. The deep-fibre nature of this architecture will enable the Company to further exploit the spectral efficiencies of DOCSIS<sup>®</sup> technologies thereby providing significant capacity uplifts.

NBN Co will continue to assess emerging HFC technologies like Full Duplex DOCSIS 3.1<sup>®</sup>, Extended Spectrum DOCSIS (ESD), and the recently announced DOCSIS 4.0<sup>®</sup> which may offer upgrade paths capable of delivering low latency services and 10Gbps download speeds (and beyond) in the future.

## Fixed Wireless capacity upgrade and evolution

NBN Co's commitment to connect all Australians to fast broadband has seen a renewed focus on investing in upgrades to the Fixed Wireless network and enhancements to its product offerings over the past 12 months. Fixed Wireless network capacity is shared and finite. NBN Co is prioritising wholesale capacity upgrades on Fixed Wireless using the following internal thresholds:

- Cells that do not, or are forecast not to, meet NBN Co's design threshold of a 30 day average of 6Mbps download throughput in the busiest hour of the day for that cell (averaged across all active services connected to that cell in the applicable hour); and
- Backhaul links that exceed, or are forecast to exceed, NBN Co's threshold of a 28 day average of 0.25% or more packet loss in the busiest hour of the day for that link<sup>1</sup>.

NBN Co recently launched a new wholesale speed tier, Fixed Wireless Plus. It aims to deliver the maximum potential wholesale speed that the Fixed Wireless network is capable of delivering to a particular premises at the time of use.

As NBN Co moves closer to the completion of the Fixed Wireless build program, the Company is intensifying the focus on upgrading the network to improve capacity. NBN Co will continue to assess emerging wireless technologies like 4G Massive MIMO and 5G Millimetre Wave, which may offer upgrade paths to further enhance the capacity and speeds available in the future.

<sup>1</sup> These thresholds are not performance commitments of NBN Co's products, and are not indicative of actual customer experience (which depends on a wide range of factors).

## Our customers

As at 30 June 2019, more than 5.5 million premises were connected to a service over the nbn™ access network. This means that nearly 50 per cent of Australian premises are now experiencing the benefits of the network every day.



## Customer experience

NBN Co's strategy places customers at the centre, with focus on improving their experience and in turn, ensuring the full benefits of the **nbn**<sup>™</sup> access network can be realised.

NBN Co recognises that it has a lot of work to do in order to improve the customer experience. NBN Co's customer experience strategy sets clear expectations for the Company to meet as customers are connected, as well as improving their everyday experience and ensuring any issues are resolved promptly. The Company also recognises that effective collaboration with RSPs is essential to delivering the Company's ability to serve customers well, so it remains committed to working with them and the broader telecommunications industry to improve customers' overall experience in terms of their awareness about the choices that are available to them when connecting to the **nbn**<sup>™</sup> access network, their use of the service, and NBN Co's ability to fix problems and resolve issues. Accordingly, the Company will continue to drive its comprehensive customer program in collaboration with the industry across the four stages of a customer's experience: Aware, Connect, Use and Fix.

### Aware

NBN Co will help Australians to understand what they need to do to sign up to the **nbn**<sup>™</sup> access network and choose the plan that is right for them. The Company will clarify its role and the role of RSPs, and support customers to make sure their service is fit for their needs.

### Connect

NBN Co aims to provide all customers with on-time and convenient connections, reducing wait time and resolving issues relating to connection. The Company is working with Delivery Partners to improve service to customers. The goal is to ensure installations of **nbn**<sup>™</sup> equipment are completed right the first time and we minimise the incidence of delayed or missed appointments.

The Company will continue to increase business connections. We have dedicated staff resources and improved processes, together with our RSP partners, to improve the experience of connection for business customers.

### Use

NBN Co recognises that the most important element for customers is the quality of their usage experience. The introduction of bundled AVC and CVC wholesale discounts improved customers' experience with NBN in FY19. Rehabilitation, remediation and augmentation of existing infrastructure continue to be an important focus. NBN Co will continue to reduce network down time where possible and drive better communication to customers during outages, as well as helping customers by advising them on how to improve their in-home set-up and the benefits and suitability of various technologies and speed tiers.

### Fix

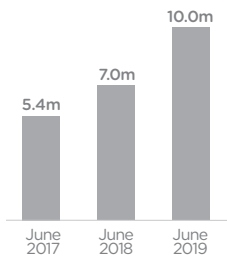
NBN Co will progressively target and reduce the time it takes to resolve issues within its control and fix problems within agreed timeframes. The Company is focused on working with its partners to improve processes for resolving issues. This will include the development of new tools to deliver better outcomes for customers.

To give the public a clear understanding of our progress, NBN Co is reporting key customer experience metrics publicly through a monthly progress report. Compared against 30 June 2018 and 30 June 2017, the recently reported metrics show good progress in many areas, but the company also acknowledges that it has more work to do to improve the customer experience.

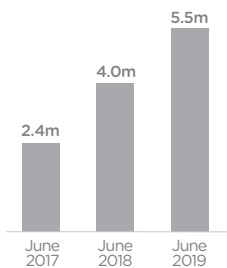
## Progress



Homes and businesses ready to connect<sup>1</sup>



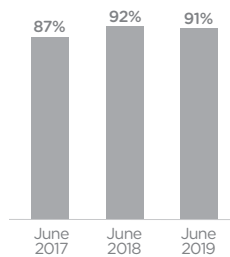
Homes and businesses connected<sup>2</sup>



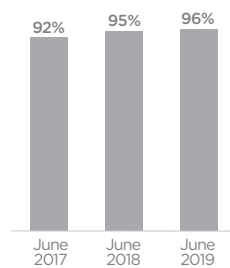
## Connect



Right first time installations of nbn™ equipment<sup>3</sup>



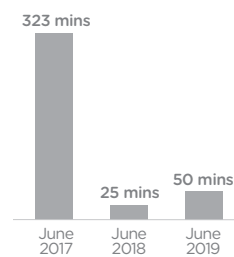
Meeting agreed installation times<sup>4</sup>



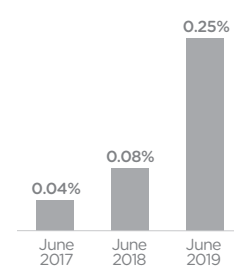
## Use



Average network bandwidth congestion (per week)<sup>5</sup>



Fixed-line network congestion<sup>6,13</sup>



<sup>1,2</sup> Cumulative number of premises ready to connect and connected homes and businesses.

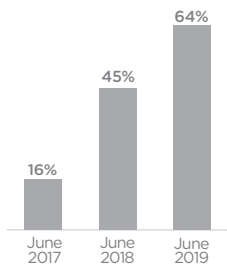
<sup>3,4,5,6,7,8,9,10,11,12</sup> Refer to pages 182 to 183 for further details on how the performance against key metrics has been calculated.



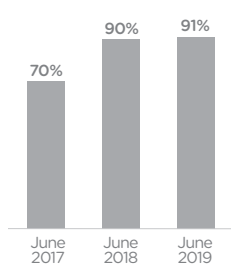
## Fix



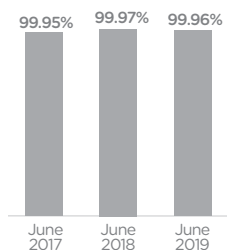
**Uptake to higher wholesale plans (50Mbps or higher plans<sup>7</sup>)**



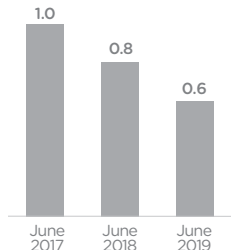
**Meeting agreed fault restoration times<sup>9</sup>**



**Network availability<sup>8</sup>**

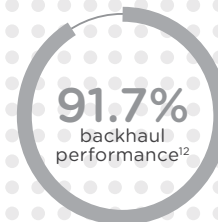


**Faults after connection completed (per 100 connected homes and businesses)<sup>10</sup>**



## Fixed Wireless busy hour

June 2019



<sup>13</sup> While there were record low levels of bandwidth congestion experienced on the fixed-line network in FY18, it was anticipated that these levels would fluctuate as promotional discounts ended in October 2018, and as NBN Co helps RSPs adopt the new wholesale discount bundles. The Company continues to closely monitor network demand and data flow across the network and to work closely with RSPs to help them manage their capacity.



### Driving penetration through industry collaboration

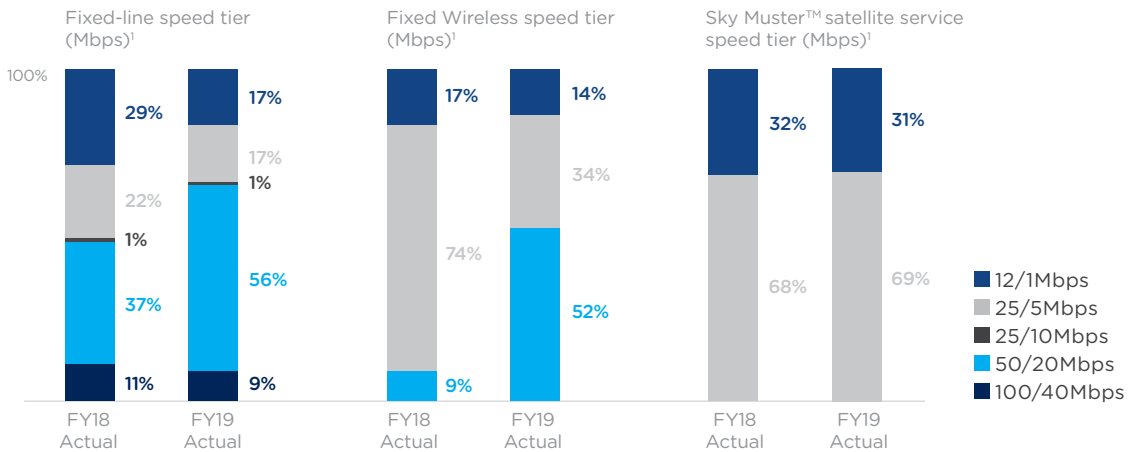
NBN Co wholesale broadband products and services are offered on a non-discriminatory basis to enhance competition and provide greater choice for customers. NBN Co's core wholesale product construct (Access Virtual Circuit and Connectivity Virtual Circuit) continues to underpin the product offering, while the introduction of enhanced offerings such as bundled symmetrical committed bandwidth and enhanced service levels, is designed to help support the needs of businesses. New products are also being developed to help cater to the specific needs of businesses.

Enterprise Ethernet is a new offering designed to support the complex needs of larger businesses, and Business Satellite Services, currently in development, aims to open up connectivity options to businesses in regional and remote Australia.

In December 2017, wholesale pricing bundled discounts on **nbn**™ Ethernet, excluding Satellite products, were introduced to provide a simple pricing construct. These combine the access charge (AVC) with the bandwidth charge (CVC). The discounts have helped shift 64 per cent of the combined fixed-line and Fixed Wireless customers to peak wholesale speed plans of 50Mbps or higher (download). The wholesale speed tier mix of customers across NBN Co's fixed-line services (inclusive of FTTP, FTTN/B, HFC and FTTC), Fixed Wireless and Satellite services is illustrated below.

Furthermore, NBN Co has also introduced Business **nbn**™ Bundles that incorporate committed bandwidth and enhanced service restoration times designed to help meet the needs of small to medium businesses and large enterprises.

NBN Co will continue to evolve its product and pricing strategy in consultation with the industry, based on growth in applications, and changes in the industry and the market.



<sup>1</sup> Based on the Monthly Progress Report June 2019. This includes wholesale plans available to RSPs, with download speeds of 50Mbps and 25-50Mbps. The **nbn**™ access network is being designed to provide these peak wholesale speeds to NBN Co's RSPs at NBN Co's network boundary. The **nbn**™ wholesale speed tiers available to RSPs vary depending on the **nbn**™ access network technology in your area. Refer to the uptake to higher wholesale plans footnote on page 182 for further details on how this metric is calculated.



## Social and economic benefits

**For NBN Co's customers, connection is about gaining access to the opportunities of fast broadband.**

To measure the economic and social impact of Australia wide access to broadband, NBN Co has commissioned independent data and analytics firm AlphaBeta to prepare the *Connecting Australia* research report<sup>1</sup>. The report indicates the **nbn**<sup>™</sup> access network is helping to reshape the way Australians live, work, learn, and connect. The report refers to this impact as the '**nbn**<sup>™</sup> effect'.

<sup>1</sup> AlphaBeta's research report.  
<http://www.connectingaustralia.com.au>

## Social and economic benefits

1

In FY21 NBN Co is estimated to deliver

**\$10.4 billion**

of additional GDP in FY21

**27,400 - 79,700**

new businesses due to the **nbn™** effect

**31,000**

additional jobs enabled as of end FY21

2

Helping Australians stay connected to family and friends

**30%**

**nbn™**-connected Australians are at least 30 per cent more likely to use the internet to stay in touch with loved ones.

**3+ hours**

Australians who are **nbn™** connected are spending an additional three hours online per week keeping in touch with family and friends than those not connected.

**96%<sup>1</sup>**

**nbn™**-connected users are using the internet 96 per cent more to socialise and build relationships, compared with 74 per cent of non-**nbn™**-connected users.

1 Areas not connected to the **nbn™** are those SA2s (geographical areas with populations of about 10,000 people) where the **nbn™** had not started in 2016; **nbn™**-connected areas are those SA2s that have a rollout index that is greater than or equal to 2. The rollout index is a function of the percentage rolled out in the SA2 and the duration that **nbn™** has been in the region.

3

## Supporting greater female workforce participation

20x

The number of self-employed women in **nbn**<sup>TM</sup> access network connected regions is growing on average 2.3 per cent a year, more than 20 times the pace of growth in the number of self-employed women in areas not yet connected to the **nbn**<sup>TM</sup> access network.

2x

Self-employed women working from home grew on average at twice the pace in **nbn**<sup>TM</sup> connected regions, compared to all other self-employed women in non-**nbn**<sup>TM</sup> network regions.

5x

Self-employed women working part-time grew on average five times the pace in regions connected to the **nbn**<sup>TM</sup> access network compared to non-**nbn**<sup>TM</sup> regions.

4

## Children engaging in online learning

Extra 220,000

Approximately 220,000 regional households with children that had below average<sup>2</sup> or no internet in 2014 are now connected to the **nbn**<sup>TM</sup> access network.

## Engaged in learning

**nbn**<sup>TM</sup>-connected households with primary school students spent 15 minutes more per weekday completing homework online, compared to students in non-**nbn**<sup>TM</sup>-connected areas.

20% more likely

Young Australians (aged between 16 and 24) in **nbn**<sup>TM</sup>-connected areas are 1.2 times more likely to use the internet for non-formal learning than those in non-**nbn**<sup>TM</sup> connected regions.

<sup>2</sup> Below average internet refers to ADSL internet ranked as below average as well as dial up and alternative broadband (not fibre to the node/premises, satellite, Fixed Wireless or other ADSL).

Commitment to underserved areas

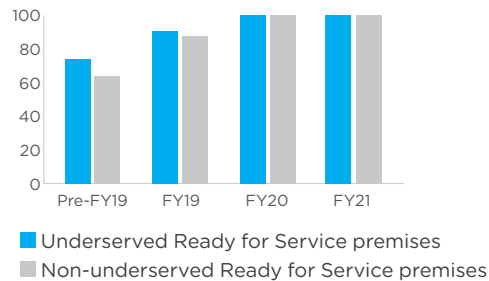
The rollout of the nbn™ access network is advancing internet services across the nation and has maintained a focus on building new services in regional and rural areas.

NBN Co has prioritised regions where internet quality and availability are lowest and classified as 'underserved', where commercially and operationally feasible. As at 30 June 2019, there are approximately:

# 1.5 million premises

previously identified as underserved, now have access to broadband.

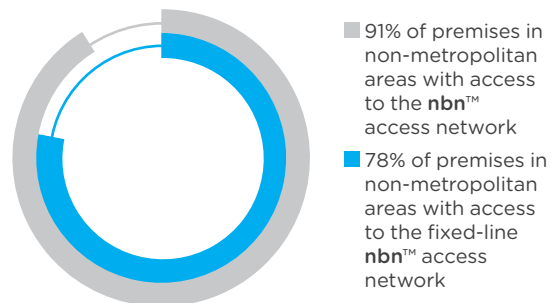
Progression of the rollout in underserved vs. non-underserved areas (per cent)



The graph above shows that NBN Co is rolling out its network faster in underserved areas relative to the rest of the market.

# 91 per cent

of premises in non-metropolitan areas<sup>1</sup>, or 4.9 million premises, have access to the nbn™ access network. Of these premises, 78 per cent are covered by fixed-line technologies.



<sup>1</sup> Defined by ABS Urban Centre Locality (UCL) Capital Cities of Australia.

## Commitment to regional Australia

NBN Co maintains a strong commitment to residential and business customers in regional Australia. The Company has made good progress in bridging the digital divide in regional, rural and remote communities. It also recognises that there is more work to be done to truly deliver on its commitment to provide consistently fast, reliable broadband services to all communities. The Company's focus on customers and communities has been enhanced by **nbn™** local, a team of community relations specialists who work across the nation to inform and educate regional residential and business customers about the **nbn™** access network. The team seeks to understand the telecommunications needs at the community level through relationships with regional stakeholders and community groups.

The team is very deliberately decentralised and community-based, rather than office-based, spending time listening to the needs and aspirations of local residents and business owners, and helping to provide access to fast broadband services for all Australians.

**nbn™** local also serves a rapid response service in times of crises. Using a fleet of four-wheel-drive, satellite-enabled Road Muster Trucks, the **nbn™** local team has collectively clocked up more than 445,000 kilometres and visited 2,300 towns across Australia over the last two years, providing mobile Wi-Fi hotspots at evacuation centres as part of state government-coordinated disaster recovery efforts.

In February 2019, as Cyclone Oma tracked the Far North Queensland coast, Townsville was hit by record rains causing severe flooding, which precipitated large scale evacuations. From the very start of the disaster, NBN Co stood alongside the Queensland Government and Emergency Services to help make critical decisions around emergency communication. From providing connectivity to evacuation centres for displaced residents to contact loved ones, to helping businesses get back on their feet, to offering connectivity support to emergency services command posts, via **nbn™** Road Muster Trucks, **nbn™** local was on the ground when and where it mattered most.

NBN Co is committed to expanding its **nbn™** local team.



## Our people

### A great place to work

NBN Co is committed to keeping NBN a great place to work.

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. Employee pride is reflected in the latest company-wide employee engagement score.

NBN Co seeks to create an environment that attracts and retains the right talent to deliver the Company's vision, while striving to remain in the top quartile engagement scores of global companies. This year, NBN Co's annual employee survey revealed an engagement score of 79 per cent, which is the Company's highest score yet.

NBN Co is committed to creating and maintaining a great working environment that respects and supports all employees.

Through an environment that supports diverse backgrounds and perspectives, NBN Co seeks to enhance innovation and problem-solving to achieve shared goals.

### Workforce statistics:

**6,400**  
employees and contractors

### Employee Engagement Score:

**79%** ↑  
FY19

**74%** ↑  
FY18

**70%** ↑  
FY17

**68%** ↑  
FY16

**51%** ↑  
FY15

**44%**  
FY14



**Caring for the health and safety of our people is at the heart of how NBN Co operates.**

In FY19, NBN Co provided the following opportunities for its employees, aligned to health risk factors of the general Australian population:

- A suite of proactive health initiatives such as heart health checks, skin checks and flu vaccinations aimed at managing health risks of our employees. As a result of these checks, a number of employees sought further advice from a medical professional
- An expansion of the Employee Assistance Program (EAP) services to include career, financial, relationship, legal, and lifestyle support and coaching
- A company-wide step challenge to promote movement and engagement that achieved the health benefit of increasing physical activity
- Regular and continuous engagement with employees to raise awareness in mental health promotion-related activities, including activities for R U OK Day, World Mental Health Day, Women’s and Men’s Health Week, and Mindful May. These activities have been led and supported by NBN Co’s senior leaders

Through these initiatives, NBN Co has invested in employee mental health and wellbeing. NBN Co will continue to identify and assess employee mental health needs, ensuring appropriate health promotion and prevention initiatives are in place as well as support services.



## Diversity and inclusion

NBN Co continues to build an inclusive workplace by fostering a culture that respects and embraces differences and diversity of thought.

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



## Objectives and targets for female representation

NBN Co is working towards achieving gender balance throughout the company

| Measure  | Objective   | Target for FY20                       |
|--|---|---------------------------------------|
| Female representation in management <sup>1</sup> | Increase representation of women in management roles                                      | Increase representation to 33%        |
| 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 2019)

| Role                             | Percentage |
|----------------------------------|------------|
| Non-Executive Directors          | 38%        |
| Executive Committee <sup>2</sup> | 36%        |
| Senior Management                | 31%        |
| Middle Management                | 31%        |

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

2 Executive Committee includes those in acting positions.



## Our approach to health, safety and the environment

In FY19, during its biggest year for the build, NBN Co has remained focused on its performance against key health, safety and environmental objectives.

### Our approach

At NBN Co we value our employees, contractors, customers and the environment. The way NBN Co operates is guided by the following principles:

- Our people and those we work with go home safely every day
- Employees' health and wellbeing is valued and enhanced
- The leadership position for protecting the environment is visible and evident by our actions

NBN Co's first line management and staff are responsible for identifying, assessing and managing their operational risks, including those related to health, safety and the environment (HSE). The HSE team, as a second line risk management function, works with and supports the broader NBN Co business and its partners to make tomorrow safer, healthier and more sustainable than today. To do this, the HSE team provide HSE strategy, processes, systems, advice and programs to first line management. This aims 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**<sup>TM</sup> access network and associated infrastructure
- Preserve and minimise the impact on the natural environment, reduce NBN Co's overall energy consumption and preserve sites of cultural and heritage significance.

### Our governance

NBN Co has two key documents that govern how NBN Co manages health, safety and the environment:

- The HSE Statement of Commitment describes NBN Co's dedication to ensuring that health, safety and the environment are considered above all other business matters
- The HSE Policy describes NBN Co's approach to achieving safe workplaces and protecting the environment

These documents are endorsed by the NBN Co Board of Directors and are operationalised in the business through the HSE Management System. They require that all employees and contractors comply with any applicable laws and regulations in relation to their work on the **nbn**<sup>TM</sup> access network.

At NBN Co, HSE is governed through the following forums:

- The Executive Committee has accountability for HSE governance and oversight
- The Board of Directors reviews HSE performance and compliance
- The Audit and Risk Committee reviews HSE risk and assurance

In FY19, NBN Co's HSE management system maintained its certification to the following Australian and international standards:

- AS/NZS 4801:2001 Occupational Health and Safety Management Systems
- OHSAS 18001:2007 Occupational Health and Safety Management Systems
- ISO 14001:2015 Environmental Management Systems

## Our performance

NBN Co has a number of lead and lag metrics that NBN Co tracks against targets. They measure HSE performance and help to ensure:

- The total recordable injury frequency rate (TRIFR) for employees and contractors declines over time.
- The frequency of HSE incidents with the potential to cause serious harm to people or the environment decreases over time.
- HSE incidents are reported on time.
- Actions from HSE incidents, hazards and audits are closed in an appropriate and reasonable timeframe.
- Programs are implemented to support the health and wellbeing of our workforce.
- Energy savings in the **nbn™** access network and facilities are realised.

The NBN Co Executive Committee tracks lead and lag metrics monthly.

In FY19 there has been a significant improvement in both the Total Recordable Injury Frequency Rate (TRIFR) and the frequency of HSE incidents with the potential to cause serious harm. Injury trends were similar to previous years, with musculoskeletal injuries and lacerations continuing to be the most common types of injuries. Underground asset strikes were again the most common type of incidents with the potential to cause serious harm, yet pleasingly there was a decrease during the second half of the year.

|      | NBN Co overall TRIFR <sup>1</sup> | NBN Co overall frequency of HSE incidents with the potential to cause serious harm <sup>2</sup> |
|------|-----------------------------------|---|
| FY19 | 2.9                               | 1.6   |
| FY18 | 3.5                               | 2.0   |
| FY17 | 2.8                               | 1.7   |

Refer to the Regulatory report on pages 168 to 169 for further information.

However, despite these favourable trends, in September 2018, there was a fatal motor vehicle accident involving an NBN Co Delivery Partner subcontractor in Melbourne.

To further strengthen risk controls and shift performance, a Safety Improvement Framework supported by several initiatives, was implemented in FY19. These initiatives focused on the core areas of risk management, governance, leadership, processes and systems, and NBN Co workforce.

To maintain the focus on embedding risk controls and improving performance, priorities in FY20 will include further HSE industry collaboration, building further HSE capability, and the alignment of HSE systems and processes to changing business requirements.

1 Total recordable injury frequency rate (TRIFR) is the total number of recordable injuries per million hours worked. This includes work-related fatalities and permanent disability injury/illness (PDI), and work-related injuries or illnesses resulting in lost time (Lost Time Injuries or LTIs), restricted or alternate duties (Restricted Work Injuries or RWIs), and medical treatment (Medical Treatment Injuries or MTIs). It does not include any first aid injury/illness.

2 Total number of potential serious harm HSE incidents per million hours worked includes incidents with a potential consequence of 'severe' but excludes incidents with an actual consequence of 'severe'. Serious harm HSE incidents are those resulting in a severe consequence such as a fatality or permanent disabling injury.

## Our environment

**NBN Co is committed to implementing sustainable development principles to protect the natural environment and areas of heritage significance and to build a low power and low carbon network that is both resilient and environmentally friendly.**

### Resource efficiency

NBN Co aims to build and operate a network that minimises energy use and has minimal impact on the environment.

Energy and carbon are important environmental issues for NBN Co as the rollout of the **nbn™** network continues and an increasing number of customers migrate to the network.

NBN Co continues to integrate energy considerations into network planning, design and operational processes, and in FY19 implemented the following initiatives:

- Optimised cooling systems across several large sites nationally, to better match with operational cooling demand to decrease energy usage
- Upgraded lighting at two large Victorian network sites, focusing on LEDs and sensors for daylight and motion, to decrease energy usage
- Commenced consolidation of the NBN Co real estate footprint into more energy efficient buildings with the move to the Green Star and NABERS 5 Star rated office in Melbourne, and the planned consolidation of offices in Sydney

NBN Co also explored long term opportunities for reductions in energy consumption and greenhouse gas emissions. In FY20, NBN Co will establish a program that aims to reduce greenhouse gas emissions by a cumulative total of 91kT over a three year period, and result in a 15 per cent reduction in the FY23 forecast emissions.

### Climate action and resilience

NBN Co seeks to build a sustainable and resilient network. To support this objective, NBN Co participated in the following initiative in FY19:

#### Cross Dependencies Initiative (XDI) Sydney

- NBN Co became a member of the Cross Dependencies Initiative (XDI), jointly with the NSW Government. XDI is a three-year pilot project that helps infrastructure owners stress-test critical assets against the damaging effects of climate change and Australia's extreme weather events
- XDI brings together private and public utility operators – including electricity, roads, rail, gas, telecommunications and water – onto a platform where they can track the financial and consumer risks that extreme weather events like flooding, fire, storms and cyclones can have on critical infrastructure
- NBN Co is the first telecommunications company in Australia to join the initiative and will provide network location data and climate related risks for its assets. Other participants include the City of Sydney, NSW Office of Environment and Heritage, Roads and Maritime Service, and Sydney Trains
- In FY19, NBN Co trialed the Initiative's tools, that will help identify the risks and associated costs to NBN Co assets and services from the impacts of climate change. The project received the 2019 Better Together Award from the German Government, which is an international competition seeking collaborative innovations solving local climate challenges



## Corporate Social Responsibility

### NBN Co's Corporate Social Responsibility (CSR) strategy is embedded in the company's purpose – to lift the digital capability of Australia.

The Commonwealth Government investment to build the **nbn**<sup>™</sup> access network is an investment for all Australians. The Company's CSR strategy leverages this investment by advocating for, and leading engagement practices that are driving greater social inclusion, enabling more efficient digital delivery of essential services such as healthcare, and seeking to generate long-term positive economic outcomes that will underpin the future prosperity of all communities throughout Australia.

NBN Co is committed to increasing digital participation throughout Australian communities, particularly within under-served groups.

NBN Co is also supporting a number of IT-based social enterprises. Since 2017, the Company has been supporting WorkVentures, one of Australia's longest-serving IT not-for-profit enterprises, which refurbishes decommissioned IT hardware and makes it available to those who need it through other like-minded social enterprises.

In the same year, NBN Co launched Project Evolve, which aims to encourage greater female participation in STEM (science, technology, engineering and mathematics) and ultimately help to rebalance female and male participation in the IT industry.

In 2018, NBN Co started partnering with Tata Consulting Services to host 'GotIT Girls', a vocational mentoring and learning program for female high school students. And in 2019, NBN Co expanded its CSR sponsorship efforts to support with the

first ever regional 'Code Like a Girl' workshops in Tamworth, New South Wales. Code Like a Girl aims to provide girls and women with the confidence, tools, knowledge and support to enter and flourish in the world of coding.

NBN Co directly supports digital inclusion and STEM education by providing secure, fast and reliable broadband services to schools across Australia. Through its STEMpreneur Program, the Company is helping a new generation to develop the digital skills and capabilities that are required now, and will be in greater demand in the future.

NBN Co's CSR strategy covers all aspects of the Company's network rollout and ongoing operations as it evolves into a full-scale service delivery organisation. The Company is working to strengthen diversity and participation in its internal workforce with a focus on women and minority groups.

It is also a strong supporter of Indigenous reconciliation. NBN Co's current and third Reconciliation Action Plan (RAP) was launched in October 2018 and builds on the learnings, efforts and achievements from our first (launched in 2013) and second (2015) RAPs. Part of the Company's vision for reconciliation is to see the rollout of the **nbn**<sup>™</sup> broadband access network enhance two-way meaningful engagement, understanding and connection between First Peoples communities and the broader Australian society and communities.

## Our financial results

### Financial highlights

| For the year ended 30 June       | 2019<br>\$m | 2018<br>\$m | 2017<br>\$m | 2016<br>\$m | 2015<br>\$m |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Financial performance</b>     |             |             |             |             |             |
| Total revenue                    | 2,825       | 1,978       | 1,001       | 421         | 164         |
| Operating expenses               | (2,217)     | (2,081)     | (1,827)     | (1,411)     | (1,101)     |
| EBITDA before subscriber costs   | 608         | (103)       | (826)       | (990)       | (937)       |
| Subscriber costs                 | (1,903)     | (1,948)     | (1,573)     | (582)       | (193)       |
| EBITDA <sup>1</sup>              | (1,295)     | (2,051)     | (2,399)     | (1,572)     | (1,130)     |
| Net loss after tax               | (4,878)     | (4,780)     | (4,244)     | (2,750)     | (2,019)     |
| <b>Financial position</b>        |             |             |             |             |             |
| Total assets                     | 32,757      | 28,203      | 24,127      | 18,552      | 13,259      |
| Contributed equity               | 29,500      | 29,500      | 27,465      | 20,275      | 13,185      |
| Capital expenditure <sup>2</sup> | 5,905       | 5,713       | 5,838       | 4,669       | 3,328       |
| Borrowings                       | 13,053      | 5,531       | -           | -           | -           |

1 EBITDA is defined as earnings before interest, tax, other income, depreciation and amortisation.

2 Capital expenditure excludes additions of leased assets, gifted assets and items of property, plant and equipment classified as inventories.

NBN Co recorded strong growth in its core financial results during the year with EBITDA before subscriber costs of \$608 million, up from a loss of \$103 million in FY18.

The growth in EBITDA before subscriber costs was driven by the 43 per cent increase in revenue to \$2.8 billion in FY19. The growth in revenue was primarily driven by the significant increase in the number of homes and businesses activated to services over the **nbn**<sup>TM</sup> access network, supported by strong growth in ARPU from \$44 in the prior year to \$46 in FY19.

Operating expenses grew by 7 per cent on the prior year in line with cost expectations to operate the expanded network and the growing number of customers across Australia.

Subscriber costs were \$1.9 billion for the year. These costs primarily reflect payments to Telstra for the disconnection of existing services and to Optus for the migration of subscribers to services over the **nbn**<sup>TM</sup> access network. These costs are expected to cease by FY22 and do not reflect ongoing activities.

The statutory net loss after tax of \$4.9 billion is in line with expectations and reflects the current stage of business maturity with significant upfront investment in the network and customer activations, illustrated through depreciation and amortisation expense and subscriber related expenditure.

Capital expenditure of \$5.9 billion during the financial year represents the continued investment in the deployment of the **nbn**<sup>TM</sup> access network.

Total debt as at 30 June 2019 was \$13.1 billion, with the cost of debt remaining fixed at 3.96 per cent. During the period, the Commonwealth Government agreed to extend the tenor of the \$19.5 billion commercial facility with NBN Co to 30 June 2024. The Commonwealth Government has also agreed to allow NBN Co to access up to \$2 billion of private sector long-term debt.

The drawdown of debt funds in the year was primarily utilised to fund subscriber-related expenditure and network construction.



## Revenue

| Total revenue for the year ended 30 June | 2019<br>\$m  | 2018<br>\$m  | 2017<br>\$m  | 2016<br>\$m | 2015<br>\$m |
|--|--------------|--------------|--------------|-------------|-------------|
| Telecommunications revenue               | 2,643        | 1,818        | 922          | 403         | 161         |
| Other revenue                            | 182          | 160          | 79           | 18          | 3           |
| <b>Total revenue</b>                     | <b>2,825</b> | <b>1,978</b> | <b>1,001</b> | <b>421</b>  | <b>164</b>  |
| Average revenue per user (ARPU) - (\$)   | \$46         | \$44         | \$43         | \$43        | \$40        |

Total revenue for the financial year increased by \$847 million (43 per cent) to \$2.8 billion.

Telecommunications revenue increased by \$825 million (45 per cent) to \$2.6 billion driven by the significant growth in the customer take-up of services with more than 5.5 million homes and businesses now connected to broadband services over the **nbn**<sup>TM</sup> access network.

Telecommunications revenue was generated at a weighted average ARPU of \$46, increasing from \$44 in the prior year. In addition to the growth in business segment revenue, ARPU was lifted by the increase in the take-up of higher speed plans by customers and the demand for data as consumption continued to grow strongly throughout FY19.

NBN Co continued to play a major role in supporting Australia's growing data demand with **nbn**<sup>TM</sup> customers' average monthly data downloads increasing by 27 per cent over the past 12 months to 255GB per user per month in FY19 compared to 201GB per user per month in FY18.

Other revenue has increased by \$22 million (14 per cent) to \$182 million. Other revenue continues to grow as the **nbn**<sup>TM</sup> access network expands and includes revenue from developers, commercial works activities and the Technology Choice Program, as well as licensing fees.

Total revenue includes residential and business revenue. In FY19, residential revenue increased to \$2.4 billion and business revenue increased to almost \$400 million.

## Operating and other expenditure

| Operating and other expenditure for the year ended 30 June | 2019<br>\$m  | 2018<br>\$m  | 2017<br>\$m  | 2016<br>\$m  | 2015<br>\$m  |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>Operating expenditure</b>                               |              |              |              |              |              |
| Direct network costs                                       | 746          | 691          | 537          | 407          | 350          |
| Employee benefits expenses                                 | 867          | 787          | 751          | 601          | 422          |
| Other operating expenses                                   | 604          | 603          | 539          | 403          | 329          |
| <b>Total operating expenditure</b>                         | <b>2,217</b> | <b>2,081</b> | <b>1,827</b> | <b>1,411</b> | <b>1,101</b> |
| <b>Other expenditure</b>                                   |              |              |              |              |              |
| Subscriber costs   | 1,903        | 1,948        | 1,573        | 582          | 193          |
| Depreciation and amortisation expense                      | 2,614        | 2,167        | 1,488        | 884          | 631          |
| Net finance charges  | 993          | 580          | 368          | 293          | 281          |

In line with the expansion of the **nbn**<sup>™</sup> access network and the growth in the number of residential and business customers, annual expenditure has increased.

### Operating expenditure

- Direct network costs increased by \$55 million (8 per cent) to \$746 million. These costs directly relate to operating the **nbn**<sup>™</sup> access network and have increased due to the expanded footprint of the network and the growth in customers. The increase in these costs primarily relates to assurance, maintenance and restoration services, rental of network infrastructure, site access, and network power.
- Employee benefits expenses increased by \$80 million (10 per cent) to \$867 million. Employee benefits expenses include costs of NBN Co employees, as well as temporary contractors (net of amounts that have been capitalised and included in the cost base of non-current assets).

The number of employees has decreased from 6,138 to 5,786 during the period. NBN Co is supported by approximately 600 temporary contractors.

The increase in employee benefits expenses compared to the prior year is due to a change in the resourcing needs of the Company and a reduction in the percentage of salaries and contractor costs capitalised.

- Other operating expenses were in line with the prior year. These include costs associated with IT and software applications, outsourced business operations, strategic consulting, legal and regulatory services, communication and public information, marketing, and other employee related expenditure.

### Other expenditure

- Subscriber costs decreased by \$45 million (2 per cent) to \$1,903 million and reflect the timing of customer activations.
- Depreciation and amortisation expense increased by \$447 million (21 per cent) to \$2.6 billion due to the ongoing investment in the network.
- Net finance charges include interest income and expenditure, and primarily relate to interest on borrowings and finance charges relating to the accounting convention for assets under a long-term right of use arrangement. These charges have increased in line with the growth in borrowings and infrastructure supplied by Telstra under right of use arrangements.

## Cash flows

| Cash flows<br>for the year ended 30 June                                 | 2019<br>\$m | 2018<br>\$m  |
|--|-------------|--------------|
| Net cash flows used in operating activities (excluding subscriber costs) | 587         | (27)         |
| Payments for subscriber costs (excluding GST)                            | (1,702)     | (2,045)      |
| Net cash flows used in operating activities (including subscriber costs) | (1,115)     | (2,072)      |
| Net cash flows used in investing activities                              | (5,743)     | (5,718)      |
| Net cash flows provided by financing activities                          | 6,785       | 7,199        |
| <b>Net decrease in cash and cash equivalents</b>                         | <b>(73)</b> | <b>(591)</b> |

- Net cash flows used in operating activities (excluding subscriber costs) have improved during the year driven by the significant growth in revenue.
- Payments for subscriber costs have decreased during the year and are reflective of the timing of activations and associated cash payments.
- Net cash flows used in investing activities primarily reflect NBN Co's ongoing capital investments in the network.
- Net cash flows provided by financing activities reflect the drawdown of debt to fund capital expenditure and subscriber costs (\$7,522 million) offset by interest payments on borrowings (\$352 million) and payments for finance leases primarily relating to right of use arrangements over infrastructure provided by Telstra (\$385 million).

## Capital expenditure<sup>1</sup>

| Capital expenditure for the year ended 30 June | 2019<br>\$m  | 2018<br>\$m  | 2017<br>\$m  | 2016<br>\$m  | 2015<br>\$m  |
|--|--------------|--------------|--------------|--------------|--------------|
| FTTP network                                   | 395          | 350          | 431          | 1,078        | 1,692        |
| FTTN network                                   | 1,181        | 1,639        | 2,259        | 1,668        | 334          |
| FTTC network                                   | 1,428        | 827          | 93           | -            | -            |
| HFC network                                    | 1,540        | 1,306        | 1,260        | 412          | 37           |
| Fixed Wireless network                         | 443          | 353          | 317          | 354          | 340          |
| Satellite network                              | 70           | 72           | 201          | 135          | 247          |
| Transit network                                | 207          | 451          | 527          | 288          | 244          |
| Common capital expenditure                     | 641          | 715          | 750          | 734          | 434          |
| <b>Total capital expenditure</b>               | <b>5,905</b> | <b>5,713</b> | <b>5,838</b> | <b>4,669</b> | <b>3,328</b> |

Capital expenditure during the year represents the continued investment in the deployment of the **nbn**<sup>TM</sup> access network. In addition to building the network, NBN Co has invested in initiatives during the year to raise the quality and performance of the network, including HFC optimisation, FTTC serviceability and Fixed Wireless capacity upgrades.

The largest areas of capital expenditure during the year have been on the HFC and FTTC networks.

Construction on the HFC network has continued at scale during the year. Network optimisation work was undertaken during the period to improve network quality and uplift network capacity. Following the completion of this work and advanced testing, NBN Co has released an optimised HFC footprint with more than two million premises declared RTC, which includes all premises impacted by the HFC pause.

During the period, NBN Co continued to scale the deployment of the FTTC network with more than 660,000 premises now declared RTC and more than 220,000 premises connected to the FTTC network.

Capital expenditure on the FTTN network reflects design, construction and connection activities as the rollout of this network continued during the year.

Capital expenditure has also continued on the FTTP network, relating to the FTTP Greenfields network, and connecting end users to the FTTP Brownfields network. In addition, NBN Co has made significant investments in the development of enterprise-grade capabilities and products to service the business segment, which includes extending fibre infrastructure into selected business-dense areas.

Capital expenditure on the Fixed Wireless network reflects the construction of wireless sites and base stations, connection activities and additional capital investment to uplift capacity across the network.

Capital expenditure on the satellite network primarily relates to connecting customers and developing business satellite services.

Investment in the transit network has continued to support new technologies and to increase capacity across the network. In addition, investment has continued in network platforms, business support systems, product development and data quality, which is reflected in common capital expenditure.

<sup>1</sup> Capital expenditure excludes additions of leased assets, gifted assets and items of property, plant and equipment classified as inventories.

## Cost per Premises

Cost per Premises (CPP) is an internal management calculation used to assess the comparative incremental costs of initial construction of each access technology. The CPP reported is a weighted average over the full period of the build and depends on some factors such as geographic build conditions, distances from exchanges, the population density of the area considered, the number of premises per multi-dwelling unit, and the extent of re-use of existing infrastructure.

The CPP reflects capital and lease costs associated with the initial construction of each access network and excludes common capex (such as IT and transit network), early release or pilot sites, subsequent capital investment in network capacity, and net operating losses.

### Brownfields FTTP network

The CPP has remained in line with the prior year as construction on the Brownfields FTTP network nears completion.

### Greenfields FTTP network

The CPP decrease during the year is driven by efficiencies in the build as well as the utilisation of existing temporary infrastructure for new sites.

### FTTN/B network

The CPP increase during the year was primarily driven by copper rehabilitation costs and higher connection costs for activations.

### HFC network

The CPP increase during the year reflects further network optimisation and the higher volume of new lead-in conduits and civil works required in the build.

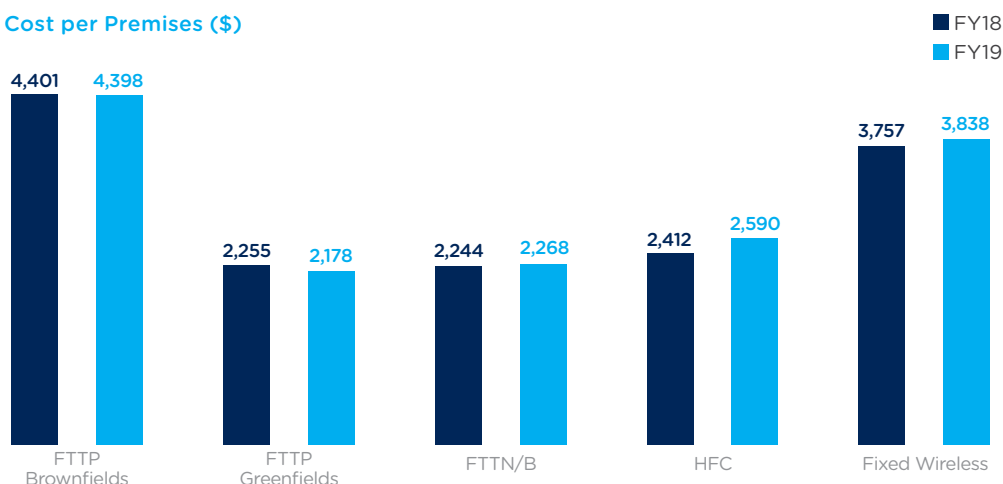
### Fixed Wireless network

The CPP increase during the year reflects more complex build requirements in the latter part of the program and the extension of the network to less densely populated areas.

### FTTC network

FTTC CPP is \$3,129 and has increased compared to the CPP of \$3,058 at December 2018. The increase is due to greater civil works required in the build and higher customer connection costs.

## Cost per Premises (\$)



## Our approach to risk management

### Risk management framework

NBN Co's Board of Directors and Management are committed to a robust risk management framework that enables effective identification, quantification, mitigation, and management of the Company's business risks.

#### How does NBN Co manage its risks?

NBN Co's Group Risk and Compliance team is responsible for ensuring NBN Co's key risks are identified, assessed and reported to the Executive Committee and the Audit and Risk Committee on a regular basis. This also includes working with the Audit and Risk Committee to oversee and manage NBN Co's Enterprise Risk Management Framework, including the Risk Management Policy, Risk Management Standard and Risk Appetite Statement.

Management and staff play a key role in identifying, assessing and managing their business risks; including providing assurance through formal Executive Governance channels (including the Board and Audit and Risk Committee). These roles and accountabilities are formalised through NBN Co's Risk Management Operating Model, which sets specific requirements for how risks are managed and reported for the attention of Management, Executive Committee and the Board.

NBN Co's annual planning cycle forms an important part of developing a complete forward looking view of the Company's Risk Profile that considers both operational and strategic risks. The Audit and Risk Committee, Management and the Board review these material risks on a regular basis. In the event there are material events or changes to either, more frequent reviews will occur.

### Overview of risks

A number of risk themes remain consistent with those identified in previous years. In particular, scaling internal processes and systems to support peak HFC and FTTC deployment, maintaining sustainable Delivery Partner capacity to achieve network deployment targets and delivering a network experience that meets customer expectations.

These deployment risks are amplified by a highly dynamic operating environment, with NBN Co also actively managing challenges associated with rapidly evolving technology, market dynamics and competition.

The Company's revenue forecasts remain sensitive to changes in take-up and data growth usage assumptions. While 5G is not expected to reach scale before the initial network rollout is complete, continued wireless development by mobile operators means mobile substitution will remain a potential threat to long-term revenue for the foreseeable future. These complex challenges must also be managed in the context of meeting peak funding and delivering on rollout objectives, whilst transitioning the Company's business model from deployment focus to operation of the **nbn™** access network.

## Key risks and mitigations

| Key risk  | How the risk is managed  |
|---|--|
| <p><b>Health and safety of staff, contractors and customers</b></p> <p>NBN Co and its Delivery Partners (DPs) must construct, activate, operate and maintain a network in a manner that prioritises the prevention of material HSE failures impacting staff, contractors, public and customers.</p> | <p>NBN Co takes a rigorous risk-based approach to its HSE controls, with systematic and regular testing of DPs and internal practices. A similar focus is given to the welfare of customers, with formal processes in place to manage migration and disconnection activities.</p>  |
| <p><b>Rapidly evolving technology and market dynamics</b></p> <p>Aggressive infrastructure competition and industry developments in wireless substitution (i.e. 5G), may impact business and residential product offerings and pricing constructs, and ability to secure long-term revenue.</p>     | <p>NBN Co has dedicated capabilities tasked with actively monitoring the external environment and assessing the opportunities and threats of technology and market developments, and pivoting product constructs in response. These activities underpin regular reviews of the Company's strategy by the Executive Committee and the Board.</p>                          |
| <p><b>Enhancing customer experience and market sentiment</b></p> <p>NBN Co must build, operate and maintain a network that enables a positive customer experience and enhances the Company's brand and reputation to achieve ARPU, take-up and long-term revenue.</p>                               | <p>NBN Co continues to enhance its understanding of the customer experience and market sentiment through independent research and data analytics. Subsequent insights and metrics are applied by Management to the design of operational processes, network performance requirements, and product and pricing constructs.</p>  |
| <p><b>Maintaining sustainable operations</b></p> <p>Maintaining scale of internal processes, systems and workforce to meet short-term deployment milestones, and ensuring sustainable operating capabilities that will underpin long-term EBITDA and future cash flow.</p>                          | <p>NBN Co continues to mature its network operating environment through the Company's business process excellence model, with a particular focus on streamlining functional activities, simplifying technology and enhancing automation. These activities are designed and phased to support the sustainable operations of the company in the short and medium term.</p> |



| Key risk  | How the risk is managed  |
|---|--|
| <p><b>Managing DP resourcing</b></p> <p>Ensuring DPs maintain scale for peak deployment activities and for future work, whilst limiting resource contention as industry winds down its workforce commitments to the <b>nbn™</b> access network rollout.</p>   | <p>NBN Co undertakes extensive industry consultation to ensure appropriate technical skills are available, while also working collaboratively with individual DPs to ensure workforce resources are available in line with deployment forecasts. Emerging resourcing challenges are overseen by Executive Management, with a whole of company approach taken to prioritisation deployment activities.</p>      |
| <p><b>Security of network assets, people and information</b></p> <p>NBN Co must manage exposure to cyber and physical threats that could compromise the security of critical network infrastructure, the welfare and safety of staff and the confidentiality, integrity and availability of sensitive information.</p>                                  | <p>NBN Co operates a converged security model, with aligned security structures, processes and systems designed to secure critical network assets, people and information. Third party practices are actively managed, while the external and internal environment are continuously monitored, with new security measures deployed in response to emerging threats.</p>  |
| <p><b>Resilience of the network and operating environment to adverse events</b></p> <p>As an operator of critical communications infrastructure, NBN Co must design resilience into its network, IT systems and business operations to safeguard people, assets, systems and processes against adverse events such as extreme weather.</p>              | <p>NBN Co adopts a business resilience focus to managing the impact of adverse events. This holistic approach emphasises robust continuity plans for critical business processes, with clear incident and emergency management structures to coordinate responses to major network, IT and third party disruptions and incidents impacting staff and contractors. These arrangements are regularly tested.</p> |
| <p><b>Operating model transformation and optimisation</b></p> <p>Transforming network build focused capabilities, including workforce, technology and processes, into a full-scale service delivery organisation that has a competitive cost base, agile digitally-enabled processes, customer-led workforce and simplified technology environment.</p> | <p>NBN Co aligns deployment and operation of the <b>nbn™</b> network requirements and competing priorities through its strategy and corporate planning cycle, with transformation and optimisation objectives delivered through cross company business initiatives that are tightly governed by the Executive Committee.</p>   |

### Key risk

### How the risk is managed

#### **Regulatory environment constrains commercial opportunities**

A complex regulatory landscape, with increased scrutiny and adverse regulatory action may lead to substantial compliance burdens or constrain the ability of NBN Co to pursue commercial opportunities and achieve long-term revenue and cash flow.

NBN Co maintains strong relationships with key regulatory and government stakeholders, with an emphasis on proactive engagement on current and emerging issues and opportunities. This proactive approach is supported by formal compliance management requirements, with material obligations being actively managed by business owners.

#### **Managing network capacity for HFC and Transit Network**

As data consumption and concurrency grows, NBN Co must ensure current and future network performance meets expectations, whilst delivering upgrades within economic constraints.

NBN Co has dedicated teams that deploy extensive data analytics, performance monitoring tools and industry research to develop the Company's future network upgrade path.

#### **Meeting Fixed Wireless commitments within economic constraints**

Cost of capacity management in the Fixed Wireless network, including additional spectrum requirements, may increase significantly from Corporate Plan estimates as consumer data consumption and concurrency grows.

NBN Co pursues commercial and technology strategies to inform Fixed Wireless decisions, including spectrum management plans, long range usage forecasts and alternative technology trials to manage the impact that planned versus acquired spectrum will have on future network strategies.

## Outlook – Our future focus

Almost one hundred per cent of Australia's **nbn**<sup>™</sup> access network is already completed, in build or in design. More than 5.5 million homes and businesses are now experiencing the benefits of the network every day and, as the Company progresses at pace with the metropolitan rollout, around 40,000 new residential and business customers are connecting to the **nbn**<sup>™</sup> access network each week.

As NBN Co approaches the final stages of construction, the Company is strengthening its focus on becoming a full-scale service delivery organisation. The Company has brought into sharper focus the needs and expectations of NBN Co's customers: the people who use the **nbn**<sup>™</sup> network in homes and businesses across Australia.

NBN Co is working to lift the digital capability of Australia and this purpose is underpinned by six pillars:

### 1. Ensure all Australians have access to high-speed, resilient and secure broadband

The Company is striving for excellence in delivering a resilient and secure broadband network, while also taking a long-term approach to enhance network capability over time. Initially this will involve completing the network deployment to deliver a minimum of 11.5 million RTC homes and businesses by 30 June 2020.

### 2. Keep NBN Co a great place to work, underpinned by a customer-led culture

The Company's culture will evolve to build expertise, work practices and capabilities that support an analytical, customer-focused mindset. Long-term customer benefit measures will increasingly be embedded into the Company's operating plan, key performance indicators and employee incentives.

### 3. Deliver a customer experience that drives satisfaction, use, and network preference

NBN Co and its Delivery Partners are leveraging deep customer experience insights from Connection to Use and focusing on improved responsiveness to deliver more rapid issues resolution. NBN Co will continue to focus on the Use experience, concentrating on factors such as network reliability and availability, capacity management, and the minimisation of outages. The Company will also work more closely with NBN Co's RSPs and the industry broadly to positively influence aspects of the customer experience within its collective control such as modem capability, in-home and in-business setup, Wi-Fi capability and issues resolution. Targeted communication with residential and business customers will ensure accurate information is provided at every stage of their network connection and on-boarding process and at key stages during their experience and upgrade journey.

**4. Develop a product and pricing portfolio that addresses our customers' diverse needs**

NBN Co's product portfolio will adapt to become more responsive to the evolving needs of all customers, from entry-level to high-speed, high use residential and business enterprise customers. The Company also recognises the importance of RSPs who deliver NBN Co's products to customers, and will be working closely with them to ensure the right products are developed for their needs. This will include increasing the focus on serving low income segments of the population through affordable products, and investigating solutions for other underserved segments.

**5. Strengthen relationships with government, industry and community to optimise customer benefits**

NBN Co will seek to maximise the benefits delivered to all customers of the **nbn**<sup>™</sup> access network through direct consultation with government bodies, regulators, RSPs and local communities to drive transparency and better customer outcomes. This will include expanding the Company's capability to support communities with ongoing local needs, in sectors such as health, education and for small businesses and throughout regional and rural communities.

**6. Build capabilities for the future and grow profitability to enable re-investment to benefit our customers**

NBN Co aims to create a sustainable business to enable reinvestment in network upgrades and operations and to continuously improve and evolve its products, processes and technologies. NBN Co is also continuing to drive a dedicated Business customer experience program to improve the Connect, Use and Fix experience for businesses, thereby streamlining business users' transition to the **nbn**<sup>™</sup> access network and optimising network availability, reliability and security.



## Board of Directors

The names and details of the Directors in office during the year and the period until the date of this report are as follows:



**Dr Ziggy Switkowski AO**  
**FAA FTSE FAICD**  
Chairman/Non-Executive Director

### Term of Office

Dr Switkowski was first appointed Executive Chairman of NBN Co effective 3 October 2013, and reverted to the role of Non-Executive Chairman from 2 April 2014 following the appointment of Mr William Morrow as Chief Executive Officer. His current term will expire on 2 October 2019.

### Skills, Experience and Qualifications

Dr Switkowski is a former Chairman of the Suncorp Group, the Australian Nuclear Science and Technology Organisation and Opera Australia. He has previously held positions as Chief Executive Officer of Telstra Corporation Limited and Optus Communications Ltd.

He has also served as a non-executive director of listed companies Healthscope, Oil Search, Lynas and Amcor.

Dr Switkowski is a Fellow of the Australian Academy of Technological Sciences, the Australian Academy of Science and the Australian Institute of Company Directors. He has a Bachelor of Science (Honours) and PhD (Nuclear Physics) from the University of Melbourne.

### Current Company Directorships

Dr Switkowski is a Director of Tabcorp Holdings Limited.

### Other Current Appointments

Dr Switkowski is Chancellor of RMIT University.

### Board Committee Memberships

Dr Switkowski is Chair of NBN Co's Nominations Committee and attends NBN Co's Audit and Risk Committee and People and Remuneration Committee meetings ex officio.



### **Mr Drew Clarke AO PSM** Non-Executive Director

#### Term of Office

Mr Clarke was appointed as a Director effective 22 August 2017. His current term will expire on 21 August 2020.

#### Skills, Experience and Qualifications

Mr Clarke has extensive public policy experience, having served in a range of senior government positions. These include Secretary of the Department of Resources, Energy and Tourism from 2010 to 2013, Secretary of the Department of Communications from 2013 to 2015, and Chief of Staff in the Office of the Prime Minister from 2015 to 2017. Mr Clarke's earlier public sector career included leadership roles in energy policy and in mapping, science and innovation agencies.

Mr Clarke was awarded the Order of Australia in 2016 for distinguished service to public administration and the Public Service Medal in 2009 for his energy policy work.

Mr Clarke is a Fellow of the Australian Academy of Technological Sciences and Engineering. He has a Master of Science from Ohio State University, a Bachelor of Applied Science (Surveying) from RMIT, and a Diploma from the Australian Institute of Company Directors.

#### Current Company Directorships

Mr Clarke is Chairman of the Australian Energy Market Operator and a Non-Executive Director of the CSIRO.

#### Board Committee Memberships

Mr Clarke is a member of NBN Co's Nominations Committee and People and Remuneration Committee.



### **Mr Patrick Flannigan** Non-Executive Director

#### Term of Office

Mr Flannigan was first appointed as a Director effective 11 November 2013. His current term will expire on 10 November 2019.

#### Skills, Experience and Qualifications

Mr Flannigan brings more than 25 years' experience in infrastructure.

Mr Flannigan established Integrated Maintenance Services in 2000 and was the founding Managing Director and Chief Executive Officer of Service Stream Ltd for six years from 2003. He then joined NBN Co as Head of Construction from 2009 to early 2011. In 2011, Mr Flannigan founded Utility Services Group and served as the Chief Executive Officer and Managing Director until 30 June 2015 when the company was acquired by an ASX listed company. Until late July 2016, Mr Flannigan held a Board position at the Australian Grand Prix Corporation. Mr Flannigan was Managing Director of Urban Maintenance Systems Pty Ltd from 1 August 2016 to 1 July 2019.

Mr Flannigan is a Fellow of the Australian Institute of Management and the Australian Institute of Company Directors. He has a business degree from Victoria University.

#### Current Company Directorships

Nil

#### Other Current Appointments

Mr Flannigan was appointed as a member of the Melbourne and Olympic Park Trust effective 13 December 2016.

#### Board Committee Memberships

Mr Flannigan is a member of NBN Co's Audit and Risk Committee, Nominations Committee and People and Remuneration Committee.





**Ms Shirley In't Veld**  
Non-Executive Director

**Term of Office**

Ms In't Veld was appointed as a Director effective 2 December 2015. Her current term will expire on 1 December 2021.

**Skills, Experience and Qualifications**

Ms In't Veld has extensive experience as a senior executive including as Managing Director of Verve Energy, Vice President of Primary Business Development for Alcoa Australia and Managing Director of Alcoa Australia Rolled Products. In 2014, Ms In't Veld was Chairman of the Queensland Government Expert Electricity Panel and a member of the Renewable Energy Target Review Panel for the Department of Prime Minister and Cabinet and was until recently a Council member of the Australian Institute of Company Directors (WA) and an Advisory Board member of the SMART Infrastructure Facility (University of Wollongong).

She has a Bachelor of Laws (Hons) and a Bachelor of Commerce from the University of Melbourne.

**Current Company Directorships**

Ms In't Veld is a Non-Executive Director of APA Group, a Non-Executive Director of Northern Star Resources Limited, Deputy Chairperson of the CSIRO and a Board member of the COAG Energy Independent Energy Appointments Selection Panel.

**Other Current Appointments**

Ms In't Veld is a member of the Australian Government Takeovers Panel.

**Board Committee Memberships**

Ms In't Veld is a member of NBN Co's Audit and Risk Committee and Nominations Committee.



**Mr Michael Malone**  
Non-Executive Director

**Term of Office**

Mr Malone was appointed as a Director effective 20 April 2016. His current term will expire on 19 April 2022.

**Skills, Experience and Qualifications**

Mr Malone founded iiNet Limited, an ASX listed telecommunications company in 1993 and continued as CEO until his retirement in 2014. As CEO, Mr Malone led a relentless focus on customer service in an industry that is often perceived as being more concerned with technology than people. iiNet's values reflected Michael's own belief in the life changing benefits of connecting people and communities.

Mr Malone's former directorships include Autism West (as founder and Vice Chairman) and .au Domain Administration (as a founder and Chairman). Mr Malone has received a number of prestigious industry recognitions including 2012 Australian Entrepreneur of the Year, Communications Alliance Ambassador and is a holder of the Telecommunications Society Charles Todd Medal. Mr Malone is also a past Advisory Council Member of the Australian Institute of Management (WA) and a past member of the Commonwealth Consumer Affairs Advisory Council and the WA State Training Board.

Mr Malone is a Fellow of the Australian Institute of Company Directors, the Australian Institute of Management and the Australian Computer Society. He has a Bachelor of Science (Mathematics) and a post graduate Diploma in Education both from the University of Western Australia.

**Current Company Directorships**

Mr Malone is Chair of the Board of ASX listed Superloop Ltd and Diamond Cyber Pty Ltd. He is also a Director of Seven West Media Ltd, Speedcast International Ltd and the Axicom Group, and a Committee member of the Advisory Council for the Regional and Small Publishers Innovation Fund.

**Board Committee Memberships**

Mr Malone is a member of NBN Co's Audit and Risk Committee and Nominations Committee.



**Ms Zoe McKenzie**  
Non-executive Director

#### Term of Office

Ms McKenzie was appointed as a Director effective 1 July 2018. Her current term will expire on 30 June 2021.

#### Skills, Experience and Qualifications

Ms McKenzie is principal of Trade and Investment Advisory, a firm which advises Australian and international entities on their market expansion into Australia or into one of Australia's current or future Free Trade Agreement partners.

Prior to this role, Ms McKenzie was Chief of Staff to the Trade and Investment Minister and has held senior policy development roles in Federal and State Governments. Before working in Government, Ms McKenzie practiced as an employment and industrial relations lawyer in one of Australia's largest law firms, and was a strategic adviser to the CEO of a major professional services firm.

#### Current Company Directorships

Ms McKenzie is a board member of the Australia Council for the Arts and the French Australian Chamber of Commerce and Industry.

#### Board Committee Memberships

Ms McKenzie is a member of NBN Co's Nominations Committee.



**Mr Justin Milne**  
Non-Executive Director

#### Term of Office

Mr Milne was first appointed as a Director effective 11 November 2013. His current term will expire on 10 November 2019.

#### Skills, Experience and Qualifications

Mr Milne's career combines experience in telecommunications, marketing and media. As Chief Executive Officer of three of Australia's largest internet service providers, OzEmail, MSN and BigPond, he built significant media businesses in the online and mobile phone worlds.

He has a Bachelor of Arts from Flinders University.

#### Current Company Directorships

Mr Milne is a Non-Executive Director of Tabcorp Holdings Limited and Zero Childhood Cancer. He is a past Chair of the ABC, MYOB and NetComm Wireless Ltd, and past Board member of a number of other public companies.

#### Board Committee Memberships

Mr Milne is Chair of NBN Co's People and Remuneration Committee and a member of NBN Co's Nominations Committee.



**Mr Stephen Rue**  
Managing Director and  
Chief Executive Officer

**Term of Office**

Mr Rue was appointed as Chief Executive Officer (CEO) and an Executive Director of NBN Co effective 1 September 2018. His current term as CEO will expire on 31 August 2023, and as an executive Director on 31 August 2021.

**Skills, Experience and Qualifications**

As CEO, Mr Rue is responsible for implementing strategic objectives and policies, and NBN Co's Corporate Plan and budget as approved by the Board. In his role as an Executive Director of NBN Co, Mr Rue is cognisant of the role the Board of Directors to provide stewardship, strategic leadership, governance and oversight to NBN Co.

Mr Rue joined NBN Co in July 2014 as a member of the Executive Committee in the role of Chief Financial Officer, bringing with him a wealth of knowledge in financial management and high profile company transformation.

Prior to joining NBN Co, Mr Rue spent 17 years in various leadership roles at News Corp Australia including a decade as Chief Financial Officer. He also served as a Director on a number of associated boards including Foxtel, Fox Sports, REA Group and Australian Associated Press, as well as Chairman of the Community Newspaper Group in Perth and the Melbourne Storm Rugby League Club.

Mr Rue holds a Bachelor of Business Studies from Trinity College Dublin, a Diploma in Professional Accounting and is a member of Chartered Accountants Australia and New Zealand and a Fellow of the Australian Institute of Company Directors.

**Board Committee Memberships**

Mr Rue attends Audit and Risk Committee, Nominations Committee and People and Remuneration Committee meetings ex officio.



**Dr Kerry Schott AO**  
Non-Executive Director

**Term of Office**

Dr Schott was first appointed as a Director effective 28 September 2012. Her current term will expire on 5 October 2021.

**Skills, Experience and Qualifications**

Dr Schott has worked in numerous senior executive roles including as Managing Director and CEO of Sydney Water, Managing Director of Deutsche Bank and Executive Vice President of Bankers Trust Australia. Prior to becoming an investment banker, Dr Schott was a public servant and an academic.

Dr Schott has a Doctorate of Philosophy from Oxford University, a Master of Arts from the University of British Columbia, Vancouver, a Bachelor of Arts (First Class Honours) from the University of New England, and Honorary Doctorates from the University of Sydney, the University of Western Sydney and the University of New England.

**Current Company Directorships**

Dr Schott is Chairman of the Moorebank Intermodal Company Ltd and the Energy Security Board.

**Board Committee Memberships**

Dr Schott is Chair of NBN Co's Audit and Risk Committee and a member of NBN Co's Nominations Committee.

## Former Directors

**Mr William Morrow**  
Managing Director and  
Chief Executive Officer

Mr William Morrow was Chief Executive Officer and a Director of NBN Co effective 2 April 2014 until his resignation from both positions effective 31 August 2018.

## Board and Committee meetings

The number of Board and Committee meetings held during FY19 and the attendance by Directors at those meetings are shown below.

|   | Board |     | Audit and Risk Committee |     | Nominations Committee |     | People and Remuneration Committee |     |
|---|-------|-----|--------------------------|-----|-----------------------|-----|-----------------------------------|-----|
|   | (a)   | (b) | (a)                      | (b) | (a)                   | (b) | (a)                               | (b) |
| Dr Ziggy Switkowski AO<br>FAA FTSE FAICD <sup>1</sup> | 11    | 11  | 5                        | 5   | 2                     | 2   | 8                                 | 8   |
| Mr Drew Clarke AO PSM                                 | 11    | 11  | -                        | -   | 2                     | 2   | 8                                 | 8   |
| Mr Patrick Flannigan                                  | 11    | 11  | 5                        | 4   | 2                     | 2   | 8                                 | 8   |
| Ms Shirley In't Veld                                  | 11    | 11  | 5                        | 5   | 2                     | 2   | -                                 | -   |
| Ms Zoe McKenzie <sup>2</sup>                          | 11    | 10  | -                        | -   | 2                     | 2   | -                                 | -   |
| Mr Michael Malone                                     | 11    | 9   | 5                        | 5   | 2                     | 2   | -                                 | -   |
| Mr Justin Milne                                       | 11    | 11  | -                        | -   | 2                     | 1   | 8                                 | 8   |
| Mr William Morrow <sup>3</sup>                        | 3     | 3   | -                        | -   | -                     | -   | 4                                 | 4   |
| Mr Stephen Rue <sup>4</sup>                           | 8     | 8   | 4                        | 4   | 2                     | 2   | 4                                 | 4   |
| Dr Kerry Schott AO                                    | 11    | 9   | 5                        | 5   | 2                     | 1   | -                                 | -   |

(a) Number of meetings held while a Director of the Board or a Committee member.

(b) Number of meetings attended.

- 1 Dr Ziggy Switkowski AO FAA FTSE FAICD attends NBN Co's Audit and Risk Committee and People and Remuneration Committee meetings ex officio.
- 2 Ms McKenzie took a leave of absence commencing 31 January 2019 and concluding on 24 February 2019. During this period Ms McKenzie did not attend the Board meeting held on 5 February 2019.
- 3 During his tenure ending on 31 August 2018, Mr William Morrow, NBN Co's former Managing Director and CEO attended the People and Remuneration Committee meetings ex officio. Mr Morrow was entitled to attend Nominations Committee meetings ex officio however no Nominations Committee meetings were held during his tenure in FY19.
- 4 Following his appointment as Managing Director and CEO effective 1 September 2018, Mr Stephen Rue attended Audit and Risk, Nominations and, People and Remuneration Committee meetings ex officio.

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## Executive Committee

Members of the Executive Committee include:



### Mr Stephen Rue

Appointed in July 2014  
Chief Executive Officer

#### Skills, Experience and Qualifications

Mr Rue was appointed as Chief Executive Officer (CEO) and an Executive Director of NBN Co effective 1 September 2018.

As CEO, Mr Rue is responsible for implementing strategic objectives and policies and NBN Co's Corporate Plan and budget as approved by the Board.

To fulfil his remit, Mr Rue is supported by a very experienced executive leadership team.

Mr Rue joined NBN Co in July 2014 as a member of the Executive Committee in the role of Chief Financial Officer.

Mr Rue's biography is further outlined on page 59.



### Ms Kathrine Dyer

Appointed in July 2017  
Chief Network Deployment Officer

#### Skills, Experience and Qualifications

Ms Dyer began her appointment as Chief Network Deployment Officer on 1 July 2017.

Ms Dyer joined NBN Co from Telstra in November 2010 and her appointment to the Executive Committee follows her role as Executive General Manager, Regional Deployment, where she oversaw the design and build of the **nbn**<sup>TM</sup> access network from both an operational and strategic perspective.

Ms Dyer's knowledge and expertise within telecommunications is formidable, having been built over more than 20 years working in the sector.

Ms Dyer was at the forefront of fibre optics development and Greenfields strategic planning while at Telstra.

Ms Dyer also has an extensive background in telecommunications legislative and regulatory management. She has a Bachelor of Business from RMIT University (Australia).



**Mr Justin Forsell**

Appointed in May 2014  
Chief Legal Counsel

**Skills, Experience and Qualifications**

Mr Forsell is responsible for all NBN Co’s legal services, company secretariat, freedom of information and security functions. His responsibilities include all major transactions, dispute management, litigation, legal analysis and advisory, and governance support.

An experienced legal practitioner with over 20 years’ in-house experience, Mr Forsell joined NBN Co in March 2010 as Chief Legal Counsel.

Prior to joining NBN Co, Mr Forsell was General Counsel, Company Secretary and Head of Governance at Vodafone Australia. He was responsible for legal, regulatory, government relations, company secretariat, inter-carrier relationships and corporate social responsibility across the Company.

He has previously held senior legal counsel roles at Vodafone Australia, BT Group Japan and British Telecom in the UK. He commenced his career in telecommunications law at Hutchison Telecom in Hong Kong after several years in private practice.

Mr Forsell has an MBA from Macquarie Graduate School of Management in Sydney, and a Bachelor of Laws (LLB) from Victoria University in Wellington, New Zealand.



**Ms Sally Kincaid**

Appointed in May 2019  
Chief People and Culture Officer

**Skills, Experience and Qualifications**

Ms Kincaid joined NBN Co in May 2019 with responsibility for the People and Culture strategy. Her portfolio includes the implementation of initiatives to ensure a high-performing and collaborative workforce, focused on caring for the health and safety of employees.

Ms Kincaid has 20 years’ experience directing HR teams in global financial and insurance companies across New Zealand, the UK, as well as Australia. Formerly, she held the role as Chief Human Resources Officer before stepping into the role of Global Head of HR Performance and Delivery at QBE insurance.

Ms Kincaid holds an MBA from Henley Business School in the UK, Bachelor of Business Studies from Massey University, New Zealand, and is a graduate of the Australian Institute of Company Directors.



### **Mr Philip Knox**

Appointed in February 2019  
Chief Financial Officer

#### **Skills, Experience and Qualifications**

Mr Knox was appointed Chief Financial Officer on 6 February 2019. He is responsible for the financial management of NBN Co's business activities, business planning, financial reporting, financial control, management reporting, taxation and treasury, audit and risk services as well as data governance, procurement and supply.

Mr Knox brings more than 30 years' of financial experience, including leadership roles as Chief Financial Officer, and extensive knowledge of the technology and media industries.

Prior to joining NBN Co, Mr Knox was the Chief Financial Officer at APN Outdoor and previously at the Garvan Institute of Medical Research and Austar United Communications.

Mr Knox is a member of CPA Australia and fellow of the Australian Institute of Company Directors.



### **Ms Felicity Ross**

Appointed in July 2018  
Chief Corporate Affairs Officer

#### **Skills, Experience and Qualifications**

Ms Ross joined NBN Co in July 2018 as Chief Corporate Affairs Officer. She leads all aspects of media and government relations, employee communications, Corporate Social Responsibility and nbn Local, which focuses on national industry stakeholders and regional and remote engagement.

Formerly Advocacy Director at Jobs for NSW, Ms Ross brings more than 20 years' experience managing stakeholder relations and communications across the private and public sectors.

Ms Ross has deep expertise in large, high-profile, complex organisations in Australia and overseas, including: London's Metropolitan Police at Scotland Yard, the UK Home Office, Serco, Westpac and NSW Government.

Ms Ross holds a Post Graduate Diploma in Communications Management from London Metropolitan University, as well as a Bachelor of Arts, English from Macquarie University, Sydney.





### Mr JB Rousselot

Appointed in October 2013  
Chief Strategy Officer

#### Skills, Experience and Qualifications

Mr Rousselot was appointed Chief Strategy Officer on 1 July 2017 after formerly overseeing NBN Co's network and service operations.

Mr Rousselot joined NBN Co in October 2013, bringing extensive experience in the telecommunications and media sectors.

As well as holding senior roles at Telstra including the Executive Director of Voice, BigPond and Media, Mr Rousselot was the CEO of IP telephony start up Interline, an Executive Director of the Australasian Media and Communications Fund and has worked in consulting and investment banking.

Mr Rousselot holds an MBA from the MIT Sloan School of Management (USA) and a Masters Degree in Engineering from Ecole Nationale des Ponts et Chaussées (France).



### Mr Peter Ryan

Appointed in December 2015  
Chief Network Engineering Officer

#### Skills, Experience and Qualifications

Mr Ryan's tenure as Chief of Network Engineering and Operations began on 1 July 2017. He previously headed up NBN Co's Network Engineering and Deployment unit.

Mr Ryan joined NBN Co in January 2013 as General Manager Implementation and was accountable for the national delivery of the transit and Fixed Wireless networks. He moved into an Executive General Manager role in February 2014 and was responsible for the detailed design, construction and deployment of NBN Co's regional fixed line network.

Prior to NBN Co, Mr Ryan worked at Vodafone for 15 years in Australia, Africa and the UK, and Maunsell Australia Pty Ltd. His career has spanned roles across network engineering, technology deployment and service operations.

Mr Ryan has solid experience in engineering and deploying networks nationally and overseas, in addition to operational management experience and proven project discipline.

Mr Ryan has a Bachelor of Engineering from the University of Sydney.



### **Ms Debbie Taylor**

Appointed in January 2019  
Acting Chief Systems Engineering Officer

#### **Skills, Experience and Qualifications**

Ms Taylor was appointed acting Chief Systems Engineering Officer on 2 January 2019, following her five-year tenure as Executive General Manager of Technology Design and Delivery. She is responsible for the IT and network engineering systems at NBN Co.

Ms Taylor has more than 30 years of experience in the Technology and Telecommunications industries, holding leadership roles at PwC and Vodafone where she has led teams to drive major IT transformation projects and delivered complex new technology programs.

Ms Taylor has a Bachelor of Science degree from the State University of New York in Albany with a double major in Finance and Management Information Systems and a minor in computer science.



### **Mr Paul Tyler**

Appointed in February 2018  
Chief Customer Officer – Business

#### **Skills, Experience and Qualifications**

Mr Tyler was appointed Chief Customer Officer – Business on 19 February 2018, bringing more than two decades' experience leading Information and Communication Technology businesses across Europe and the Asia Pacific.

Focussed on NBN Co's go-to market strategy for the business, government and enterprise segments, Mr Tyler has prioritised improving the end-to-end customer experience delivered to these customers.

Born and raised in Australia, he has built a distinguished international reputation working for and managing businesses in Belgium, Ireland, UK, Japan and Singapore. Notably, Mr Tyler was a key member of the executive management team that drove the turnaround of Nokia Corp and most recently held the position of Group Managing Director of Telstra Business.

A former Non-Executive Chairman of BigAir Group Limited, he graduated with an Executive MBA from UCD – National University of Ireland; a Bachelor of Electrical Engineering – University of New South Wales and holds a Membership in the Australian Institute of Company Directors.



### Mr Brad Whitcomb

Appointed in May 2014  
Chief Customer Officer – Residential

#### Skills, Experience and Qualifications

Mr Whitcomb was appointed Chief Customer Officer – Residential on 1 July 2017 after previously holding the role of NBN Co's Chief Strategy and Transformation Officer.

Mr Whitcomb has extensive experience leading business operations and transforming business performance in global telecommunications, technology and energy sectors.

Prior to joining NBN Co in May 2014, Mr Whitcomb was the Chief Strategy and Business Transformation Officer at Vodafone Hutchinson Australia where he was responsible for the whole-of-business turnaround including diagnosis, strategy, planning, execution and governance.

Mr Whitcomb holds an MBA from Saint Mary's College of California and a Bachelor of Economics from the University of California, Santa Barbara.

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## Company Secretaries



### Ms Debra Connor

Appointed in June 2010  
Company Secretary

#### Skills, Experience and Qualifications

Ms Connor has a Bachelor of Laws from the Queensland University of Technology and a Graduate Diploma in Corporate Governance from the Governance Institute of Australia.

She has also completed post graduate courses through Stanford and Columbia Universities in the US and Italy, respectively.

Prior to joining NBN Co, Ms Connor was Board Secretary of Port of Melbourne Corporation from January 2007, and prior to that she was in-house Counsel and Company Secretary with SMS Management & Technology Limited, a publicly listed management consulting company based in Melbourne with an international presence in the UK and Asia. Ms Connor joined SMS in January 2000.



### Ms Kylie Brown

Appointed in August 2015  
Company Secretary

#### Skills, Experience and Qualifications

Ms Brown joined NBN Co in June 2011 and was appointed as a Company Secretary of NBN Co in August 2015.

Ms Brown has a Bachelor of Laws and Bachelor of Arts from Macquarie University and a Certificate in Governance Practice from the Governance Institute of Australia. She is currently a General Counsel in NBN Co's Legal team.

Prior to joining NBN Co in 2011, Ms Brown was a Senior Associate in private practice at Corrs Chambers Westgarth from 2000 to 2010 and a lawyer at Moray & Agnew from 1997 to 2000.

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## Our key functions

The Executive Committee are responsible for the following key organisational groups and functions which are instrumental to the success of the Company.

### Network Planning and Deployment

The Network Planning and Deployment function is responsible for planning, designing and building the **nbn**<sup>TM</sup> access network. NBN Co's mandate is to deliver the network using the most appropriate and cost effective technology.

### Systems Engineering and Operations

The Systems, Engineering and Operations (SEO) function provides end-to-end information technology (IT) and network engineering solutions that support and enable NBN Co's core processes, products and technologies. The SEO function also builds and maintains the infrastructure required to deliver the data flow needs of the whole business, as well as integration with RSPs and DPs.

### Network Engineering and Operations

The Network Engineering and Operations (NEO) unit manages key processes within NBN Co that include: activation of services; network assurance; maintenance and restoration activities; as well as on-going engineering capacity and optimisation of the **nbn**<sup>TM</sup> access network. NEO is committed to providing the highest level of service to its RSP customers, enabling them to provide a quality end-user experience, within the framework of NBN Co's service levels under the Wholesale Broadband Agreement. This includes activation response time, service availability and network response time.

### Strategy, Transformation, Regulatory and Technology

The Strategy, Transformation, Regulatory and Technology group is responsible for creating and implementing NBN Co's business and regulatory strategy, delivering the Integrated Operating Plan, scaling the business, and developing the **nbn**<sup>TM</sup> access network architecture and advanced technologies.

### Sales and Marketing

The primary role of the Residential Sales and Marketing and the Business Sales and Marketing teams is to enable access to the **nbn**<sup>TM</sup> access network through the delivery of wholesale products and services to RSPs, who in turn make them available to residents and businesses. These teams also champion the customer experience on the **nbn**<sup>TM</sup> access network and are responsible for the brand and the development of marketing and promotional campaigns to engage with the industry and end users to increase awareness of the **nbn**<sup>TM</sup> access network. The teams also manage the relationships with RSPs and engage with the industry to incorporate feedback on technical, operational and commercial aspects of the product development and delivery program, and the overall migration to the **nbn**<sup>TM</sup> access network.

### **Corporate Affairs**

The Corporate Affairs team is responsible for engaging and communicating with NBN Co's stakeholders. The team effectively communicates with employees, the Australian public, government entities, the media, industry groups and regional stakeholders regarding the company's plans and progress. The team also engages with Shareholder Ministers and Departments to advise and disclose required information.

### **People and Culture**

NBN Co's People and Culture (P&C) team enables the achievement of business goals through great people, delivering extraordinary results every day, to lift the digital capability of Australia. P&C leads the human resources, Health Safety and Environment, facilities and external (service delivery partners) workforce attraction strategies.

### **Finance, Procurement and Supply**

Finance, Procurement and Supply is responsible for the financial management of NBN Co's business activities, including business planning, financial and management reporting, financial control, commercial finance activities in support of the business, taxation and treasury, audit and risk services as well as data governance, procurement and supply activities.

### **Legal and Security**

The Legal group is responsible for all NBN Co's legal services including its company secretariat and freedom of information functions. The Legal group provides support on all major transactions, dispute management and litigation, legal analysis and advice, and governance.

The role of the Security group is to protect NBN Co's people and assets from personnel, physical and cyber security threats and to comply with security-related regulatory obligations. NBN Co is building a network that will give Australians access to reliable and fast broadband. Part of being reliable is being trusted and secure. The convergence of physical and cyber security within the Security group enables NBN Co to better protect its people and assets against evolving security threats.

## Other information

### Corporate information

NBN Co is an unlisted public company limited by shares that is incorporated and domiciled in Australia. The registered office of the Company is Level 40, 360 Elizabeth Street, Melbourne Victoria 3000. NBN Co is wholly-owned by the Commonwealth of Australia.

### Operating and financial review

The operating and financial review is contained on pages 13 to 53 of the Directors' report.

### Significant changes in the state of affairs

Other than the information set out in the operating and financial review section, there were no significant changes in the state of affairs of the Group during FY19.

### Dividends

No dividends have been paid or declared since the Group was established in April 2009.

### Directors' interests

The Directors of NBN Co have no interests in the shares of NBN Co.

### Indemnification and insurance of Directors and Officers

NBN Co has indemnified each of the Directors of the Company against any legal proceedings, loss or liability that arises in their capacity as a Director of NBN Co. As at 30 June 2019, no material claims have been made.

During FY19, the Company paid insurance premiums for contracts insuring Directors and Officers against liabilities (including costs and expenses) arising from the performance of their duties.

The Directors have not included the details of the nature of the liabilities covered or the amount of the premiums paid in respect of these insurance contracts, as such disclosure is prohibited under the terms of the contracts.

### Rounding of amounts

The Group is of a kind referred to in ASIC Corporation (Rounding in Financial/ Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the Financial Report and Directors' Report have been rounded off to the nearest million dollars, unless otherwise stated.

### Auditor independence

The Directors received an independence declaration from the Auditor-General. A copy of this report has been included with the Financial Report.

### Significant events subsequent to reporting date

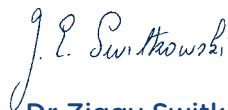
No matter or circumstance has arisen since 30 June 2019 to the date of the signing of this report that has significantly affected, or may affect:

- The Group's operations in future financial years
- The results of those operations in future financial years
- The Group's state of affairs in future financial years.

### Non-audit services

No non-audit services have been provided by the Auditor-General or the Australian National Audit Office. Non-audit services provided by the contract auditor, PwC, are detailed in Note H7 to the consolidated financial statements.

Signed in accordance with a resolution of the Directors, approving the Annual Report.



**Dr Ziggy Switkowski AO**  
Chairman



**Stephen Rue**  
Chief Executive Officer

8 August 2019



# Remuneration report

**The purpose of the Remuneration report is to set out the principles and the remuneration strategy NBN Co applies to remunerate key management personnel (KMP).**

The report also aims to demonstrate how the remuneration policy is aligned to NBN Co's goals and strategic imperatives, enabling performance-based reward and supporting the retention of high calibre Executives to achieve our targets by 2020 and beyond.

The plan for FY19 set demanding goals for the construction of the broadband network and for improvements in customer experience. Actual performance in FY19 reflected over delivery against budget in key operational milestones of Ready to Connect and Premises Activated. Revenue was also strong with good momentum going into the FY20 year.

Customer experience and satisfaction improved and, together with industry-wide collaboration, helped lift confidence in NBN Co and its reputation. Still, the Board and Management emphasise the need to accelerate the improvement trend in user experience and this will continue to be a priority in the year ahead. The remuneration outcomes for FY19 therefore reflect this focus on customer experience and the excellent progress towards NBN Co's 2020 targets.



1

Attract and retain high calibre Executives



2

Foster exceptional talent and performance



3

Responsibly reward key management personnel



## Letter from the Chair of the People and Remuneration Committee

On behalf of the NBN Co Board, I am pleased to present our 2019 Remuneration report summarising the achievements of the past year and the associated remuneration outcomes for NBN Co's Chief Executive Officer (CEO) and Key Management Personnel. The fee arrangements for Board members are also provided.

This year represents the largest year of construction and we are well positioned to complete the network build in 2020. Pleasingly the year has delivered ongoing operational improvement across Connect, Use and Fix metrics although there remains work to be done. Customer experience and reputation remain critical elements of the NBN Co Short Term Incentive (STI) program, contributing 40% of the Balanced Scorecard metrics and reflecting the importance Management and the Board place on improving the customer outcomes.

During the year, NBN Co engaged an independent consultant to provide market practice trends in relation to executive remuneration design and regulatory developments. In response to this, the Committee is making changes to the STI plan regarding risk culture and performance outcomes and how they are factored into remuneration decisions. In addition, an independent review of remuneration reporting for government entities was completed with updated reporting requirements implemented in April 2019. NBN Co has a strong history of full disclosure on remuneration reporting, in line with ASX listed entities, resulting in a minor change incorporated in this Report to show annual leave on an accrual basis in FY19.

In evaluating the 2019 fiscal year performance, the Board is satisfied that the gateway for the STI program has been met, which includes NBN Co's safety record and overall performance to budget. Despite the significant challenges in building a nationwide network, NBN Co has delivered upon or exceeded critical network implementation milestones and exceeded revenue targets. The Remuneration Committee characterised performance as 'at or above target' for key metrics. For this reason, the Board approved an STI payout of 102% of the Balanced

Scorecard target that appropriately reflects its judgement of performance for the year.


In contrast to most listed companies, there is no Long-Term Incentive component to the remuneration structure for NBN Co executives.

No material change has been made to NBN Co's Senior Executive remuneration framework during this year. In this regard NBN Co continues to set target remuneration with reference to the external market for similar roles. NBN Co continues to place awards made through the STI program 'at risk' where these are dependent on the achievement of company performance relative to targets set at the beginning of the operating year, consistent with the approved Corporate Plan.

FY19 brought about changes in executive leadership at NBN Co with the appointment of Stephen Rue as CEO from 1 September 2018. Stephen Rue's transition from his role as CFO has been very successful, with the continuing achievement of key delivery milestones, improvements in operational performance on behalf of customers and the employee engagement increasing for the fourth consecutive year to near world class levels.

With more than five and a half million premises now on the **nbn**<sup>™</sup> access network, the need for the telecommunications industry to deliver on end-user experience and network performance will become even more critical. The Board has every confidence in the people of NBN Co who remain committed to completing the build of the network by 2020 and just as importantly continuing to work with the industry to provide excellent service delivery and improve customer experience.

Yours sincerely,



**Mr Justin Milne**

Chair, People and Remuneration Committee  
8 August 2019

## Key management personnel (KMP)

This report covers the remuneration of NBN Co's KMP, including Non-Executive Directors of the Company, and those Senior Executives deemed to be KMP by the Board, as outlined in the table below for the year ended 30 June 2019.

| Name  | Title                                       | FY19 Status | KMP Status |
|---|---|-------------|------------|
| <b>Current Senior Executives deemed to be KMP</b> |   |             |            |
| Mr. Stephen Rue                                   | Chief Executive Officer (CEO)               | Full year   | Current    |
| Ms. Kathrine Dyer                                 | Chief Network Deployment Officer (CNDO)     | Full year   | Current    |
| Mr. JB Rousselot                                  | Chief Strategy Officer (CSO)                | Full year   | Current    |
| Mr. Philip Knox                                   | Chief Financial Officer (CFO)               | Part year   | Current    |
| Mr. Peter Ryan                                    | Chief Network Engineering Officer (CNEO)    | Full year   | Current    |
| Mr. Paul Tyler                                    | Chief Customer Officer – Business (CCOB)    | Full year   | Current    |
| Mr. Brad Whitcomb                                 | Chief Customer Officer – Residential (CCOR) | Full year   | Current    |
| <b>Former Senior Executives deemed to be KMP</b>  |   |             |            |
| Mr. William Morrow                                | Chief Executive Officer (CEO)               | Part year   | Former     |
| <b>Current Non-Executive Directors</b>            |   |             |            |
| Mr. Drew Clarke AO PSM                            | Non-Executive Director                      | Full year   | Current    |
| Mr. Patrick Flannigan                             | Non-Executive Director                      | Full year   | Current    |
| Ms. Shirley In't Veld                             | Non-Executive Director                      | Full year   | Current    |
| Mr. Michael Malone                                | Non-Executive Director                      | Full year   | Current    |
| Mr. Justin Milne                                  | Non-Executive Director                      | Full year   | Current    |
| Ms. Zoe McKenzie                                  | Non-Executive Director                      | Full year   | Current    |
| Dr. Kerry Schott AO                               | Non-Executive Director                      | Full year   | Current    |
| Dr. Ziggy Switkowski AO                           | Non-Executive Chairman                      | Full year   | Current    |

The following changes were made in KMP during the year and up to the date the Remuneration report was released:

- Mr. S Rue was the CFO until 31 August 2018 and was appointed as CEO on 1 September 2018
- Ms. K Dyer was appointed as KMP on 1 July 2018
- Mr. P Knox was appointed as KMP on 6 February 2019
- Mr. W Morrow ceased to be KMP on 31 August 2018
- Ms. Z McKenzie was appointed as a Non-Executive Director on 1 July 2018

## Remuneration and talent governance at NBN Co

The role of the People and Remuneration Committee (P&RC) is to assist 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.
- Foster exceptional talent and performance while motivating and supporting employees to pursue the growth and success of the **nbn**<sup>™</sup> access network consistent with NBN Co's Corporate Plan.
- Responsibly reward employees, having regard to the performance of NBN Co, individual performance, statutory and regulatory requirements and current business norms.

### Support from management and external advisors

To inform decisions of the Committee, the P&RC sought advice and, at times, recommendations from the CEO and other management throughout the year.

During FY19, NBN Co received external advice in relation to remuneration from Ernst & Young (EY). The advice included market practice, current and emerging trends in executive remuneration design and relevant legislative and regulatory developments.

None of the advice provided by EY included a remuneration recommendation as defined in the *Corporations Act 2001*.

The information below outlines how Senior Executive remuneration decisions are determined at NBN Co.



### Management

Makes recommendations to the P&RC and Board with respect to individual remuneration arrangements, target setting and performance assessment of incentive plans for Senior Executives. Implements people management and remuneration policies and practice as agreed.



### People and Remuneration Committee

Reviews management proposals and approves remuneration policies and practice with respect to individual remuneration arrangements, target setting, performance assessments of incentive plans for Senior Executives, and provides recommendations for CEO remuneration arrangements, target setting and performance assessment against those targets.

Reviews the effectiveness of people management and remuneration policies and programs, including NBN Co's workforce diversity report.



### NBN Co Board

Reviews and approves recommendations referred by the P&RC.

## Strategic imperatives and remuneration strategy

NBN Co's remuneration strategy supports the strategic imperatives of the organisation, enables performance-based reward and recognition of highly capable employees whilst remaining aligned to market practice and in the interests of our shareholders and the Australian public.

Senior Executive remuneration is designed to attract, motivate and retain the calibre of executives required to achieve our goals by 2020 and beyond. To enable this, NBN Co's Senior Executive remuneration strategy establishes an effective link between pay and performance achieved through:

- Annually reviewing the Senior Executive remuneration framework, including the performance measures under the Short-Term Incentive (STI) Program, to ensure alignment with NBN Co's evolving business strategy and corporate objectives.
- Consideration of market remuneration practices when determining Senior Executive remuneration.
- Ensuring a minimum level of performance is achieved by NBN Co before any STI payments can be earned.
- Balancing Senior Executive remuneration against corporate and individual performance outcomes.
- Linking each Senior Executive's STI award to the achievement of stretch performance conditions.

The information below outlines the link between NBN Co's strategy and remuneration for Senior Executives.

## NBN Co's goal by 2020

To complete the build of the nbn network by 2020

Achieved by focusing on NBN Co's strategic imperatives



1

A high-performing and reliable network



2

Effective and efficient processes and systems



3

Effective partnership with vendors, Delivery Partners and Retail Service Providers



4

Affordable products and services



5

A great place to work

## ....which are reflected in STI Corporate Measures

**NBN Co Controlled End-User Customer Experience**

Improvement in key lead indicators in NBN Co controlled end-user satisfaction metrics

**Reputation**

Improvement in Ipsos reputation score, declines in Telecommunications Industry Ombudsman (TIO) complaints relative to activations and active users and improvement in end-user customer experience scores

**Premises Ready to Connect**

A premise is ready to connect when a nbn™ service order can be placed and the service can be connected within an area that has been declared ready for service.

**Premises Active**

Premises which have an active service installed. Premises are activated after receiving and provisioning a service order from a Retail Service Provider

**Total Revenue**

Total revenue earned in the year

## ....and NBN Co's actual performance

**NBN Co Controlled End-User Customer Experience**

Maintained or improved outcomes in all five NBN Co controlled experience indicators, other than in two indicators for HFC customers only in the second half of the year.

**Reputation**

Improvement in Ipsos score and end user customer experience Overall Satisfaction scores. A reduction in the rate of TIO complaints for services delivered over the nbn™ access network, for the six months to December 2018.

**Premises Ready to Connect**

Made significant progress in the number of premises that are now ready to connect to the nbn™ access network, achieving 9,954,265 premises ready to connect, 258,957 ahead of budget and an increase of 41% from June 2018.

**Premises Active**

Strong progress in FY19, achieving 5,532,088 premises active on the nbn™ access network, 24,048 ahead of budget and an increase of 37% from June 2018.

**Total Revenue**

Strong growth in activations and average revenue per user during FY19 resulted in total revenue for the year of \$2.8 billion, which was \$0.2 billion ahead of budget and an increase of 43% over revenue achieved in FY18.

## ....and directly impacts Senior Executive remuneration

| Total Fixed Remuneration   | CEO STI Outcome | Average Senior Executive STI Outcome |
|--|-----------------|--------------------------------------|
| Fixed pay increases aligned to market practice with smaller increases for FY19 | 102% target     | 102% target                          |

## Senior Executive remuneration

NBN Co’s remuneration structure is designed to responsibly, fairly and competitively reward Senior Executives while complying with all of our regulatory obligations. To accomplish these goals, each Senior Executive’s remuneration package consists of Total Fixed Remuneration (TFR) and ‘at risk’ remuneration delivered through an STI program, which includes a deferral component. NBN Co does not grant long-term incentive awards to its Senior Executives.

### Remuneration benchmarking

NBN Co aims to position target total remuneration competitively against comparable organisations. Independent remuneration advisors directly benchmark Senior Executive roles to comparable roles in the market.

External market benchmarks are determined by researching disclosed data from relevant Australian listed companies and Government Business Enterprises, supplemented by survey data where necessary. Target total remuneration for each Senior Executive role is informed by the benchmark data and internal relativities.

To ensure consideration of individual and company performance and market conditions, remuneration levels of each Senior Executive are reviewed annually by the P&RC.

### Remuneration mix

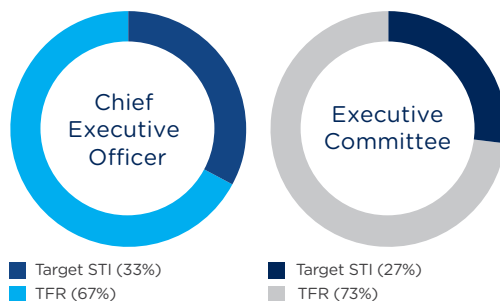
A portion of Senior Executive remuneration is ‘at risk’ to ensure alignment with NBN Co’s strategic objectives. Senior Executives are only rewarded for delivering performance aligned to NBN Co’s strategy.

The target STI opportunity for Senior Executives during FY19 was 37.5 per cent of the participant’s TFR. The Target STI opportunity for the CEO was 50 per cent of TFR.

As ‘at risk’ remuneration is tied to the achievement of NBN Co and individual performance conditions, actual remuneration received may vary from the target remuneration set out above.

Further detail on actual performance outcomes for FY19 has been provided in the STI program section below.

Chief Executive Officer and Executive Committee remuneration is illustrated in the graphs below. These show the Total Fixed remuneration and target STI components as a percentage of the total target annual remuneration for FY19.



### Total fixed remuneration

Base salary, superannuation contributions and non-cash benefits comprise a Senior Executive’s TFR. Factors taken into account when setting the appropriate TFR for any Senior Executive include:

- Market data for comparable roles
- Complexity of the role
- Internal relativities
- An individual’s skills and experience
- Individual performance assessments.

Once hired, Senior Executives have no guarantee of TFR increases within their contracts. The TFR of all Senior Executives is reviewed annually, to ensure alignment with market practice.



### Short-Term Incentive (STI) program

In line with market practice, selected employees are eligible to receive a short term incentive. NBN Co’s STI program provides all Senior Executives the opportunity to receive ‘at risk’ remuneration based first on NBN Co’s performance and then on individual performance during the performance year. The STI program is designed to:

- Reward Senior Executives who contribute to NBN Co’s success during the performance year
- Ensure a portion of total remuneration is linked to the achievement of corporate performance
- Through its STI funding approach, provides NBN Co with the flexibility to manage the overall cost of the program in line with the achievement of corporate performance outcomes.

#### Short-Term Incentive deferral

A key element of our STI program for Senior Executives is the deferral of one quarter of any STI awarded for a period of two years. While deferred amounts are not subject to

performance hurdles, they are subject to clawback provisions which allow the P&RC to withhold the deferred cash award in the instance of a material misstatement of the results upon which an incentive award has been made. Deferred amounts may be released early at the discretion of the P&RC. No deferral applies to the CEO’s STI Award.

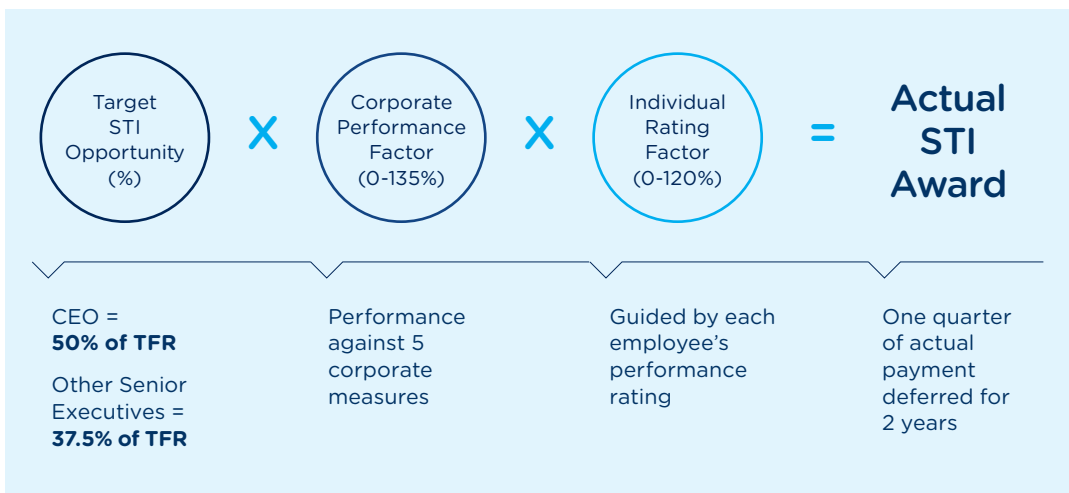
NBN Co reviews its incentive program annually to ensure it remains aligned to market practice and continues to incentivise participants in alignment with the evolution of NBN Co’s business strategy.

#### Role of the People and Remuneration Committee

Each year, the P&RC determines the performance measures and objectives of the STI program, participant eligibility, performance outcomes and the STI award pool, application of clawback provisions to previous awards (where relevant) and any changes or adjustments needed to continually improve the plan.

The P&RC retains discretion under the program rules to adjust STI payments in light of unforeseen circumstances or unintended outcomes.

#### NBN Co’s Senior Executive Short-Term Incentive (STI) program



### Funding approach

NBN Co's performance determines the size of the target STI pool for the applicable year, consistent with the approach of a commercial enterprise. The P&RC can eliminate the entire target STI pool if it determines that NBN Co has not met a gateway measure. In such circumstances, the P&RC retains the discretion to recognise exceptional contributions from individuals and can form a STI pool of up to 20 per cent of the entire target STI pool. The P&RC determines the gateway measure at the start of the performance period. For FY19, NBN Co's safety record and performance to budget were the performance gateway measures. The operating and financial review section provides details on NBN Co's financial performance and non-financial performance for FY19.

If a gateway measure is met during the performance period, the P&RC determines whether to adjust the target STI pool up or down (by a range between zero per cent and 135 per cent of the target STI pool) based on achievement of corporate objectives, resulting in an actual STI award pool. The STI award pool is the maximum cost of the STI program for that year, thus limiting NBN Co's aggregate cost.

### STI performance measures

NBN Co's performance has a direct impact on the STI award pool and therefore the level of STI payments received by participants.

Performance measures and targets are set at the start of the performance period against the measures in the Corporate Plan and outlined in the diagram on page 76.

### For FY19, NBN Co's performance was assessed against five corporate measures that included:

- NBN Co Controlled End-user Customer Experience
- Reputation
- Premises RTC
- Premises Active
- Total Revenue

### Performance outcomes for FY19

For FY19, the Board was satisfied the overall financial and safety performance gateway measure for the Company was met. NBN Co's overall financial and safety performance is discussed on pages 42 to 47 and 38 to 41, respectively.

While continuing to prioritise customer experience, NBN Co made good progress on network build and activations towards our 2020 goals. Growth in average revenue per user and strong activations during FY19 set the Company up well for performance against the total revenue target.

Of the five performance metrics listed above, NBN Co significantly overachieved in Premises RTC, Premises Active and Revenue, delivered an on-target and improving trend in NBN Co-controlled metrics of customer experience, and positively trending levels of Reputation. The momentum going into the critical FY20 year is strong. The Board balanced these outcomes which added to a clear outperformance of KPI targets set in the FY19 Plan against the level of negative community sentiment and end user experience (not all within NBN Co control) to arrive at a figure of 102% of target or 76% of maximum for the short term incentives for KMPs.

The list of KMP during FY19 disclosed in this report is shown on page 73 and a summary of remuneration received during the financial year is shown on pages 81 to 83.

### Historical STI Awards

The table to the right shows the historical STI Awards for NBN Co over the past five years against the Corporate Performance Factor.

### Employment agreements and termination arrangement

With the exception of the CEO, all Senior Executives are permanent employees of NBN Co. Remuneration and other terms of employment for all Senior Executives are formalised in employment agreements, which are subject to law and include termination arrangements. The CEO’s contractual arrangement is for the five year period to 31 August 2023.

For the CEO, the notice for termination that must be provided by either NBN Co or the CEO is six months. For Senior Executives, the standard notice for termination that must be provided by either NBN Co or the Senior Executive is three months.

Where the CEO or a Senior Executive is terminated by NBN Co, he/she is entitled to a termination payment of 6 months’ TFR. Termination payments are determined by policy and the contractual entitlements in place for employees ceasing employment with NBN Co.

### Non cash benefits

Executives are able to utilise salary packaging arrangements in line with Company policies. The cost of any benefit, as well as any associated Fringe Benefits Tax (FBT) is deducted from the executive’s salary.

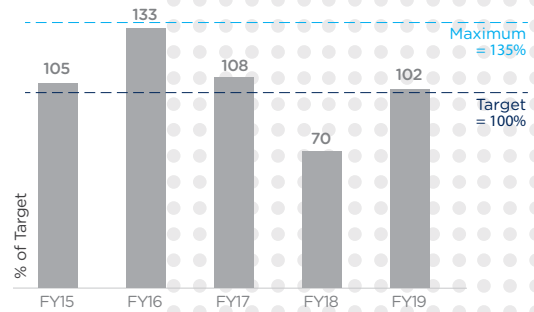
### Other long-term benefits

The remaining long-term benefit is the accrual of statutory long service leave for employees.

### Post-employment benefits

Superannuation contributions are included in individuals’ TFR. There are currently no additional benefits, entitlements or arrangements in place for any Senior Executive.

### Short-Term Incentive



## Remuneration of key management personnel

### Remuneration of Senior Executives

Remuneration for Senior Executives deemed to be KMP is shown in the table below. During the period the PGPA Rule was amended to require the reporting of executive remuneration in the 2018-19 annual reports of Commonwealth companies on an accrual basis. NBN Co has applied the requirements of the PGPA Rule for the period ended 30 June 2019, which includes the assessment of Senior Executives as KMP in accordance with the meaning defined in AASB 124 *Related Party Disclosures*. Comparative information presented has not been adjusted.

|   |      | Short-term benefits               | Post-employment        | Other benefits  |                       |                                 | Total                           |                      |                   |
|---|------|-----------------------------------|------------------------|-----------------|-----------------------|---------------------------------|---------------------------------|----------------------|-------------------|
|   |      | Base salary and fees <sup>1</sup> | STI award <sup>2</sup> | Super-annuation | Other Post Employment | STI award deferral <sup>2</sup> | Long Service Leave <sup>3</sup> | Termination Benefits |                   |
|   |      | \$                                | \$                     | \$              | \$                    | \$                              | \$                              | \$                   |                   |
| <b>Senior Executives deemed to be KMP</b> |      |                                   |                        |                 |                       |                                 |                                 |                      |                   |
| S Rue <sup>4</sup>                        | 2018 | 956,251                           | 192,209                | 20,049          | -                     | 64,070                          | 14,781                          | -                    | 1,247,360         |
|   | 2019 | 1,695,760                         | 828,482                | 20,531          | -                     | -                               | 64,484                          | -                    | 2,609,257         |
| K Dyer <sup>4</sup>                       | 2018 | -                                 | -                      | -               | -                     | -                               | -                               | -                    | -                 |
|   | 2019 | 677,713                           | 200,813                | 20,531          | -                     | 66,937                          | 62,932                          | -                    | 1,028,926         |
| P Knox <sup>4</sup>                       | 2018 | -                                 | -                      | -               | -                     | -                               | -                               | -                    | -                 |
|   | 2019 | 355,155                           | 96,869                 | 10,266          | -                     | 32,290                          | 497                             | -                    | 495,077           |
| JB Rousselot                              | 2018 | 888,551                           | 178,881                | 20,049          | -                     | 59,627                          | 18,243                          | -                    | 1,165,351         |
|   | 2019 | 903,584                           | 265,876                | 20,531          | -                     | 88,625                          | 40,872                          | -                    | 1,319,488         |
| P Ryan                                    | 2018 | 800,951                           | 161,635                | 20,049          | -                     | 53,878                          | 24,507                          | -                    | 1,061,020         |
|   | 2019 | 817,801                           | 240,230                | 20,531          | -                     | 80,076                          | 32,057                          | -                    | 1,190,695         |
| P Tyler                                   | 2018 | 310,809                           | 117,765                | 10,024          | -                     | -                               | 411                             | -                    | 439,009           |
|   | 2019 | 904,316                           | 254,459                | 20,531          | -                     | 84,819                          | 2,796                           | -                    | 1,266,921         |
| B Whitcomb                                | 2018 | 828,851                           | 167,127                | 20,049          | -                     | 55,709                          | 15,888                          | -                    | 1,087,624         |
|   | 2019 | 859,548                           | 248,405                | 20,531          | -                     | 82,802                          | 35,218                          | -                    | 1,246,504         |
| <b>Former Executives deemed to be KMP</b> |      |                                   |                        |                 |                       |                                 |                                 |                      |                   |
| W Morrow <sup>5</sup>                     | 2018 | 2,408,775                         | 765,080                | 20,049          | -                     | -                               | (55,322)                        | -                    | 3,138,582         |
|   | 2019 | 306,529                           | -                      | 5,133           | 1,214,412             | -                               | -                               | 807,897              | 2,333,971         |
| J Simon                                   | 2018 | 550,319                           | 147,424                | 13,115          | -                     | -                               | 58,878                          | -                    | 769,736           |
|   | 2019 | -                                 | -                      | -               | -                     | -                               | -                               | -                    | -                 |
| <b>Total<sup>4</sup></b>                  | 2018 | <b>6,744,507</b>                  | <b>1,730,121</b>       | <b>123,384</b>  | <b>-</b>              | <b>233,284</b>                  | <b>77,386</b>                   | <b>-</b>             | <b>8,908,682</b>  |
|   | 2019 | <b>6,520,406</b>                  | <b>2,135,134</b>       | <b>138,585</b>  | <b>1,214,412</b>      | <b>435,549</b>                  | <b>238,856</b>                  | <b>807,897</b>       | <b>11,490,839</b> |

#### Notes:

- 2019 base salary includes annual leave paid and the movement in the annual leave provision during the period calculated in accordance with AASB 119 *Employee Benefits*.
- The cash component of the STI award paid in August 2019, with one quarter of the STI award relating to FY19 performance deferred for a period of two years. Deferred STI award payments are not discounted. The STI for the CEO does not include a deferred component.
- Long service leave amounts relate to the movement in the provision for long service leave during the relevant period, which is calculated in accordance with Australian Accounting Standards. In estimating the provision consideration is given to expected future wage and salary levels, fulfilment of service level milestones and periods of service. Expected future payments are discounted using market yields at the balance date on national corporate bonds. Long service leave provisioning is adjusted for cessation of employment, including retirement, to reflect the settlement of any entitlements.
- Aggregate KMP year on year comparisons are impacted by the appointment of Mr S Rue as CEO and Managing Director on 1 September 2018 and Ms. K Dyer and Mr. P Knox's appointments as KMP on 1 July 2018 and on 6 February 2019 respectively.
- Mr. W Morrow's total remuneration includes apportioned fixed remuneration up to the date of ceasing to be KMP (31 August 2018) and contractual payments in lieu of his notice period and for retention of employment and post-employment restraints.

## Non-Executive Directors

### Non-Executive Director fees

All Non-Executive Directors of NBN Co are appointed by the Commonwealth of Australia through the Shareholder Ministers.

Fees for Non-Executive Directors are set through the determinations of the Commonwealth Remuneration Tribunal (the Tribunal), an independent statutory body overseeing the remuneration of key Commonwealth offices. NBN Co is regulated to comply with the Tribunal's determinations and plays no role in the consideration or determination of Non-Executive Director fees.

The Tribunal sets annual Chair, Deputy Chair and Board fees (exclusive of statutory superannuation contributions) which are inclusive of all activities undertaken by Non-Executive Directors on behalf of NBN Co (i.e. inclusive of Committee participation). The Tribunal increased fees for Non-Executive Directors by 2% for FY19. Statutory superannuation is paid in addition to the fees set by the Tribunal.

While the Tribunal has determined remuneration for the role of Deputy Chair, the Board has decided not to fulfill this role.

The following table sets out the Non-Executive Director fees (excluding superannuation) as directed by the Tribunal for FY19 and FY18.

| Board position          | 2018-19 annual entitlement<br>from 1 July 2018 | 2017-18 annual entitlement<br>from 1 July 2017 |
|-------------------------|--|--|
| Chair                   | \$222,480                                      | \$218,110                                      |
| Deputy Chair            | \$179,120                                      | \$175,600                                      |
| Non-Executive Directors | \$111,290                                      | \$109,100                                      |

## Remuneration of Non-Executive Directors

Remuneration for Non-Executive Directors for FY19 and FY18 is shown in the table below:

|                                |             | Short-term<br>benefits | Post-<br>employment                        | Total<br>remuneration |
|--------------------------------|-------------|------------------------|--|-----------------------|
|                                |             | Director fees<br>\$    | Super-<br>annuation<br>contributions<br>\$ | \$                    |
| <b>Non-Executive Directors</b> |             |                        |  |                       |
| D Clarke AO PSM                | 2018        | 94,079                 | 8,938                                      | 103,017               |
|                                | <b>2019</b> | 111,290                | 10,573                                     | 121,863               |
| P Flannigan                    | 2018        | 109,100                | 10,365                                     | 119,465               |
|                                | <b>2019</b> | 111,290                | 10,573                                     | 121,863               |
| S In't Veld                    | 2018        | 109,100                | 10,365                                     | 119,465               |
|                                | <b>2019</b> | 111,290                | 10,573                                     | 121,863               |
| M Malone                       | 2018        | 109,100                | 10,365                                     | 119,465               |
|                                | <b>2019</b> | 111,290                | 10,573                                     | 121,863               |
| Z McKenzie <sup>1</sup>        | 2018        | -                      | -  | -                     |
|                                | <b>2019</b> | 103,407                | 9,824                                      | 113,231               |
| J Milne                        | 2018        | 109,100                | 10,365                                     | 119,465               |
|                                | <b>2019</b> | 111,290                | 10,573                                     | 121,863               |
| K Schott AO                    | 2018        | 109,100                | 10,365                                     | 119,465               |
|                                | <b>2019</b> | 111,290                | 10,573                                     | 121,863               |
| Z Switkowski AO                | 2018        | 218,110                | 20,049                                     | 238,159               |
|                                | <b>2019</b> | 222,480                | 20,531                                     | 243,011               |
| <b>Total</b>                   | 2018        | 857,689                | 80,812                                     | 938,501               |
|                                | <b>2019</b> | <b>993,627</b>         | <b>93,793</b>                              | <b>1,087,420</b>      |

### Notes

- 1 Ms. Z McKenzie was appointed a Director on 1 July 2018, resulting in the number of non-executive directors increasing from seven to eight members. Ms. Z McKenzie took a leave of absence commencing 31 January 2019 and concluding on 24 February 2019.

# 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 shareholder.

## Corporate structure and governing legislation

This statement, which was approved by the Board on 8 August 2019, 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 and Public Governance, Performance and Accountability Rule 2014* (PGPA Rule 2014)
- *Corporations Act 2001*
- *Telecommunications Act 1997*
- *Competition and Consumer Act 2010*
- 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 (the 3rd Edition) 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.

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## 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 causing a Corporate Plan to be prepared and submitted to the Australian Government
- Supervising management in the implementation of NBN Co's strategic direction, the Corporate Plan and compliance with legal and regulatory obligations.

- 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 attaching 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 2019 strategic planning meeting was held on 19 March 2019.

## **NBN Co's Executive Committee (ExCo)**

ExCo comprises the CEO and Executives. Further details about ExCo are outlined on pages 61 to 66.

## **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 2.7(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 2018.

In accordance with the GBE Guidelines, the 2018 review was undertaken by an independent external party and the Chairman provided a report on the outcomes of the 2018 review 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 FY19 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 71 to 83.

## **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 67.

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.

## Diversity and Inclusion at NBN Co

At NBN Co we continue to create an inclusive workplace that supports and leverages our diverse workforce to drive excellent performance and create a great place to work for all. NBN Co's ExCo has overall accountability for the Diversity and Inclusion strategy, policy and underpinning initiatives, with a number of ExCo members taking sponsorship roles for the key focus areas.

The implementation of the policy and initiatives are reviewed regularly and progress towards greater diversity and inclusion is communicated through NBN Co's monthly reporting, a Quarterly Diversity and Inclusion review by ExCo and annual reporting to the NBN Co Board.

Our policy is available on our website at: [www.nbnco.com.au](http://www.nbnco.com.au).

During FY19, NBN Co's diversity objectives have been focused on five key areas: Gender Equality, Accessibility, Culture, LGBTI Pride and First Peoples.

### Gender Equality

NBN Co's objectives are:

- To increase the participation of women in the workforce with a specific focus on female representation at senior management level.
- To build an external profile as an employer of choice for women.

To support the achievement of these objectives, the following initiatives have been put in place:

- Ensuring equality of opportunity by removing barriers and bias in NBN Co's people processes and systems.
- Providing an inclusive, safe and supportive working environment through a range of policies including our Flexible Work, Parental Leave, and Domestic and Family Violence Support Policies.
- Targeted programs for all employees on unconscious bias and for leaders on leading an inclusive workforce.
- Tracking progress against the goal of 40:40:20 ratio of females: males: either female or male for all executive teams by 2022.
- Growing the Women@nbn network and business diversity action groups to provide support, networking and engagement for women.
- Ensuring female representation on shortlists, interview panels and participation in leadership programs.
- Targeted programs for female talent including career development, sponsorship and coaching.
- Commitment to pay equity at point of hire and throughout an employees' career including a comprehensive gender pay equity analysis through the annual remuneration review process.

## Diversity and inclusion at NBN Co

Strength in diversity opportunity through inclusion



Gender  
Equality



Accessibility



Culture



LGBTI  
Pride



First  
Peoples

## Gender Equality

**33% of leadership roles to be held by women by 2020.**

33%

by 2020

Best in market policies, practices and culture

Hire and retain more

Develop and promote more

- Zero Tolerance for disrespect
- Targets set and tracked
- Policies to attract women
- Culture of inclusiveness
- Aligned employer brand
- Focused development for talented women

Through the implementation and ongoing measurement of the above initiatives, our overall female representation is 32 per cent at 30 June 2019 (1,865 employees). In addition, the female engagement score is at parity, with female engagement at 80 per cent compared to 79 per cent male engagement in the most recent employee survey.

A further breakdown of NBN Co's female representation at the management levels of the organisation, as at 30 June 2019, has been provided in the table below.

| Role                      | Number | Percentage |
|---------------------------|--------|------------|
| Non-Executive Directors   | 3      | 38%        |
| Executive Committee*      | 4      | 36%        |
| Senior Management         | 138    | 31%        |
| Middle Management         | 455    | 31%        |
| Total Women in Management | 597    | 31%        |

\* Executive Committee includes acting members.

### Objectives and targets for female representation

| Measure  | Objective   | Target for FY20                       |
|--|---|---------------------------------------|
| Female representation in management <sup>1</sup> | Increase representation of women in management roles                                      | Increase representation to 33%        |
| 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    |

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

## Accessibility

To support the inclusion of people with disability as employees, customers and communities, NBN Co launched its first Accessibility and Inclusion Plan (2018-2021) in December 2018. Under the Plan, NBN Co aims to offer an accessible and inclusive workplace, products and services for our employees, customers and communities. NBN Co continues to partner with the Australian Network on Disability to improve the accessibility of our workplace for all.

## Culture

NBN Co's objective is to continue to create an environment in which all cultures are respected and our employees feel inspired to express and explore the uniqueness of their culture and identity while developing an understanding and appreciation of the cultural diversity that exists in the nbn community. In FY19 the cultural diversity activities included publishing a Multi Faith room guide to the location of worship spaces across our offices; publishing articles and employee stories to raise awareness of our rich cultural diversity and celebrating days of cultural significance including Harmony Day and Diwali.

## LGBTI Pride

NBN Co's objective is to continue to build a workplace to connect, support and celebrate awareness of Lesbian, Gay, Bisexual, Transgender, Intersex (LGBTI) employees and their allies.

NBN Co won Silver employer status at the Australian Workplace Equality Index Awards in 2019, moving up from bronze employer status in 2018. LGBTI Pride achievements included:

- Celebrating LGBTI days of significance such as International Day Against Homophobia, Biphobia & Transphobia and Wear it Purple Day.
- Updating our existing people policies to be inclusive of LGBTI employees and launching a new transition policy and resources to support employees who choose to affirm their gender in the workplace.
- Supporting LGBTI inclusion with an education module for all staff, visible signs

of LGBTI inclusion in our workplace and active executive sponsors and champions.

- Representing nbn at LGBTI Community Events such as Mardi Gras Fair Day and Midsumma to build NBN Co's profile as an employer of choice for LGBTI people.

## First Peoples

NBN Co's objective is to further incorporate the recognition and respect of Aboriginal and Torres Strait Islander peoples and culture into the way we do business and to ensure that NBN Co makes a positive contribution to their lives and communities.

NBN Co's vision for reconciliation is to connect all communities across Australia, so First Peoples can share in the benefits of the **nbn**<sup>™</sup> access network.

NBN Co launched its third Reconciliation Action Plan (RAP) in October 2018, focusing on improving our community engagement and innovative solutions to deliver the **nbn**<sup>™</sup> access network to First Peoples communities.

Initiatives included:

- Welcome to Country and ceremonies at construction commencement and artefact reburial ceremonies.
- Launching our second Reconciliation Awareness e-learning module.
- Celebrating National Reconciliation Week and NAIDOC week.
- Collaborating with external partners to deliver Cyber Safety awareness to First Peoples schools.
- Developing pathways, including CareerTrackers Indigenous Internship Program Limited to assist undergraduates.
- Focusing on procurement and recruitment to ensure First Peoples are actively included in these processes.
- Through NBN Co Delivery Partners, focusing on hiring First Peoples as staff and using indigenous suppliers.

The Liakukana ("lee-ah-kooh-kâh-nah") community, comprising a diverse selection of NBN Co employee volunteers, including First Peoples representation, is helping NBN Co to deliver on its First Peoples strategy and RAP actions.

## 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 eight 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 as (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
- Mr Patrick Flannigan, appointed as a Non-Executive Director effective 11 November 2013
- 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 Zoe McKenzie, appointed as a Non-Executive Director effective 1 July 2018
- Mr Justin Milne, appointed as a Non-Executive Director effective 11 November 2013
- 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 Mr Rue, the above named Directors were in office for the full period from 1 July 2018 to 30 June 2019.

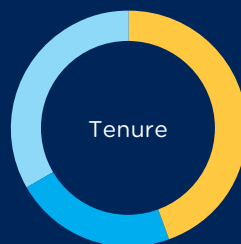
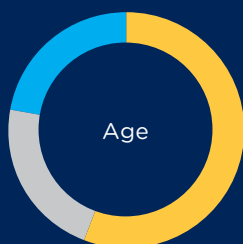
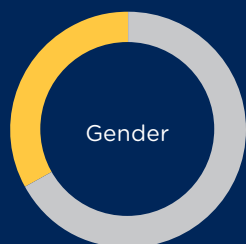
Mr William Morrow resigned as Managing Director and CEO of NBN Co effective 31 August 2018.

Ms McKenzie took a leave of absence commencing 31 January 2019 and concluding on 24 February 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 55 to 60 and Remuneration report on pages 71 to 83.

### 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 11 times during the period from 1 July 2018 to 30 June 2019. Directors' attendances are set out on page 60.

## 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<br>Committee | Nominations<br>Committee | People and<br>Remuneration<br>Committee |
|------------------------|-------|-----------------------------|--------------------------|---|
| Mr Drew Clarke AO PSM  | ●     | —                           | ●                        | ●                                       |
| Mr Patrick Flannigan   | ●     | ●                           | ●                        | ●                                       |
| Ms Shirley In't Veld   | ●     | ●                           | ●                        | —                                       |
| Ms Zoe McKenzie        | ●     | —                           | ●                        | —                                       |
| Mr Michael Malone      | ●     | ●                           | ●                        | —                                       |
| Mr Justin Milne        | ●     | —                           | ●                        | ●                                       |
| Mr William Morrow*     | ●     | —                           | ●                        | ●                                       |
| Mr Stephen Rue**       | ●     | ●                           | ●                        | ●                                       |
| Dr Kerry Schott AO     | ●     | ●                           | ●                        | —                                       |
| Dr Ziggy Switkowski AO | ●     | ●                           | ●                        | ●                                       |

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

\* Mr William Morrow resigned as Managing Director and CEO of NBN Co effective 31 August 2018.

\*\* Mr Stephen Rue was appointed as Managing Director and CEO of NBN Co effective 1 September 2018.



### 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: 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 and its commitment to ethical and lawful behaviour; 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 2019, the Committee comprised:

- Dr Kerry Schott AO (Chair appointed effective 12 November 2013)
- Mr Patrick Flannigan (appointed effective 28 November 2013)
- Ms Shirley In't Veld (appointed 15 December 2015 effective 1 January 2016)
- Mr Michael Malone (appointed effective 21 November 2017).

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

Following his appointment as Managing Director and CEO effective 1 September 2018, Mr Stephen Rue attends the Committee meetings ex officio.

Refer to pages 55 to 59 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 2018 to 30 June 2019 are set out in the Directors' report on page 60.

In accordance with Section 4.5 (d) of its Charter, the Committee met separately with NBN Co's external auditors during the period from 1 July 2018 to 30 June 2019.

## 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 with a majority of 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 2019 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)
- Mr Patrick Flannigan (appointed effective 24 March 2015)
- Ms Shirley In't Veld (appointed effective 1 January 2016)
- Ms Zoe McKenzie (appointed effective 1 July 2018)
- Mr Michael Malone (appointed effective 20 April 2016)
- Mr Justin Milne (appointed effective 24 March 2015)
- Dr Kerry Schott AO (appointed effective 24 March 2015).

Following his appointment as Managing Director and CEO effective 1 September 2018, Mr Stephen Rue attends Committee meetings ex officio.

During his tenure ending on 31 August 2018, Mr William Morrow, NBN Co's former Managing Director and CEO was entitled to attend the Committee meetings ex officio.

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 2018 to 30 June 2019 are set out in the Directors' report on page 60.

## 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**<sup>TM</sup> access network consistent with NBN Co's Corporate Plan.
- 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 2019 the Committee comprised:

- Mr Justin Milne (Chair appointed effective 26 July 2016)
- Mr Drew Clarke AO PSM (appointed effective 20 November 2017)
- Mr Patrick Flannigan (appointed effective 7 February 2014)

Dr Ziggy Switkowski AO continues to attend Committee meetings ex officio.

Following his appointment as Managing Director and CEO effective 1 September 2018, Mr Stephen Rue attends Committee meetings ex officio.

During his tenure ending on 31 August 2018, Mr Morrow, NBN Co's former Managing Director and CEO attended Committee meetings ex officio.

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 2018 to 30 June 2019 are set out in the Directors' report on page 60.

### **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 undertakes an annual review of Directors' skills and experience in the form of a skills matrix, and a review of the composition of the Board which is reported upon annually to the Shareholder Ministers in the form of an annual Board Plan.

The most recent review of the Directors' skills matrix was undertaken by the Nominations Committee on 18 June 2019. Further, 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.

**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
- Health, safety and environment
- Human resources or workplace relations
- Information technology
- Issues management
- Leadership
- Legal and regulatory
- Major transition program
- Marketing, products and services
- Negotiation
- Network technology
- Previous Board experience
- Public policy
- Regional and rural
- 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.

**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.
- 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 and the principle of respect. 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 to 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 overall security compliance with Australian Government security requirements and telecommunications regulatory obligations. The multi-disciplinary NBN Co Security Group, supported by investment in cyber security and independent security reviews, provides a balanced security team committed to protecting NBN Co's reputation, people, assets and information.

## 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 *Public Interest Disclosure Act*. The policy was created to promote and maintain an open working environment in which Directors, employees and other NBN Co 'public officials' 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.

## 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.

## 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, NBN Co is committed to adopting ecologically sustainable development principles. NBN Co is also committed to reducing its energy, 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 93 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.



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.

### 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 add 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. In November 2018, NBN Co's Audit and Risk Committee approved the appointment of Deloitte, Ernst & Young and KordaMentha as co-sourced internal audit service providers for the period from 1 January 2019 to 21 December 2021. 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 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 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 allows NBN Co to act appropriately and consistently in the investigation and reporting of suspected fraudulent or corrupt activity.

### 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 2019, 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.

## 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 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.

NBN Co's Board and Management are committed to proactive identification, assessment and management of material risks. NBN Co's Risk Management Policy articulates 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.

NBN Co has a formal risk operating model that involves active management of business risks by line management and staff, with regular reporting of material risks to the Audit and Risk Committee and the Board. A summary of NBN Co's material business risks, their key drivers and NBN Co's strategies to manage those risks are set out on pages 48 to 51.

## Treasury

NBN Co has adopted a formal 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.

## 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**<sup>™</sup> access network consistent with NBN Co's Corporate Plan.
- Responsibly reward employees, having regard to the performance of NBN Co, individual performance, statutory and regulatory requirements, and current business norms.

Refer to page 94 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 71 to 83.

### 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 71 to 83.

## Auditor's independence declaration



Auditor-General for Australia



Dr Ziggy Switkowski AO  
Chairman of the Board  
NBN Co Limited  
Level 11, 100 Arthur Street  
North Sydney NSW 2060  
Australia

### **NBN Co Limited FINANCIAL REPORT 2018–19 AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of the NBN Co Group (comprising NBN Co Limited and the entities it controlled at the year's end or from time to time during the year) for the year ended 30 June 2019, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

A handwritten signature in cursive script that reads 'Grant Hehir'.

Grant Hehir

Canberra  
8 August 2019

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# Financial Report

The Financial Report, comprising of the consolidated financial statements, notes to the consolidated financial statements and Directors' declaration, for the year ended 30 June 2019, includes the Company and its subsidiaries (together referred to as the NBN Co Group or the Group).



## Statement of profit or loss and other comprehensive income

NBN Co Group

| For the year ended  | Notes   | 30 June 2019<br>\$m | 30 June 2018<br>\$m |
|---|---------|---------------------|---------------------|
| Revenue   | B1      | 2,825               | 1,978               |
| Direct network costs  |         | (746)               | (691)               |
| Employee benefits expenses  | D1      | (867)               | (787)               |
| Other operating expenses  | B2      | (604)               | (603)               |
| Subscriber costs  |         | (1,903)             | (1,948)             |
| Depreciation and amortisation expense                                 | C3 & C4 | (2,614)             | (2,167)             |
| Other income  | B1      | 23                  | 19                  |
| Net finance costs   | C8      | (993)               | (580)               |
| <b>Loss before income tax</b>   |         | <b>(4,879)</b>      | <b>(4,779)</b>      |
| Income tax benefit/(expense)  | H1      | 1                   | (1)                 |
| <b>Loss for the year</b>  |         | <b>(4,878)</b>      | <b>(4,780)</b>      |
| <b>Loss attributable to the shareholder</b>                           |         | <b>(4,878)</b>      | <b>(4,780)</b>      |
| <b>Other comprehensive gain/(loss)</b>                                |         |                     |                     |
| <i>Items that may be reclassified to profit or loss</i>               |         |                     |                     |
| Changes in the fair value of cash flow hedges, net of tax             |         | 3                   | (2)                 |
| <b>Total other comprehensive gain/(loss) for the year, net of tax</b> |         | <b>3</b>            | <b>(2)</b>          |
| <b>Total comprehensive loss for the year</b>                          |         | <b>(4,875)</b>      | <b>(4,782)</b>      |
| <b>Total comprehensive loss attributable to the shareholder</b>       |         | <b>(4,875)</b>      | <b>(4,782)</b>      |

The above statement should be read in conjunction with the accompanying notes.

## Statement of financial position

| NBN Co Group                         |       |                     |                     |
|--------------------------------------|-------|---------------------|---------------------|
| As at                                | Notes | 30 June 2019<br>\$m | 30 June 2018<br>\$m |
| <b>Current assets</b>                |       |                     |                     |
| Cash and cash equivalents            | C1    | 520                 | 593                 |
| Trade and other receivables          | C2    | 444                 | 338                 |
| Inventories                          |       | 39                  | 36                  |
| Derivative financial assets          |       | 6                   | 2                   |
| Other current assets                 |       | 116                 | 108                 |
| <b>Total current assets</b>          |       | <b>1,125</b>        | <b>1,077</b>        |
| <b>Non-current assets</b>            |       |                     |                     |
| Derivative financial assets          |       | 2                   | 1                   |
| Property, plant and equipment        | C3    | 29,443              | 25,043              |
| Intangible assets                    | C4    | 2,144               | 2,025               |
| Other non-current assets             |       | 43                  | 57                  |
| <b>Total non-current assets</b>      |       | <b>31,632</b>       | <b>27,126</b>       |
| <b>Total assets</b>                  |       | <b>32,757</b>       | <b>28,203</b>       |
| <b>Current liabilities</b>           |       |                     |                     |
| Trade and other payables             | C6    | 2,751               | 2,361               |
| Other liabilities                    | C7    | 24                  | 20                  |
| Other financial liabilities          | C8    | 276                 | 161                 |
| Provisions                           | C9    | 160                 | 121                 |
| <b>Total current liabilities</b>     |       | <b>3,211</b>        | <b>2,663</b>        |
| <b>Non-current liabilities</b>       |       |                     |                     |
| Trade and other payables             | C6    | 5                   | 3                   |
| Other liabilities                    | C7    | 811                 | 693                 |
| Other financial liabilities          | C8    | 8,277               | 7,037               |
| Provisions                           | C9    | 63                  | 64                  |
| Borrowings                           | E2    | 13,053              | 5,531               |
| <b>Total non-current liabilities</b> |       | <b>22,209</b>       | <b>13,328</b>       |
| <b>Total liabilities</b>             |       | <b>25,420</b>       | <b>15,991</b>       |
| <b>Net assets</b>                    |       | <b>7,337</b>        | <b>12,212</b>       |
| <b>Equity</b>                        |       |                     |                     |
| Contributed equity                   | E1    | 29,500              | 29,500              |
| Other reserves                       |       | 7                   | 4                   |
| Accumulated losses                   |       | (22,170)            | (17,292)            |
| <b>Total equity</b>                  |       | <b>7,337</b>        | <b>12,212</b>       |

The above statement should be read in conjunction with the accompanying notes.

## Statement of changes in equity

NBN Co Group

|  | Accumulated<br>losses<br>\$m | Contributed<br>equity<br>\$m | Other<br>reserves<br>\$m | Total equity<br>\$m |
|--|------------------------------|------------------------------|--------------------------|---------------------|
| <b>Balance at 30 June 2017</b>                                   | <b>(12,512)</b>              | <b>27,465</b>                | <b>6</b>                 | <b>14,959</b>       |
| Loss for the year  | (4,780)                      | -                            | -                        | (4,780)             |
| Other comprehensive loss   | -                            | -                            | (2)                      | (2)                 |
| <b>Total comprehensive loss for the year</b>                     | <b>(4,780)</b>               | <b>-</b>                     | <b>(2)</b>               | <b>(4,782)</b>      |
| <b>Transactions with owners in their capacity<br/>as owners:</b> |                              |                              |                          |                     |
| Contributions of equity  | -                            | 2,035                        | -                        | 2,035               |
| <b>Balance at 30 June 2018</b>                                   | <b>(17,292)</b>              | <b>29,500</b>                | <b>4</b>                 | <b>12,212</b>       |
| Loss for the year  | (4,878)                      | -                            | -                        | (4,878)             |
| Other comprehensive gain   | -                            | -                            | 3                        | 3                   |
| <b>Total comprehensive (loss)/gain<br/>for the year</b>          | <b>(4,878)</b>               | <b>-</b>                     | <b>3</b>                 | <b>(4,875)</b>      |
| <b>Transactions with owners in their capacity<br/>as owners:</b> |                              |                              |                          |                     |
| Contributions of equity  | -                            | -                            | -                        | -                   |
| <b>Balance at 30 June 2019</b>                                   | <b>(22,170)</b>              | <b>29,500</b>                | <b>7</b>                 | <b>7,337</b>        |

The above statement should be read in conjunction with the accompanying notes.



## Statement of cash flows

| NBN Co Group  |         |                     |                     |
|---|---------|---------------------|---------------------|
| For the year ended  | Notes   | 30 June 2019<br>\$m | 30 June 2018<br>\$m |
| <b>Cash flows from operating activities</b>                           |         |                     |                     |
| Receipts from customers   |         | 3,037               | 2,128               |
| Payments to suppliers and employees                                   |         | (4,162)             | (4,220)             |
| Interest received   |         | 10                  | 20                  |
| <b>Net cash used in operating activities</b>                          | C1      | <b>(1,115)</b>      | <b>(2,072)</b>      |
| <b>Cash flows from investing activities</b>                           |         |                     |                     |
| Receipts from term deposit facilities                                 |         | -                   | 140                 |
| Payments for property, plant and equipment                            |         | (5,247)             | (5,222)             |
| Payments for intangible assets  |         | (496)               | (636)               |
| <b>Net cash used in investing activities</b>                          |         | <b>(5,743)</b>      | <b>(5,718)</b>      |
| <b>Cash flows from financing activities</b>                           |         |                     |                     |
| Payments for finance leases and right of use licences                 |         | (385)               | (297)               |
| Proceeds from borrowings  | E2 & H6 | 7,522               | 5,531               |
| Interest paid on borrowings   | C8      | (352)               | (70)                |
| Equity injection for ordinary shares by the Commonwealth of Australia | E1      | -                   | 2,035               |
| <b>Net cash provided by financing activities</b>                      |         | <b>6,785</b>        | <b>7,199</b>        |
| <b>Net decrease in cash and cash equivalents</b>                      |         | <b>(73)</b>         | <b>(591)</b>        |
| <b>Cash and cash equivalents at the beginning of the year</b>         |         | <b>593</b>          | <b>1,184</b>        |
| <b>Cash and cash equivalents at the end of the year</b>               | C1      | <b>520</b>          | <b>593</b>          |

The above statement should be read in conjunction with the accompanying notes.

## Notes to the consolidated financial statements

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## A. About this report

NBN Co Limited (NBN Co, the Company or the parent entity) is an unlisted public company incorporated and domiciled in Australia. It is a company limited by shares and is wholly-owned by the Commonwealth of Australia. The Financial Report, comprising of the consolidated financial statements, notes to the consolidated financial statements and Directors' declaration, for the year ended 30 June 2019, includes the Company and its subsidiaries (together referred to as the NBN Co Group or the Group).

NBN Co is a for-profit entity for the purpose of preparing the Financial Report.

### Basis of preparation

This general purpose financial report has been prepared in accordance with:

- (1) Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB)
- (2) the *Corporations Act 2001*
- (3) the *Public Governance, Performance and Accountability Act 2013* (PGPA Act)

The consolidated financial statements comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Financial Report has been prepared on a going concern basis and in accordance with the historical cost convention and does not take into account changing money values or fair values of assets unless otherwise stated.

The Company is incorporated under the *Corporations Act 2001* and is subject to (inter alia) the *National Broadband Network Companies Act 2011* and the PGPA Act.

### Going concern

The Directors are of the view that the Commonwealth Government will continue to operate in accordance with the policy objectives as set out in the Statement of Expectations as issued by the Shareholder Ministers to NBN Co on 24 August 2016.

The Group's current liabilities exceeded its current assets by \$2,086 million as at 30 June 2019. The Financial Report has been prepared on a going concern basis, which contemplates the continuity of normal operations and the availability of the \$19.5 billion loan facility agreed with the Commonwealth Government on 22 December 2016 (as amended and restated by the facility agreement signed on 26 March 2019).

During the period the Commonwealth Government agreed to extend the tenor of its loan by three years (from 30 June 2021 to 30 June 2024) and to allow NBN Co to access up to \$2 billion of private sector debt. The terms for the private sector debt are subject to the approval of the Commonwealth Government.

At the date of signing the Financial Report the debt funding that is available through the aforementioned loan facility, combined with the Company's intention to access up to \$2 billion of private sector debt is sufficient to meet the net cash flow forecasts of the Group for at least twelve months from the date of this report.

### Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest million unless otherwise stated.

### Comparative figures

Certain reclassifications have been made to comparative balances to conform to the current year presentation following the Group's adoption of AASB 15.

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## A. About this report *continued*

### Significant accounting policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability. With the exception of the adoption of AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* from 1 July 2018, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

Significant accounting policies are contained in the notes to the financial statements to which they relate and Note H8.

### Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates and assumptions to future events.

Estimates and judgements which are material or have the potential to be material to the Financial Report are found in the following notes:

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| Accounting estimates and judgements  | Notes |
|--|-------|
| Determination of useful lives of property, plant and equipment                 | C3    |
| Estimation of percentage of completion for assets under construction           | C3    |
| Estimation of liabilities for construction claims                              | C3    |
| Determination of useful lives of intangible assets                             | C4    |
| Determination of fair value less costs of disposal when considering impairment | C5    |
| Finance lease determination  | C8    |

---

## B. Our revenue and other operating expenditure

This section provides information that is most relevant to understanding our revenue and other operating expenditure during the period.

### B1 Revenue and other income

The effect of initially applying AASB 15 from 1 July 2018 on NBN Co's revenue from contracts with customers is described in Note H8. Due to the transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements. The adoption of AASB 15 did not have a material impact on the Group and there would be no change to the comparative revenue disclosed if it had been retrospectively restated under AASB 15.

NBN Co generates revenue primarily from the provision of telecommunications services to its customers. Other sources of revenue include new development fees, lease and license fees and commercial works activities.

#### Revenue from contracts with customers

|                            | NBN Co Group |              |
|----------------------------|--------------|--------------|
|                            | 30 June 2019 | 30 June 2018 |
| For the year ended         | \$m          | \$m          |
| Telecommunications revenue | 2,643        | 1,818        |
| Other revenue              | 182          | 160          |
| <b>Total revenue</b>       | <b>2,825</b> | <b>1,978</b> |

#### Telecommunications revenue

Telecommunications services are facilitated through contracting with Retail Service Providers (RSPs) under the Wholesale Broadband Agreement (WBA). The revenue from the provision of telecommunications services includes recurring wholesale-only broadband network revenue and recurring facility access services revenue. There are also non-recurring revenues in the form of ancillary and service charges. Pricing for the various product offerings is set out in the WBA. The WBA also contains credits and rebates that are available to all RSPs on an equal basis.

Telecommunications revenue currently accounts for over 90% of Group revenue.

For telecommunications revenue, NBN Co recognises revenue for the amount to which it has a right to invoice.

#### Recurring telecommunications revenues

Broadband network services relate to the provision of NBN Co's wholesale broadband products to RSPs which are then sold to customers. The performance obligations associated with these products are satisfied over time, as the RSPs receive the benefits of NBN Co's wholesale broadband products throughout the period. NBN Co transfers control of the wholesale broadband products to the RSP evenly over the period and recognises revenue accordingly. Over this period, the RSPs are able to obtain value from NBN Co's products through the sale of broadband services to customers. The Group invoices the RSP on a monthly basis, with standard short-term payment terms and therefore no financing component exists. Applicable credits and rebates are recognised as a reduction to the transaction price during the period to which they relate.

## B. Our revenue and other operating expenditure *continued*

### B1 Revenue and other income *continued*

#### Non-recurring telecommunications revenues

Telecommunications revenue includes non-recurring non-refundable upfront fees for connection charges, installation charges, service transfers and RSP end-user contributions to connect new developments. Upfront fees will be recognised at the point in time when these services are provided.

#### Other revenue

NBN Co generates other non-telecommunications revenue from construction and lease activity, via separate contractual arrangements. The construction contracts include commercial works, technology choice and new development fees. Invoices are on standard short-term payment terms and therefore no financing component exists.

Commercial works are construction type contracts based on requests from customers for NBN Co to relocate cables and network equipment, while technology choice revenues relate to application, design and construction fees from customers who opt for alternative technologies other than those being offered at their premise. New development fees represent consideration for the deployment of infrastructure and backhaul construction.

For construction-type contracts, NBN Co recognises revenue over time on a straight-line basis over the construction period as this represents the transfer of benefits to the customer.

NBN Co also earns non-telecommunications revenue through the license of copper and HFC access to Telstra. Under the RDAs, NBN Co progressively takes ownership of elements of Telstra's copper and HFC networks. NBN Co assures and maintains these copper and HFC network elements and provides a license back to Telstra for the right to access the **nbn**<sup>TM</sup> network and deliver legacy services during the co-existence period. NBN Co charges Telstra recurring license fees, which are billed quarterly, and one-off upfront installation fees where Telstra orders new licenses from NBN Co.

Recurring license fees paid in advance each quarter are deferred and recognised to revenue on a straight-line basis over the quarter they relate to, as this is the period that NBN Co satisfies the performance obligation. Upfront installation fees are recognised as the service is rendered.

#### Further disaggregation of revenue

The Group has not provided further disaggregation of revenue based upon the timing of recognition (i.e. whether products are transferred at a point in time or over time) as the revenue transferred at a point in time is not material.

#### Assets and liabilities related to contracts with customers

NBN Co has recognised the following assets and liabilities related to contracts with customers:

|                                | 30 June 2019 | 1 July 2018 <sup>1</sup> |
|--------------------------------|--------------|--------------------------|
|                                | \$m          | \$m                      |
| Trade receivables (note C2)    | 304          | 212                      |
| Contract liabilities (note C6) | 123          | 90                       |

1 The Group recognised the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance at 1 July 2018.

Contract liabilities are recognised due to differences between the timing of consideration received and satisfaction of the associated performance obligations in relation to contracts with customers.

A contract liability for deferred revenue is recorded for obligations under contracts for which payment has been received in advance. Contract liabilities unwind as “revenue from contracts with customers” upon satisfaction of the performance obligations under the terms of the contract.

There were no significant changes in contract balances due to remeasurement or impairment in the period. Changes in the balances were related to the performance of obligations under contracts, or the deferral and accrual of new revenues related to contracts in the period.

NBN Co applies the practical expedient in paragraph 121 of AASB 15 and does not disclose information about remaining performance obligations that have durations of one year or less.

Significant changes in the contract liabilities balances during the period are as follows:

|   | Contract liabilities<br>\$m |
|---|-----------------------------|
| Balance at 1 July 2018  | 90                          |
| Revenue recognised that was included in the contract liability balance at the beginning of the period | (70)                        |
| Increases due to cash received, excluding amounts recognised as revenue during the period             | 103                         |
| Balance at 30 June 2019   | 123                         |

### Revenue recognition policy

Revenue is measured based upon the consideration specified within a contract with a customer and recognised as the Group transfers control over an asset or service to a customer. The Group follows the 5-step approach outlined in AASB 15.

### Other income – gifted assets and government grants

|  | NBN Co Group        |                     |
|--|---------------------|---------------------|
| For the year ended                                 | 30 June 2019<br>\$m | 30 June 2018<br>\$m |
| Other income – gifted assets and government grants | 23                  | 19                  |
| <b>Total other income</b>                          | <b>23</b>           | <b>19</b>           |

### B2 Other operating expenditure

|                                      | NBN Co Group        |                     |
|--------------------------------------|---------------------|---------------------|
| For the year ended                   | 30 June 2019<br>\$m | 30 June 2018<br>\$m |
| IT and software expenses             | (150)               | (140)               |
| Communication and public information | (79)                | (80)                |
| Other operating expenditure          | (375)               | (383)               |
| <b>Total</b>                         | <b>(604)</b>        | <b>(603)</b>        |

## C. Our assets and liabilities

This section provides information relating to our financial, tangible and intangible assets and their related liabilities. NBN Co's tangible assets are primarily constructed assets or items of infrastructure acquired through finance lease arrangements.

### C1 Cash and cash equivalents

| NBN Co Group |              |              |
|--------------|--------------|--------------|
|              | 30 June 2019 | 30 June 2018 |
|              | \$m          | \$m          |
| Cash at bank | 520          | 593          |
| <b>Total</b> | <b>520</b>   | <b>593</b>   |

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of four months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

### Reconciliation of loss for the year to net cash used in operating activities

| NBN Co Group                                   |                |                |
|--|----------------|----------------|
|  | 30 June 2019   | 30 June 2018   |
|  | \$m            | \$m            |
| <b>For the year ended</b>                      |                |                |
| Loss for the year                              | (4,878)        | (4,780)        |
| <b>Add/(less) non-cash/non-operating items</b> |                |                |
| Depreciation and amortisation                  | 2,614          | 2,167          |
| Finance charges                                | 1,003          | 606            |
| Other items                                    | (24)           | (34)           |
| Income tax (benefit)/expense                   | (1)            | 1              |
| <b>(Increase)/Decrease in operating assets</b> |                |                |
| Increase in trade and other receivables        | (117)          | (70)           |
| Increase in inventories                        | (3)            | (4)            |
| (Increase)/Decrease in other assets            | (2)            | 16             |
| <b>Increase in operating liabilities</b>       |                |                |
| Increase in trade and other payables           | 253            | 24             |
| Increase in provisions                         | 40             | 2              |
| <b>Net cash used in operating activities</b>   | <b>(1,115)</b> | <b>(2,072)</b> |



## C2 Trade and other receivables

|                     | NBN Co Group |              |
|---------------------|--------------|--------------|
|                     | 30 June 2019 | 30 June 2018 |
|                     | \$m          | \$m          |
| <b>Current</b>      |              |              |
| Trade receivables   | 304          | 212          |
| Interest receivable | 1            | 1            |
| Other receivables   | 53           | 43           |
| GST receivable      | 86           | 82           |
| <b>Total</b>        | <b>444</b>   | <b>338</b>   |

### Recognition and measurement

Trade and other receivables are considered financial assets. They are initially recorded at the fair value of the amounts to be received and are subsequently measured at amortised cost using the effective interest method. These financial assets are derecognised when the rights to receive cash flows from the financial assets have expired.

For trade receivables, the Group applies a simplified approach in calculating Expected Credit Losses (ECLs). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. Further information about the Group's accounting policy for impairment of financial assets, which includes trade and other receivables, is included in Note H8.

There have been no material impairment losses.

The Group did not have any material receivables that were past due or impaired at 30 June 2019 (2018: nil).

C. Our assets and liabilities *continued*

## C3 Property, plant and equipment

NBN Co Group

|                                | Freehold<br>land<br>\$m | Buildings<br>and<br>leasehold<br>improve-<br>ments<br>\$m | Furniture<br>and<br>equipment<br>\$m | IT<br>equipment<br>\$m | Network<br>assets<br>\$m | Total<br>\$m  |
|--------------------------------|-------------------------|---|--------------------------------------|------------------------|--------------------------|---------------|
| <b>At 30 June 2017</b>         |                         |   |                                      |                        |                          |               |
| Cost                           | 17                      | 398   | 19                                   | 132                    | 22,740                   | 23,306        |
| Accumulated depreciation       | -                       | (128)   | (12)                                 | (100)                  | (2,558)                  | (2,798)       |
| <b>Net book value</b>          | <b>17</b>               | <b>270</b>  | <b>7</b>                             | <b>32</b>              | <b>20,182</b>            | <b>20,508</b> |
| <b>Year ended 30 June 2018</b> |                         |   |                                      |                        |                          |               |
| Opening net book value         | 17                      | 270   | 7                                    | 32                     | 20,182                   | 20,508        |
| Additions                      | -                       | 47  | 1                                    | 34                     | 6,266                    | 6,348         |
| Depreciation                   | -                       | (33)  | (3)                                  | (18)                   | (1,759)                  | (1,813)       |
| <b>Net book value</b>          | <b>17</b>               | <b>284</b>  | <b>5</b>                             | <b>48</b>              | <b>24,689</b>            | <b>25,043</b> |
| <b>At 30 June 2018</b>         |                         |   |                                      |                        |                          |               |
| Cost                           | 17                      | 445   | 20                                   | 166                    | 29,006                   | 29,654        |
| Accumulated depreciation       | -                       | (161)   | (15)                                 | (118)                  | (4,317)                  | (4,611)       |
| <b>Net book value</b>          | <b>17</b>               | <b>284</b>  | <b>5</b>                             | <b>48</b>              | <b>24,689</b>            | <b>25,043</b> |
| <b>Year ended 30 June 2019</b> |                         |   |                                      |                        |                          |               |
| Opening net book value         | 17                      | 284   | 5                                    | 48                     | 24,689                   | 25,043        |
| Additions                      | -                       | 11  | 2                                    | 8                      | 6,627                    | 6,648         |
| Reclassification               | -                       | (211)   | -                                    | -                      | 174                      | (37)          |
| Depreciation                   | -                       | (20)  | (3)                                  | (16)                   | (2,172)                  | (2,211)       |
| <b>Net book value</b>          | <b>17</b>               | <b>64</b>   | <b>4</b>                             | <b>40</b>              | <b>29,318</b>            | <b>29,443</b> |
| <b>At 30 June 2019</b>         |                         |   |                                      |                        |                          |               |
| Cost                           | 17                      | 187   | 22                                   | 174                    | 35,865                   | 36,265        |
| Accumulated depreciation       | -                       | (123)   | (18)                                 | (134)                  | (6,547)                  | (6,822)       |
| <b>Net book value</b>          | <b>17</b>               | <b>64</b>   | <b>4</b>                             | <b>40</b>              | <b>29,318</b>            | <b>29,443</b> |

Property, plant and equipment at net book value is analysed as follows:

|   | NBN Co Group  |               |
|---|---------------|---------------|
|   | 30 June 2019  | 30 June 2018  |
|   | \$m           | \$m           |
| Constructed and purchased assets                                | 19,073        | 15,739        |
| Assets in the course of construction                            | 2,828         | 2,700         |
| Leased assets   | 6,707         | 5,891         |
| Assets acquired for no consideration and under government grant | 835           | 713           |
| <b>Property, plant and equipment - net book value</b>           | <b>29,443</b> | <b>25,043</b> |

#### Assets in the course of construction

The carrying value of property, plant and equipment includes \$2,828 million (2018: \$2,700 million) of expenditure on assets which are in the course of construction. The majority of assets in the course of construction are network assets. As these assets have not been installed and are not ready for use, no depreciation is charged on these assets.

#### Leased assets

The net carrying amount included in property, plant and equipment is nil (2018: \$17 million) for buildings, having been reclassified to network assets during the period. The net carrying amount included in property, plant and equipment for network assets is \$6,707 million (2018: \$5,874 million).

#### Assets acquired for no consideration and under government grant

Included within network assets are assets acquired from developers for no consideration and an indefeasible right of use arrangement with the Department of Communications and the Arts to use certain Regional Backbone Blackspots Program assets for no consideration (Refer to Note C7 for more detail about this type of asset).

#### Non-current assets pledged as security

None of the non-current assets have been pledged as security by the Group.

#### Recognition and measurement

Property, plant and equipment are stated at historical cost less accumulated depreciation.

NBN Co's costs include expenditures that are directly attributable to the acquisition of the asset, including the costs of materials and direct labour and initial estimates of the costs of dismantling and removing an asset and restoring the site on which it is located. The Group does not consider that it has any qualifying assets and therefore does not currently capitalise any borrowing costs.

Costs that are not directly attributable are recorded as an expense in profit or loss.

Assets under construction are recorded at cost based on the estimated percentage of completion. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All repairs and maintenance costs are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on network and non-network assets commences when they are installed and ready for use, otherwise termed as 'in service'. Buildings are depreciated from the date of acquisition. Land is not depreciated.

## C. Our assets and liabilities *continued*

### C3 Property, plant and equipment *continued*

Depreciation on assets is calculated using the straight-line method to allocate the cost, net of residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased network assets, the shorter of the lease term or useful life.

The Group has assessed the current useful lives of assets as follows:

| Asset type             | Useful lives                          |
|------------------------|---------------------------------------|
| Network assets         | Lower of lease term and/or 5–40 years |
| Buildings              | Lower of lease term and/or 50 years   |
| Leasehold improvements | Lower of lease term and/or 5–35 years |
| Furniture and fittings | 3–10 years                            |
| IT equipment           | 3–5 years                             |

Residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

Gain or loss on disposal is determined by comparing the proceeds with the carrying amount of the asset. Any gain or loss on disposal is recognised in profit or loss.

#### Key estimates and judgements:

##### Determination of useful lives of property, plant and equipment

The estimations of useful lives, residual value and depreciation methods require significant judgement and are reviewed at each reporting date. If they need to be modified, the depreciation expense is accounted for prospectively from the date of reassessment until the end of the revised useful life (for both the current and future periods). Such revisions are generally required when there are changes in economic circumstances, business plans and strategies, expected level of usage and future technological developments impacting specific assets or groups of assets. It is possible that future results of operations could be materially affected by changes in these estimates.

##### Estimation of percentage of completion for assets under construction

Estimating the percentage of completion requires an estimate of costs incurred to date as a percentage of total estimated costs of constructing an asset. In estimating the percentage of completion of an asset under construction, management uses inputs such as milestone information from Delivery Partners and average build duration periods. The estimate of total costs are based on contractual costing arrangements applied to detailed designs and are adjusted for estimates for variation, claims and incentive payments. Changes in these estimation methods or assumptions could have a material impact on the financial statements of the Group.

##### Estimation of liabilities for contractual claims

The Group is subject to claims and other obligations arising from its contractual arrangements. The recognition of liabilities for claims is subject to a significant degree of estimation. Provision is made for loss when it is considered probable that an adverse outcome will occur and the amount of the loss can be estimated reliably. In making estimates, management takes into account the advice of legal counsel and internal specialists. Any ultimate resolution may differ from the amount provided depending on the outcome of negotiations and/or court proceedings.

### Significant non-cash components

Acquisition of assets by means of non-cash transactions represents those assets acquired via finance leases or contributed for no consideration.

| NBN Co Group   |                     |                     |
|--|---------------------|---------------------|
|  | 30 June 2019<br>\$m | 30 June 2018<br>\$m |
| Acquisition of network infrastructure by means of finance leases                               | 1,100               | 1,145               |
| Acquisition of network infrastructure by means of developer contributions or government grants | 142                 | 233                 |
| <b>Acquisition of assets by non-cash transactions</b>  | <b>1,242</b>        | <b>1,378</b>        |

### C4 Intangible assets

| NBN Co Group                   |                 |                 |              |              |
|--------------------------------|-----------------|-----------------|--------------|--------------|
|                                | Software<br>\$m | Licenses<br>\$m | Other<br>\$m | Total<br>\$m |
| <b>At 30 June 2017</b>         |                 |                 |              |              |
| Cost                           | 2,477           | 159             | 55           | 2,691        |
| Accumulated amortisation       | (791)           | (126)           | (14)         | (931)        |
| <b>Net book value</b>          | <b>1,686</b>    | <b>33</b>       | <b>41</b>    | <b>1,760</b> |
| <b>Year ended 30 June 2018</b> |                 |                 |              |              |
| Opening net book value         | 1,686           | 33              | 41           | 1,760        |
| Additions                      | 589             | 4               | 26           | 619          |
| Reclassification               | 12              | -               | (12)         | -            |
| Amortisation                   | (343)           | (3)             | (8)          | (354)        |
| <b>Net book value</b>          | <b>1,944</b>    | <b>34</b>       | <b>47</b>    | <b>2,025</b> |
| <b>At 30 June 2018</b>         |                 |                 |              |              |
| Cost                           | 3,078           | 163             | 69           | 3,310        |
| Accumulated amortisation       | (1,134)         | (129)           | (22)         | (1,285)      |
| <b>Net book value</b>          | <b>1,944</b>    | <b>34</b>       | <b>47</b>    | <b>2,025</b> |
| <b>Year ended 30 June 2019</b> |                 |                 |              |              |
| Opening net book value         | 1,944           | 34              | 47           | 2,025        |
| Additions                      | 436             | 10              | 39           | 485          |
| Reclassification               | -               | -               | 37           | 37           |
| Amortisation                   | (370)           | (5)             | (28)         | (403)        |
| <b>Net book value</b>          | <b>2,010</b>    | <b>39</b>       | <b>95</b>    | <b>2,144</b> |
| <b>At 30 June 2019</b>         |                 |                 |              |              |
| Cost                           | 3,514           | 173             | 145          | 3,832        |
| Accumulated amortisation       | (1,504)         | (134)           | (50)         | (1,688)      |
| <b>Net book value</b>          | <b>2,010</b>    | <b>39</b>       | <b>95</b>    | <b>2,144</b> |

C. Our assets and liabilities *continued*

C4 Intangible assets *continued*

Recognition and measurement

Internally generated intangible assets

Research costs are expensed as incurred.

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits.
- The availability of resources to complete the development of the asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following the initial recognition of development expenditure, the asset is carried at cost less any accumulated amortisation. Any expenditure capitalised is amortised over the period of expected benefits from the related project. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Software assets

Directly attributable costs associated with the development of business software for internal use are recorded as software assets if the development expenditure satisfies the criteria for capitalisation as outlined above. Costs included in software assets developed for internal use are:

- External direct costs of materials, contract labour and services consumed
- Payroll and payroll-related costs for employees (including contractors) directly associated with the development project.

Costs that are not directly attributable are expensed as incurred. The Group does not consider that it has any qualifying assets and therefore does not currently capitalise any borrowing costs.

Acquired intangible assets

Intangible assets acquired through separate acquisition are recorded at cost.

Amortisation

Intangible assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives of identifiable intangible assets are as follows:

| Identifiable intangible asset type | Useful lives    |
|------------------------------------|-----------------|
| Software assets                    | 3-8 years       |
| Telecommunications licences        | Term of licence |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

Amortisation of intangible assets does not commence until the assets are installed and ready for use, as intended by the Group.

### Assets in the course of construction

The carrying amount of intangible assets includes expenditure recognised on software assets which are in the course of construction. As these assets have not been installed and are not ready for use, no amortisation is charged on these assets. Total software assets in the course of construction are \$186 million (2018: \$177 million).

#### Key estimates and judgements:

##### Determination of useful lives of intangible assets

The estimations of useful lives, residual value and amortisation methods require significant judgement and are reviewed at each reporting date. If they require modification, the amortisation expense is accounted for prospectively from the date of reassessment until the end of the revised useful life (for both the current and future years). Such revisions are generally required when there are changes in economic circumstances, business plans and strategies, expected level of usage and future technological developments, impacting specific assets or groups of assets. It is possible that future results of operations could be materially affected by changes in these estimates.

## C5 Impairment of non-financial assets

### Recognition and measurement

Tangible and intangible assets are measured using the cost basis and are written down to their recoverable amount where their carrying value exceeds the recoverable amount.

Intangible assets that are not yet subject to amortisation are tested on an annual basis for impairment, or where an indication of impairment exists. Property, plant and equipment and intangible assets subject to amortisation are reviewed for impairment wherever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The recoverable amount of an asset is the higher of its fair value less costs of disposal or its value in use. Any reduction in the carrying value is recognised as an expense in profit or loss in the reporting period in which the impairment loss occurs.

For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit (CGU) to which that asset belongs. The Group's CGU is determined according to the lowest level of aggregation for which the cash inflows are independent of cash inflows from other assets.

The Group has determined that assets which form part of the **nbn**<sup>TM</sup> access network, work together to achieve the delivery of products and services in order to generate cash inflows. As a result, the Group has determined that the ubiquitous broadband network is a single CGU (the NBN Co CGU).

### Impairment test

At the end of the reporting period, the Group performed an impairment test using fair value less costs of disposal. NBN Co has determined fair value less costs of disposal by reference to the depreciated replacement cost of the assets given there is no active market for the **nbn**<sup>TM</sup> access network assets. As part of assessing the depreciated replacement cost of the assets, NBN Co has considered the risks of both technological and economic obsolescence.

**C. Our assets and liabilities** *continued***C5 Impairment of non-financial assets** *continued*

As a result of this test and consistent with prior periods, it has been determined that the recoverable amount of the NBN Co CGU is not less than its carrying amount as at 30 June 2019.

**Key estimates and judgements:****Determination of fair value less costs of disposal when considering impairment**

In performing the impairment test, the Group estimated the depreciated replacement cost (DRC) of the assets within the NBN Co CGU. DRC is an estimate of what it would cost to acquire or construct a substitute national broadband network, on a like for like basis, to the stage of current completion, adjusted for any functional or technological obsolescence of the existing assets. In determining DRC, the Group considers the cost of recently constructed assets, current purchase prices and the current estimates of cost at completion of assets under construction.

The final step of the DRC approach is to assess the risk of economic obsolescence. This assessment is required to confirm that the assets are capable of generating an economic return for NBN Co. The test involves estimating the present value of the expected cash flows of the CGU and performing sensitivity analysis over future revenue, capital and operating expenditure expectations using a reasonable range of discount rates. Following the completion of this assessment, consistent with previous years, the results of the economic obsolescence test support the DRC estimate of the assets.

**C6 Trade and other payables**

| NBN Co Group             |              |              |
|--------------------------|--------------|--------------|
|                          | 30 June 2019 | 30 June 2018 |
|                          | \$m          | \$m          |
| <b>Current</b>           |              |              |
| Trade and other payables | 192          | 236          |
| Contract liabilities     | 119          | 89           |
| Accruals                 | 2,440        | 2,036        |
| <b>Total</b>             | <b>2,751</b> | <b>2,361</b> |

| NBN Co Group             |              |              |
|--------------------------|--------------|--------------|
|                          | 30 June 2019 | 30 June 2018 |
|                          | \$m          | \$m          |
| <b>Non-current</b>       |              |              |
| Trade and other payables | 1            | 2            |
| Contract liabilities     | 4            | 1            |
| <b>Total</b>             | <b>5</b>     | <b>3</b>     |

The accruals balance includes \$1,147 million (2018: \$985 million) relating to property, plant and equipment and intangible assets under construction, based on an assessment of the estimated cost to complete and percentage of completion of assets at the reporting date.

**Recognition and measurement**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the reporting date and which are unpaid. The amounts are unsecured. Trade and other payables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method.



## C7 Other liabilities

|  | NBN Co Group |              |
|--|--------------|--------------|
|  | 30 June 2019 | 30 June 2018 |
|  | \$m          | \$m          |
| <b>Current</b>   |              |              |
| Deferred gain on developer contributions and government grants | 24           | 20           |
| <b>Total</b>   | <b>24</b>    | <b>20</b>    |

|  | NBN Co Group |              |
|--|--------------|--------------|
|  | 30 June 2019 | 30 June 2018 |
|  | \$m          | \$m          |
| <b>Non-current</b>   |              |              |
| Deferred gain on developer contributions and government grants | 811          | 693          |
| <b>Total</b>   | <b>811</b>   | <b>693</b>   |

Other liabilities comprise government grants and developer contributions for no consideration.

### Recognition and measurement

#### Government grants

Government grants are recognised in the Statement of financial position as a deferred gain when the grant is received.

When the grant relates to an asset or assets received for no consideration, the asset is recorded at fair value and the resulting gain is credited to deferred income. The gain is released to profit or loss on a straight line basis, over the expected period of provision of services which is estimated to be the useful life of the relevant asset or assets.

There are no unfulfilled conditions or contingencies attached to the government grants.

#### Developer contributions for no consideration

The Group receives network assets for no consideration from developers as part of the build of the **nbn**<sup>TM</sup> access network in new development areas. Assets received for no consideration are recorded at fair value and the resulting gain is credited to deferred income. The gain is released to profit or loss on a straight line basis, over the expected period of provision of services which is estimated to be the useful life of the relevant asset or assets.

There are no unfulfilled conditions or contingencies attached to the developer contributions.

## C. Our assets and liabilities *continued*

### C8 Other financial liabilities

#### Lease liabilities and right of use licences

|   | NBN Co Group |              |
|---|--------------|--------------|
|   | 30 June 2019 | 30 June 2018 |
|   | \$m          | \$m          |
| <b>Current</b>                              |              |              |
| Lease liabilities and right of use licences | 276          | 161          |
| <b>Total</b>                                | <b>276</b>   | <b>161</b>   |

|   | NBN Co Group |              |
|---|--------------|--------------|
|   | 30 June 2019 | 30 June 2018 |
|   | \$m          | \$m          |
| <b>Non-current</b>                          |              |              |
| Lease liabilities and right of use licences | 8,277        | 7,037        |
| <b>Total</b>                                | <b>8,277</b> | <b>7,037</b> |

The majority of other financial liabilities relates to right of use licences to access Telstra's network infrastructure, including ducts, pits, exchange rack space and dark fibre. The terms of the right of use licences are governed by the Revised Definitive Agreements (RDAs) with Telstra (refer to Note F1).

These right of use licences are accounted for as finance leases. The Group also leases industrial buildings under finance leases with various occupancy terms of up to 20 years.

#### Recognition and measurement

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

Leases of property, plant and equipment (including network infrastructure), where the Group as lessee has substantially all the risks and rewards of ownership, are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, the present value of the minimum lease payments. Incremental contingent rentals such as movements in the Consumer Price Index (CPI) are excluded from minimum lease payments and are therefore, not included in lease liabilities. Contingent rentals paid during the year are included as an expense in the Statement of profit or loss and other comprehensive income.

At inception, key elements of the lease arrangement such as interest rate, lease term and valuation methodology are assessed. Each lease payment is allocated between the liability and finance charges. The finance charges are expensed to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment (including network infrastructure) acquired under finance leases are depreciated over the shorter of the asset's useful life or the lease term. Depreciation on network and non-network assets under lease commences when they are installed and ready for use, otherwise termed as 'in service'.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in profit or loss as an integral part of the total lease expense.

Operating leases include leases over certain properties, commercial vehicles, pole infrastructure and wireless base stations.

Lease income from operating leases where the Group is a lessor, is recognised as income on a straight-line basis over the lease term.

#### Key estimates and judgements:

##### Finance lease determination

The Group classifies leases between finance and operating depending on whether the Group holds substantially all of the risks and rewards incidental to ownership or not. In making this assessment, the Group primarily considers the asset ownership at the end of the lease term, any purchase options, the lease term in respect to the assets' life, the present value of future lease payments in relation to the assets' fair value and the nature of the assets. A number of key estimates and judgements have been made in determining the present value of minimum lease payments (MLP) associated with network infrastructure right of use licences with Telstra, which are accounted for as finance leases. In determining the present value of the MLP, a discount rate representing the estimated implicit rate of return at the inception date of the Definitive Agreements. The discount rate remains unchanged. For lease accounting purposes, the term of each right of use licence, of up to 35 years, does not include possible renewal as the exercise of such options was not considered reasonably certain at inception of the agreements. The renewal period being two options exercisable by NBN Co each for ten additional years. A proportion of the payments under the RDA are expensed directly to profit or loss as an estimate of the cost of the repairs and maintenance activities undertaken by the lessor.

#### Net finance costs

Net finance costs primarily relate to the right of use licences to access Telstra's network infrastructure, which are accounted for as finance leases.

| NBN Co Group  |      |                     |                     |
|---|------|---------------------|---------------------|
| For the year ended  | Note | 30 June 2019<br>\$m | 30 June 2018<br>\$m |
| Finance charges on finance lease arrangements               |      | (649)               | (534)               |
| Unwinding of the discount on other lease related provisions |      | (2)                 | (2)                 |
| Interest on borrowings                                      | E2   | (352)               | (70)                |
| Interest income   |      | 10                  | 26                  |
| <b>Total</b>  |      | <b>(993)</b>        | <b>(580)</b>        |

**C. Our assets and liabilities** *continued*C8 Other financial liabilities *continued***Finance lease commitments**

This note and Note F1 disclose the agreements with Telstra to provide NBN Co with access rights to various infrastructure, including dark fibre, exchange rack space in exchange buildings, ducts and associated duct infrastructure. These right of use licences are accounted for as finance leases and result in the recognition of finance lease liabilities. In addition, finance lease liabilities have been recognised for certain property leases of industrial buildings.

Lease payments comprise of a base amount and an incremental contingent rental amount, which is based on movements in the Consumer Price Index (CPI). Contingent rent, representing the portion of the lease payments made that were not fixed and subject to CPI contract clauses are expensed in the period in which they were incurred. Current levels of CPI at the reporting date are included in future finance and other charges in the table below for disclosure purposes only.

|   | NBN Co Group  |               |
|---|---------------|---------------|
|   | 30 June 2019  | 30 June 2018  |
|   | \$m           | \$m           |
| <b>Finance lease and right of use licences are payable as follows:</b>  |               |               |
| Within one year   | 985           | 787           |
| Later than one year but not later than five years                       | 3,297         | 2,719         |
| Later than five years   | 18,708        | 16,062        |
| <b>Minimum lease payments</b>   | <b>22,990</b> | <b>19,568</b> |
| Future finance and other charges  | (14,437)      | (12,370)      |
| <b>Recognised as a liability</b>  | <b>8,553</b>  | <b>7,198</b>  |
| <b>Representing finance lease and right of use licence liabilities:</b> |               |               |
| Current   | 276           | 161           |
| Non-current   | 8,277         | 7,037         |
| <b>Total</b>  | <b>8,553</b>  | <b>7,198</b>  |

## C9 Provisions

|                   | NBN Co Group |              |
|-------------------|--------------|--------------|
|                   | 30 June 2019 | 30 June 2018 |
|                   | \$m          | \$m          |
| <b>Current</b>    |              |              |
| Employee benefits | 128          | 104          |
| Other provisions  | 32           | 17           |
| <b>Total</b>      | <b>160</b>   | <b>121</b>   |

|                    | NBN Co Group |              |
|--------------------|--------------|--------------|
|                    | 30 June 2019 | 30 June 2018 |
|                    | \$m          | \$m          |
| <b>Non-current</b> |              |              |
| Employee benefits  | 58           | 42           |
| Other provisions   | 5            | 22           |
| <b>Total</b>       | <b>63</b>    | <b>64</b>    |

### Recognition and measurement

Provisions are recognised when:

- There is a present legal or constructive obligation to make a future sacrifice of economic benefits as a result of past transactions or events.
- It is probable that a future sacrifice of economic benefits will arise.
- A reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Refer to Note D1 for employee benefits accounting policies.

## D. Our people

This section describes employment and post-employment benefit expenses provided to our people.

### D1 Employee benefits expenses

| For the year ended                                 | NBN Co Group |              |
|--|--------------|--------------|
|  | 30 June 2019 | 30 June 2018 |
|  | \$m          | \$m          |
| Defined contribution superannuation expense        | (73)         | (70)         |
| Other employee expenses, net of capital recoveries | (794)        | (717)        |
| <b>Total</b>                                       | <b>(867)</b> | <b>(787)</b> |

#### Recognition and measurement

##### Short-term employee benefit obligations

Short-term employee benefits include salaries and wages, including non-monetary benefits, short-term incentives and annual leave expected to be settled within 12 months of the reporting date. Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### Long-term employee benefit obligations

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using high quality corporate bond rates at the reporting date with terms to maturity and currency to match, as closely as possible to, the estimated future cash flows. Remeasurement as a result of experience adjustments and changes in assumptions are recognised in profit or loss.

### Post employment benefits

The Group pays superannuation guarantee contributions into nominated defined contribution plans as advised by employees. Superannuation contributions are recognised as an expense as they become payable.

### Termination benefits

Termination benefits are payable when employment is terminated, and an expense is recognised when the Group is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without likelihood of withdrawal.

### Capitalisation of employee benefits expenses

Employee benefits expenses are capitalised and included in the cost of property, plant and equipment, and software upon initial recognition to the extent that they are directly attributable to constructing and bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

## D2 Key management personnel

Disclosures relating to key management personnel are set out below:

|                              | NBN Co Group      |                  |
|------------------------------|-------------------|------------------|
|                              | 30 June 2019      | 30 June 2018     |
|                              | \$                | \$               |
| Short-term employee benefits | 9,649,167         | 9,332,317        |
| Post-employment benefits     | 1,446,790         | 204,196          |
| Long-term employee benefits  | 674,405           | 310,670          |
| Termination benefits         | 807,897           | -                |
| <b>Total</b>                 | <b>12,578,259</b> | <b>9,847,183</b> |

## E. Our funding and capital management

On 22 June 2011, the Commonwealth Government and NBN Co entered into an Equity Funding Agreement (EFA), whereby the Commonwealth provided assurances to the Company in relation to the provision of equity funding until 30 June 2021, unless terminated earlier.

As at 30 June 2019 the total committed equity funding of \$29.5 billion from the Commonwealth had been provided to NBN Co under the terms of the EFA.

On 22 December 2016, a \$19.5 billion loan agreement with the Commonwealth Government was signed for the period from 1 July 2017 to 30 June 2021.

During the period the Commonwealth Government agreed to extend the tenor of its loan by three years (from 30 June 2021 to 30 June 2024) and to allow NBN Co to access up to \$2 billion of private sector debt. The terms of the private sector debt are subject to the approval of the Commonwealth Government.

In addition, NBN Co has access to a short-term working capital facility and plans to utilise the facility in the normal course of business.

### E1 Contributed equity

As at 30 June 2019, a total of \$29.5 billion (2018: \$29.5 billion) had been provided to the Company.

|                 | NBN Co Limited                   |                                  | NBN Co Limited      |                     |
|-----------------|----------------------------------|----------------------------------|---------------------|---------------------|
|                 | 30 June 2019<br>Number of shares | 30 June 2018<br>Number of shares | 30 June 2019<br>\$m | 30 June 2018<br>\$m |
| Ordinary shares |                                  |                                  |                     |                     |
| Fully paid      | 29,500,000,000                   | 29,500,000,000                   | 29,500              | 29,500              |
| <b>Total</b>    | <b>29,500,000,000</b>            | <b>29,500,000,000</b>            | <b>29,500</b>       | <b>29,500</b>       |

### Recognition and measurement

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Transactions with the Commonwealth of Australia, as owner, that are designated as equity injections for the financial period, are recognised directly in contributed equity and do not form part of comprehensive income in that financial period.

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number and amounts paid on the shares held.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.



## Movements in ordinary share capital

| NBN Co Limited                         |                       |                   |                           |
|--|-----------------------|-------------------|---------------------------|
|  | Number<br>of shares   | Issue Price<br>\$ | Value of<br>Shares<br>\$m |
| <b>Closing balance at 30 June 2017</b> | <b>27,465,445,092</b> | <b>1.00</b>       | <b>27,465</b>             |
| Equity injections                      | 2,034,554,908         | 1.00              | 2,035                     |
| <b>Closing balance at 30 June 2018</b> | <b>29,500,000,000</b> | <b>1.00</b>       | <b>29,500</b>             |
| Equity injections                      | -                     | -                 | -                         |
| <b>Closing balance at 30 June 2019</b> | <b>29,500,000,000</b> | <b>1.00</b>       | <b>29,500</b>             |

### Capital risk management

The Group's objectives when managing capital are to safeguard the ability of the Group to continue as a going concern while maximising the return to the Commonwealth Government and maintaining an optimal capital structure. The capital structure of the Group consists of cash and cash equivalents disclosed in Note C1, borrowings and contributed equity.

### Dividends declared

No dividends were declared or paid during the year (2018: nil).

## E2 Borrowings

| NBN Co Group               |                     |                     |
|----------------------------|---------------------|---------------------|
|                            | 30 June 2019<br>\$m | 30 June 2018<br>\$m |
| <b>Non-current</b>         |                     |                     |
| Loans from related parties | 13,053              | 5,531               |
| <b>Total</b>               | <b>13,053</b>       | <b>5,531</b>        |

As at 30 June 2019, \$13.1 billion had been drawn down from the aforementioned \$19.5 billion loan facility with the Commonwealth Government.

The loan agreement with the Commonwealth Government has a fixed interest rate of 3.96 per cent per annum, with interest payable monthly over the life of the facility.

The full principal amount of the loan is to be repaid by 30 June 2024.

### Recognition and measurement

All loans are initially recorded at fair value, which typically reflects the proceeds received, net of directly attributable transaction costs.

After initial recognition, all interest bearing loans are stated at amortised cost, using the effective interest method.

## F. Our significant contractual arrangements and commitments

NBN Co has entered into a number of contracts that will underpin the delivery of the nbn™ access network. In addition to entering into contractual arrangements with Delivery Partners for the build of the network, NBN Co has entered into strategic agreements with Telstra and Singtel Optus (Optus) that provide NBN Co with the required infrastructure to deliver fast broadband to all Australians. These strategic agreements are essential to NBN Co in regard to its ability to achieve its short and long-term objectives.

### F1 Telstra Revised Definitive Agreements

On 23 June 2011, NBN Co and Telstra announced that binding agreements (the Telstra Definitive Agreements or the DAs) had been entered into for the rollout of the nbn™ access network. The DAs became unconditional following the satisfaction of conditions precedent including Telstra shareholder approval in November 2011 and ACCC acceptance of Telstra's Migration Plan and Structural Separation Undertaking in March 2012.

Following the completion of the 2013 Strategic Review, the Government provided NBN Co with a new Statement of Expectations under which the nbn™ access network rollout was to transition from a primarily FTTP model to an MTM model. On 14 December 2014, NBN Co and Telstra announced they had renegotiated the DAs and entered into a number of new agreements to provide for the shift to an MTM network rollout (the Revised Definitive Agreements or the RDAs). The RDAs came into effect on 26 June 2015 after all conditions precedent were either satisfied or waived.

As with the DAs, the RDAs provide NBN Co access to certain Telstra network infrastructure including ducts, pits, lead-in conduits (ownership of lead-in conduits transfers to NBN Co), exchange rack space and dark fibre to facilitate the efficient rollout of the nbn™ access network.

The RDAs also continue to require Telstra to progressively disconnect premises connected to its copper and Hybrid Fibre Coaxial (HFC) networks (subject to exceptions for certain copper-based services and pay-TV services provided over parts of the spectrum on the HFC network) as the nbn™ access network is rolled out.<sup>1</sup> Telstra will continue to be entitled to payments from NBN Co for disconnecting premises from its networks, and NBN Co continues to expense these payments.

In addition, the RDAs allow NBN Co to progressively take ownership of, and the operational and maintenance responsibility for, elements of Telstra's copper and HFC networks and use of those network elements where it represents the fastest and most cost effective way to deliver fast broadband to families and businesses. These copper and HFC network elements are being used as access technologies as part of the overall design of the MTM rollout.

<sup>1</sup> Services provided over the nbn™ access network will replace phone and internet services provided over most of the existing landline networks, including copper and the majority of HFC networks within the fixed-line footprint. Services provided over existing fibre networks (including in-building, health and education networks) and some special and business services may not be affected.

The payment structure remains linked to the rollout of the **nbn**<sup>TM</sup> access network. Under the RDAs, once NBN Co starts acquiring the assets forming part of Telstra's HFC network, NBN Co has an obligation to continue to acquire all of Telstra's HFC network. In July 2016 NBN Co commenced the acquisition of assets forming part of Telstra's HFC network. Capital commitments in respect of the RDAs are disclosed in Note F3 and reflect NBN Co's obligation to continue to acquire all of Telstra's HFC network.

Under the RDAs, NBN Co has also agreed to reimburse Telstra for any direct, reasonable, substantiated and incremental (DRSI) costs incurred as a result of the move from the FTTP rollout to the MTM rollout, subject to certain exceptions. NBN Co is capitalising these costs as they are incurred.

As with the DAs, the estimated value of the RDAs is based on a range of dependencies and assumptions over the long-term life of the agreements. On a like for like basis, the estimated net present value payable to Telstra under the RDAs is equivalent to that under the DAs.

The RDAs contain an arrangement relating to the **nbn**<sup>TM</sup> access network rollout cessation and related consequences for NBN Co. In addition, there are provisions relating to NBN Co's liability for performing work on Telstra's live networks (refer to Note H5).

## F2 Optus HFC Subscriber Agreement

On 23 June 2011, NBN Co executed an agreement with Singtel Optus Pty Ltd and other Optus entities (Optus) (the 2011 Optus HFC Subscriber Agreement).

On 19 July 2012, the ACCC published a final determination granting authorisation of the 2011 Optus HFC Subscriber Agreement.

Under the terms of the 2011 Optus HFC Subscriber Agreement:

- Optus agreed to progressively migrate HFC customers to the **nbn**<sup>TM</sup> access network as it is rolled out. Optus agreed to a fixed-line network preference in favour of NBN Co for residential and small business customers served by Optus' HFC network.
- NBN Co agreed to make progressive payments to Optus based on the actual number of customers that migrate from its HFC network to the **nbn**<sup>TM</sup> access network.

On 14 December 2014, NBN Co and Optus announced they had signed agreements (the Revised HFC Subscriber Agreement) amending the 2011 Optus HFC Subscriber Agreement. On 19 September 2015, all of the conditions precedent to the Revised HFC Subscriber Agreement with Optus were satisfied.

The Revised HFC Subscriber Agreement provides NBN Co with the option to acquire elements of Optus' HFC network where it is efficient and/or cost effective to do so, as part of the overall design and implementation of the MTM rollout.

The Revised HFC Subscriber Agreement continues to require Optus to progressively migrate HFC customers to the **nbn**<sup>TM</sup> access network as it is rolled out.

Payments to Optus for the migration of customers to the **nbn**<sup>TM</sup> access network are expensed as incurred.

## F. Our significant contractual arrangements and commitments *continued*

### F3 Commitments

#### Capital commitments

Total capital expenditure contracted for at the reporting date but not provided for in the Statement of financial position is as follows:

|   | NBN Co Group |              |
|---|--------------|--------------|
|   | 30 June 2019 | 30 June 2018 |
|   | \$m          | \$m          |
| Within one year                                   | 4,130        | 3,611        |
| Later than one year but not later than five years | 175          | 873          |
| Later than five years                             | 307          | 1,236        |
| <b>Total capital commitments</b>                  | <b>4,612</b> | <b>5,720</b> |

Capital commitments include committed right of use and infrastructure ownership payments under the RDAs with Telstra, fixed term commercial contracts and other ordered capital expenditure.

Given the long-term nature of NBN Co's capital commitments under the RDAs, which include right of use payments that will occur until 2047 and scheduled infrastructure ownership payments throughout the rollout period, capital expenditure commitments relating to the RDAs in periods beyond 12 months have been discounted for the purpose of the disclosure above. Other capital commitments beyond 12 months have also been discounted.

Payments to Telstra in exchange for Telstra disconnecting premises from its copper and HFC networks are excluded from the disclosure above as the payments do not constitute capital expenditure.

#### Operating leases

The Group leases certain properties, commercial vehicles, poles infrastructure and wireless base stations with various terms that are due to expire within one to thirty years.

Lease payments generally comprise a base amount plus an incremental contingent rental amount based on movements in the Consumer Price Index and reviews to market-based levels. Contingent rentals paid during the year are included as an expense in the Statement of profit or loss and other comprehensive income.

|   | NBN Co Group |              |
|---|--------------|--------------|
|   | 30 June 2019 | 30 June 2018 |
|   | \$m          | \$m          |
| <b>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</b> |              |              |
| Within one year   | 121          | 108          |
| Later than one year but not later than five years   | 313          | 308          |
| Later than five years   | 648          | 614          |
| <b>Total</b>  | <b>1,082</b> | <b>1,030</b> |

Not included in the above commitments are contingent rental amount payments which may arise. Furthermore, operating lease commitments have not been discounted.

For finance lease commitment disclosures refer to Note C8.

## G. Our financial risk management

As a result of its operation, the Group is exposed to a number of financial risks. This section sets out the nature of the financial risks, their quantification and management.

### Financial risk management objectives

The Group's risk management policy is to identify, assess and manage risks which are likely to adversely affect the Group's financial performance, continued growth and ability to continue as a going concern. In terms of financial risk management, the Group takes a risk-averse approach as it seeks to minimise risk, provided it is cost effective to do so.

The Group's principal financial instruments are outlined in the following table. The main risks arising from the Group's financial instruments are market risks (interest rate risk, foreign currency risk), liquidity risk and credit risk.

### Financial assets and liabilities

All the financial assets and liabilities below are carried at amortised cost except for derivative financial assets which are measured at fair value.

|   | NBN Co Group  |               |
|---|---------------|---------------|
|   | 30 June 2019  | 30 June 2018  |
|   | \$m           | \$m           |
| <b>Financial assets</b>                         |               |               |
| Cash and cash equivalents                       | 520           | 593           |
| Interest receivable                             | 1             | 1             |
| Trade and other receivables                     | 357           | 225           |
| Derivative financial asset                      | 8             | 3             |
| <b>Carrying amount of financial assets</b>      | <b>886</b>    | <b>822</b>    |
| <b>Financial liabilities</b>                    |               |               |
| Trade and other payables                        | 2,756         | 2,364         |
| Other financial liabilities                     | 8,553         | 7,198         |
| Borrowings                                      | 13,053        | 5,531         |
| <b>Carrying amount of financial liabilities</b> | <b>24,362</b> | <b>15,093</b> |

### Net income and expenses from financial assets and liabilities

The net income and expenses earned from financial assets and liabilities for the year ended 30 June 2019 was a net expense of \$991 million (2018: net expense of \$578 million).

## G. Our financial risk management *continued*

### Foreign currency risk management

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to foreign currency risk due to fluctuations in foreign exchange rates for certain transactions.

The Group operates US dollar (USD) and Euro (EUR) foreign currency denominated bank accounts.

As at 30 June 2019, the carrying amount of monetary liabilities denominated in foreign currencies and notional cash outflows as expressed in Australian dollars was as follows:

| NBN Co Group                            |              |            |              |            |
|---|--------------|------------|--------------|------------|
|   | 30 June 2019 |            | 30 June 2018 |            |
|   | USD<br>\$m   | EUR<br>\$m | USD<br>\$m   | EUR<br>\$m |
| <b>Foreign exchange risk</b>            |              |            |              |            |
| Trade payables                          | 31           | 1          | 48           | 4          |
| <b>Current foreign exchange risk</b>    | <b>31</b>    | <b>1</b>   | <b>48</b>    | <b>4</b>   |
| <b>Forward exchange contracts</b>       |              |            |              |            |
| Buy foreign currency (cash flow hedges) | 101          | -          | 85           | -          |
| <b>Forward exchange contract risk</b>   | <b>101</b>   | <b>-</b>   | <b>85</b>    | <b>-</b>   |

The Group has entered into forward exchange contracts to hedge its exposure to currency risk in relation to highly probable forecast transactions which are denominated in foreign currency. In order to protect against exchange rate movements, the Group has entered into forward exchange contracts to purchase US dollars. All forward exchange contracts are designated as hedging items in the cash flow hedges. The Group's strategy is to hedge any material foreign currency exposure committed by contract to at least 80 per cent of the highly probably forecast purchase.

The Group has not entered into foreign currency positions that are not supported by underlying purchasing transactions that are certain or highly probable as to timing, quantum and currency.

### Derivatives and hedging activities

#### Recognition and measurement

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group only has derivatives which are designated as cash flow hedges, being hedges of a particular risk associated with cash flows of recognised assets and liabilities and highly probable forecast transactions.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, as to whether the derivatives used in hedging transactions have been, and will continue to be effective, in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When the hedged forecast transaction results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss, where applicable.

#### Sensitivity analysis of monetary liabilities denominated in foreign currencies and derivatives

The possible fluctuations in foreign exchange rates would not have a material impact on the measurement of monetary liabilities denominated in foreign currencies and profit or loss for the current and prior periods. In addition, possible fluctuations in exchange rates would not have a material impact on the measurement of derivatives and equity for the year.

#### Interest rate risk management

The Group is exposed to interest rate risk due to changes in market interest rates associated with interest-bearing cash and cash equivalents. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The Group's exposure to interest rate risks and the weighted average effective interest rates of interest-bearing financial assets is set out below:

| NBN Co Group              |      |                           |  |
|---------------------------|------|---------------------------|--|
|                           | Note | Carrying<br>Amount<br>\$m | Weighted<br>average<br>effective<br>interest rate<br>% |
| <b>At 30 June 2019</b>    |      |                           |  |
| Cash and cash equivalents | C1   | 520                       | 1.82%  |
| <b>At 30 June 2018</b>    |      |                           |  |
| Cash and cash equivalents | C1   | 593                       | 1.94%  |

#### Cash flow sensitivity analysis

Given the nature and quantum of interest-bearing instruments, any possible movements in interest rates would have an immaterial impact on profit or loss. The interest rate applicable to the loan facility with the Commonwealth of Australia is fixed for the term of the facility. As a result there is no interest rate risk associated with the facility.

## G. Our financial risk management *continued*

### Credit risk exposure

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. Counterparty exposure is measured as the total value of the exposures to all obligations of any single legal or economic entity (e.g. a group of companies).

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and the net favourable position of derivative financial instruments, as well as credit exposures to Retail Service Providers.

The Group's maximum exposure to credit risk at the end of the reporting period is the carrying amount of the financial assets as recorded in the Statement of financial position.

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

| NBN Co Group  |              |              |
|---|--------------|--------------|
|   | 30 June 2019 | 30 June 2018 |
|   | \$m          | \$m          |
| <b>Trade receivables</b>  |              |              |
| <i>Counterparties with an external credit rating</i>                |              |              |
| AAA   | 1            | 1            |
| A1  | -            | 29           |
| A2  | 188          | 97           |
| A3  | -            | 1            |
| <i>Counterparties without an external credit rating<sup>1</sup></i> |              |              |
| Group 1   | 5            | 5            |
| Group 2   | 88           | 66           |
| Group 3   | 22           | 13           |
| <b>Total</b>  | <b>304</b>   | <b>212</b>   |
| <b>Cash at bank and short-term bank deposits</b>                    |              |              |
| AA-   | 520          | 593          |
| <b>Total</b>  | <b>520</b>   | <b>593</b>   |
| <b>Derivative financial assets</b>                                  |              |              |
| AA-   | 8            | 3            |
| <b>Total</b>  | <b>8</b>     | <b>3</b>     |

<sup>1</sup> Group 1 - new customers (less than 6 months).

Group 2 - existing customers (more than 6 months) with no defaults in the past.

Group 3 - existing customers (more than 6 months) with defaults in the past, subsequently remediated.

The Group did not have any material receivables that were past due or impaired at 30 June 2019 (2018: nil).



## Liquidity risk

Liquidity risk refers to the risk of encountering difficulties in meeting obligations associated with financial liabilities. Liquidity risk management is associated with ensuring sufficient funds are available to meet financial commitments in a timely manner and planning for unforeseen events which may curtail cash flows and cause pressure on liquidity. The Group measures and manages liquidity risk by forecasting liquidity and funding requirements for the next four years as a minimum, which is reviewed annually by the Board as part of the Corporate Plan. In addition, the Group prepares and reviews a rolling monthly cash forecast. The Group's financial liabilities are trade and other payables, finance lease liabilities, and borrowings.

The following table illustrates the maturities for financial assets and liabilities:

| NBN Co Group  |                         |                        |                                   |   |   |
|---|-------------------------|------------------------|-----------------------------------|---|---|
|   | Within<br>1 year<br>\$m | 1 to 5<br>years<br>\$m | Greater<br>than<br>5 years<br>\$m | Total<br>contractual<br>cash flows<br>\$m | Carrying<br>amount<br>(assets)/<br>liabilities<br>\$m |
| <b>At 30 June 2019</b>  |                         |                        |                                   |   |   |
| <b>Non-derivatives</b>  |                         |                        |                                   |   |   |
| Trade and other payables  | 2,751                   | 5                      | -                                 | 2,756                                     | 2,756   |
| Borrowings  | 517                     | 15,121                 | -                                 | 15,638                                    | 13,053  |
| Finance lease liabilities   | 985                     | 3,297                  | 18,708                            | 22,990                                    | 8,553   |
| <b>Total</b>  | <b>4,253</b>            | <b>18,423</b>          | <b>18,708</b>                     | <b>41,384</b>                             | <b>24,362</b>   |
| <b>Derivatives</b>  |                         |                        |                                   |   |   |
| Gross settled (forward foreign exchange contracts – cash flow hedges) |                         |                        |                                   |   |   |
| - inflow  | 86                      | 23                     | -                                 | 109                                       | -   |
| - outflow   | (80)                    | (21)                   | -                                 | (101)                                     | (8)   |
| <b>Total</b>  | <b>6</b>                | <b>2</b>               | <b>-</b>                          | <b>8</b>                                  | <b>(8)</b>  |
| <b>At 30 June 2018</b>  |                         |                        |                                   |   |   |
| <b>Non-derivatives</b>  |                         |                        |                                   |   |   |
| Trade and other payables  | 2,361                   | 3                      | -                                 | 2,364                                     | 2,364   |
| Finance lease liabilities   | 787                     | 2,719                  | 16,062                            | 19,568                                    | 7,198   |
| Borrowings  | 219                     | 5,969                  | -                                 | 6,188                                     | 5,531   |
| <b>Total</b>  | <b>3,367</b>            | <b>8,691</b>           | <b>16,062</b>                     | <b>28,120</b>                             | <b>15,093</b>   |
| <b>Derivatives</b>  |                         |                        |                                   |   |   |
| Gross settled (forward foreign exchange contracts – cash flow hedges) |                         |                        |                                   |   |   |
| - inflow  | 43                      | 45                     | -                                 | 88  | -   |
| - outflow   | (41)                    | (44)                   | -                                 | (85)                                      | (3)   |
| <b>Total</b>  | <b>2</b>                | <b>1</b>               | <b>-</b>                          | <b>3</b>                                  | <b>(3)</b>  |

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## G. Our financial risk management *continued*

### Fair value measurement of financial instruments

The Group uses the following fair value hierarchy for determining and disclosing the fair value of financial instruments.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### Fair value of derivative assets and liabilities

The Group's derivative financial assets and liabilities are the only assets and liabilities carried at fair value in the Statement of financial position. The fair value of these instruments is determined using valuation techniques with observable market data, categorised as Level 2.

The fair value of derivatives used for hedging is determined using forward exchange rates at the reporting dates.

There has been no transfer between hierarchy levels during the year.

#### Fair value of other financial instruments

In line with accounting standards, the Group has a number of financial instruments which are not measured at fair value in the Statement of financial position. Their carrying amounts are materially consistent with their fair value as at the reporting date, with the exception of finance lease liabilities. A remeasurement of finance leases under fair value would likely include known contingent rental payments that are dependent upon an index or rate, which are excluded from minimum lease payments under AASB 117. Including the CPI component into the measurement of the lease liability would result in an uplift in the value of the lease liability held at 30 June 2019 of approximately \$500 million.

Under the new lease accounting standard (AASB 16) these contingent rental payments will be included in the measurement of the lease liability as reported in the Statement of financial position. See pages 156 to 157 for further details of the adoption impact of AASB 16 on the Group.

## H. Other financial information

This section provides information on further disclosures required by the Australian Accounting Standards and the *Corporations Act 2001*.

### H1 Income tax expense

|   | NBN Co Group   |                |
|---|----------------|----------------|
| For the year ended  | 30 June 2019   | 30 June 2018   |
|   | \$m            | \$m            |
| <b>(a) Income tax benefit/(expense)</b>   |                |                |
| Deferred tax  | 1              | (1)            |
| <b>Total</b>  | <b>1</b>       | <b>(1)</b>     |
| <b>(b) Numerical reconciliation of income tax expense to prima facie tax payable</b>                          |                |                |
| Loss before income tax  | (4,879)        | (4,779)        |
| Tax at the Australian tax rate of 30% (2018: 30%)   | 1,464          | 1,434          |
| Current year tax losses not recognised  | (1,271)        | (1,214)        |
| Temporary differences not recognised  | (192)          | (221)          |
| <b>Income tax benefit/(expense)</b>   | <b>1</b>       | <b>(1)</b>     |
| <b>(c) Tax Losses</b>   |                |                |
| Unused tax losses for which no deferred tax asset has been recognised   | (19,381)       | (15,142)       |
| <b>Potential tax benefit at 30%</b>   | <b>(5,814)</b> | <b>(4,543)</b> |
| <b>(d) Unrecognised temporary differences</b>   |                |                |
| Deductible temporary differences relating to:   |                |                |
| Property, plant and equipment and Intangible assets   | 2,512          | 1,926          |
| Provisions and accruals   | 288            | 235            |
| This is offset by:  |                |                |
| Taxable temporary differences (deferred tax liabilities)  |                |                |
| Cash flow hedges  | (8)            | (3)            |
| Net temporary differences for which deferred tax assets have not been recognised                              | 2,792          | 2,158          |
| <b>Unrecognised deferred tax asset relating to the above net deductible and taxable temporary differences</b> | <b>838</b>     | <b>647</b>     |

The cumulative amount of unrecognised tax losses of \$19,381 million (2018: \$15,142 million) may be available to offset against future income tax assessments when the Group generates taxable income.

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## H. Other financial information *continued*

### H1 Income tax expense *continued*

#### Effective tax rate

The non-recognition of deferred tax assets for deductible temporary differences and tax losses has led to NBN Co having an Australian accounting effective tax rate (ETR) of 0 per cent. If deferred tax assets had been fully recognised for deductible temporary differences and tax losses, NBN Co's Australian ETR would have been 30 per cent.

The above ETR has been calculated on the basis of income tax expense divided by accounting profit, in accordance with the requirements of the Board of Taxation's Tax Transparency Code.

#### Tax consolidation legislation

NBN Co and its wholly-owned subsidiaries have formed a tax consolidated group. The head entity, NBN Co Limited, and the subsidiaries in the tax consolidated group account for their own current and deferred tax amounts arising from temporary differences. In addition, NBN Co Limited accounts for any deferred tax assets arising from unused tax losses and tax credits for all entities in the tax consolidated group.

Members of the tax consolidated group have not yet entered into tax funding or tax sharing arrangements. As at 30 June 2019, no contributions to subsidiaries' equity accounts have been recognised for subsidiaries' tax losses assumed by the head entity because no amounts of unused tax losses have been recognised as deferred tax assets (2018: nil).

#### Recognition and measurement

The income tax expense or benefit for the period is the tax payable or receivable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax expense or benefit is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

## H2 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

| Name of entity          | Country of incorporation | Class of shares | Equity holding as at 30 June 2019 | Equity holding as at 30 June 2018 |
|-------------------------|--------------------------|-----------------|-----------------------------------|-----------------------------------|
| NBN Tasmania Limited    | Australia                | Ordinary        | 100%                              | 100%                              |
| NBN Co Spectrum Pty Ltd | Australia                | Ordinary        | 100%                              | 100%                              |

The proportion of ownership interest is equal to the proportion of voting power held.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of NBN Co Limited as at 30 June 2019 and the results of all subsidiaries for the year ended 30 June 2019.

Subsidiaries are all those entities (including special purpose entities) over which the Group has control. Control is achieved when and only when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. The accounting policies of subsidiaries are consistent with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost, net of any accumulated impairment losses, in the Statement of financial position of NBN Co Limited.

## H. Other financial information *continued*

### H3 Parent entity disclosures

#### Financial position of NBN Co Limited

|                               | NBN Co Limited |               |
|-------------------------------|----------------|---------------|
| As at                         | 30 June 2019   | 30 June 2018  |
|                               | \$m            | \$m           |
| <b>Assets</b>                 |                |               |
| Total current assets          | 1,125          | 1,077         |
| Total non-current assets      | 31,674         | 27,168        |
| <b>Total assets</b>           | <b>32,799</b>  | <b>28,245</b> |
| <b>Liabilities</b>            |                |               |
| Total current liabilities     | 3,285          | 2,735         |
| Total non-current liabilities | 22,209         | 13,328        |
| <b>Total liabilities</b>      | <b>25,494</b>  | <b>16,063</b> |
| <b>Net assets</b>             | <b>7,305</b>   | <b>12,182</b> |
| <b>Equity</b>                 |                |               |
| Contributed equity            | 29,500         | 29,500        |
| Other reserves                | 7              | 4             |
| Accumulated losses            | (22,202)       | (17,322)      |
| <b>Total equity</b>           | <b>7,305</b>   | <b>12,182</b> |

#### Financial result of NBN Co Limited

|  | NBN Co Limited |                |
|--|----------------|----------------|
| For the year ended                           | 30 June 2019   | 30 June 2018   |
|  | \$m            | \$m            |
| <b>Loss for the year</b>                     | <b>(4,880)</b> | <b>(4,776)</b> |
| <b>Total comprehensive loss for the year</b> | <b>(4,877)</b> | <b>(4,778)</b> |

Parent entity receivables and investments have been written down by a total of \$4.4 million (2018: \$0.9 million) to reflect the net assets of the subsidiaries. There is no impact on the consolidated position.

#### Commitments by the parent entity for the acquisition of property, plant and equipment

Commitments disclosed in Note F3 represent the total commitment of the parent entity for the acquisition of property, plant and equipment.

#### Guarantees entered into by the parent entity in relation to debts of its subsidiaries

Other than the deed of cross guarantee as disclosed in Note H4, no guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

#### Contingent liabilities of the parent entity

The contingent liabilities disclosed in Note H5 all relate to the parent entity.

## H4 Deed of cross guarantee

NBN Co Limited and NBN Tasmania Limited (NBN Tasmania) are parties to a deed of cross guarantee under which each company guarantees the debts for the other. By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a Financial Report and Directors' report under the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

### Statement of profit or loss and other comprehensive income, Statement of financial position and Summary of movements in accumulated losses

NBN Co Limited and NBN Tasmania Limited represent a 'closed group' for the purpose of the Class Order and as there are no other parties to the deed of cross guarantee, they also represent the 'extended closed group'.

Set out on the following pages are a Statement of profit or loss and other comprehensive income, Statement of financial position and a Summary of movements in accumulated losses for the year ended 30 June 2019 of the closed group.

### Statement of profit or loss and other comprehensive income

|   | NBN Co & NBN Tasmania |                |
|---|-----------------------|----------------|
| For the year ended  | 30 June 2019          | 30 June 2018   |
|   | \$m                   | \$m            |
| Revenue   | 2,824                 | 1,977          |
| Direct network costs  | (746)                 | (691)          |
| Employee benefits expenses  | (867)                 | (787)          |
| Other operating expenses  | (609)                 | (603)          |
| Subscriber costs  | (1,903)               | (1,948)        |
| Depreciation and amortisation expense                                 | (2,611)               | (2,165)        |
| Other income  | 23                    | 19             |
| Net finance costs   | (991)                 | (578)          |
| <b>Loss before income tax</b>   | <b>(4,880)</b>        | <b>(4,776)</b> |
| Income tax benefit/(expense)  | 1                     | (1)            |
| <b>Loss for the year</b>  | <b>(4,879)</b>        | <b>(4,777)</b> |
| <b>Loss attributable to the shareholder</b>                           | <b>(4,879)</b>        | <b>(4,777)</b> |
| <b>Other comprehensive gain/(loss)</b>                                |                       |                |
| <i>Items that may be reclassified to profit or loss</i>               |                       |                |
| Changes in the fair value of cash flow hedges, net of tax             | 3                     | (2)            |
| <b>Total other comprehensive gain/(loss) for the year, net of tax</b> | <b>3</b>              | <b>(2)</b>     |
| <b>Total comprehensive loss for the year</b>                          | <b>(4,876)</b>        | <b>(4,779)</b> |
| <b>Total comprehensive loss attributable to the shareholder</b>       | <b>(4,876)</b>        | <b>(4,779)</b> |

**H. Other financial information** *continued*H4 Deed of cross guarantee *continued*

## Statement of financial position

NBN Co &amp; NBN Tasmania

| As at                                | 30 June 2019  | 30 June 2018  |
|--------------------------------------|---------------|---------------|
|                                      | \$m           | \$m           |
| <b>Current assets</b>                |               |               |
| Cash and cash equivalents            | 520           | 593           |
| Trade and other receivables          | 444           | 338           |
| Inventories                          | 39            | 36            |
| Derivative financial assets          | 6             | 2             |
| Other current assets                 | 116           | 108           |
| <b>Total current assets</b>          | <b>1,125</b>  | <b>1,077</b>  |
| <b>Non-current assets</b>            |               |               |
| Derivative financial assets          | 2             | 1             |
| Property, plant and equipment        | 29,443        | 25,043        |
| Intangible assets                    | 2,114         | 1,996         |
| Other non-current assets             | 43            | 57            |
| <b>Total non-current assets</b>      | <b>31,602</b> | <b>27,097</b> |
| <b>Total assets</b>                  | <b>32,727</b> | <b>28,174</b> |
| <b>Current liabilities</b>           |               |               |
| Trade and other payables             | 2,751         | 2,361         |
| Other liabilities                    | 24            | 20            |
| Other financial liabilities          | 276           | 161           |
| Provisions                           | 160           | 121           |
| <b>Total current liabilities</b>     | <b>3,211</b>  | <b>2,663</b>  |
| <b>Non-current liabilities</b>       |               |               |
| Trade and other payables             | 5             | 3             |
| Other liabilities                    | 811           | 693           |
| Other financial liabilities          | 8,277         | 7,037         |
| Provisions                           | 63            | 64            |
| Borrowings                           | 13,053        | 5,531         |
| <b>Total non-current liabilities</b> | <b>22,209</b> | <b>13,328</b> |
| <b>Total liabilities</b>             | <b>25,420</b> | <b>15,991</b> |
| <b>Net assets</b>                    | <b>7,307</b>  | <b>12,183</b> |
| <b>Equity</b>                        |               |               |
| Contributed equity                   | 29,500        | 29,500        |
| Other reserves                       | 7             | 4             |
| Accumulated losses                   | (22,200)      | (17,321)      |
| <b>Total equity</b>                  | <b>7,307</b>  | <b>12,183</b> |



## Summary of movements in accumulated losses

| NBN Co & NBN Tasmania             |                 |                 |
|-----------------------------------|-----------------|-----------------|
| For the year ended                | 30 June 2019    | 30 June 2018    |
|                                   | \$m             | \$m             |
| Opening balance at 1 July         | (17,321)        | (12,544)        |
| Loss for the period               | (4,879)         | (4,777)         |
| <b>Closing balance at 30 June</b> | <b>(22,200)</b> | <b>(17,321)</b> |

## H5 Contingent assets and contingent liabilities

### Recognition and measurement

Contingent assets and contingent liabilities are not recognised in the Statement of financial position but are reported in this note. They may arise from uncertainty as to the existence of an asset or liability or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when the likelihood of settlement is greater than remote but not probable. The details of NBN Co's significant contingent assets and liabilities are set out below:

### ASIC deed of cross guarantee

NBN Co Limited and NBN Tasmania Limited are parties to a deed of cross guarantee as disclosed in Note H4. Each company guarantees the payment in full of the debt of the other named company in the event of their winding up.

### Telstra Revised Definitive Agreements

Under the Telstra Revised Definitive Agreements, NBN Co has a right to undertake copper, HFC and associated passive infrastructure (API) pre-construction and construction works on Telstra's networks pre-asset transfer. NBN Co has indemnified Telstra against any loss or claim for death, personal injury or damage as well as contractual liabilities of Telstra to its customers arising as a result of NBN Co undertaking such works on Telstra's networks pre-asset transfer. To the extent that claims or damages could be reliably measured, adequate allowance has been made for resultant liabilities at the reporting date.

### Legal action

As at 30 June 2019, NBN Co had no outstanding legal action that would materially impact the 30 June 2019 financial statements. However, from time to time the Group may be subject to a lawsuit or proceedings for which it may be required, either by law or based on its business judgement, to make payments to settle or otherwise resolve matters.

### Contractual related claims and disputes

Various claims and disputes arise from time to time in the ordinary course of business. Where the resolution (if any) cannot be measured with sufficient reliability, no asset or liability for these claims or disputes is recognised.

To the extent a resolution for claims or disputes is probable and could be reliably measured, and in the case of an asset the resolution is virtually certain, adequate recognition has been made at the reporting date. The disclosure of any further information about claims or disputes would be prejudicial to the interests of the Group.

## H. Other financial information *continued*

### H6 Related party transactions

#### Parent entity

The parent entity within the Group is NBN Co Limited. The ultimate parent entity and ultimate controlling entity is the Commonwealth of Australia.

#### Acquisitions

There were no acquisitions in the year.

#### Subsidiaries

The interest in the subsidiaries is set out in Note H2.

#### Key management personnel

Disclosures relating to key management personnel are presented in Note D2.

#### Transactions with related parties

The following transactions occurred with related parties:

|  |      | NBN Co Group       |                    |
|--|------|--------------------|--------------------|
| For the year ended   | Note | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
| <b>Equity injections</b>   |      |                    |                    |
| Equity injected by the Commonwealth of Australia into NBN Co Limited | E1   | -                  | 2,034,554,908      |

|   |           | NBN Co Group          |                      |
|---|-----------|-----------------------|----------------------|
| For the year ended                              | Note      | 30 June 2019<br>\$    | 30 June 2018<br>\$   |
| <b>Loans from the Commonwealth of Australia</b> |           |                       |                      |
| Balance at 1 July                               |           | 5,531,165,018         | -                    |
| Loans advanced during the period                |           | 7,522,000,000         | 5,531,000,000        |
| Interest charged on government borrowings       |           | 351,670,241           | 69,894,736           |
| Interest paid on government borrowings          |           | (351,500,666)         | (69,729,718)         |
| <b>Balance at 30 June</b>                       | <b>E2</b> | <b>13,053,334,593</b> | <b>5,531,165,018</b> |

### Other directors' interests

Certain Directors of NBN Co are also Directors and/or shareholders of other companies that supply NBN Co with goods and services or acquire services from NBN Co. The contractual agreements governing these transactions are approved in line with NBN Co's delegated limits of authority. The Directors of NBN Co do not participate in the decisions to enter into these transactions, unless Board approval is required. Where Board approval is required and where a Director of NBN Co has a material personal interest, then in accordance with NBN Co's Conflict of Interest Director's Policy, and as required by the *Corporations Act 2001*, the Director concerned will not vote upon the decision nor take part in the consideration of the relevant transaction. Further details of these transactions are provided below.

During the period, Mr Milne was Chairman and a Non-Executive Director of NetComm Wireless Ltd which is a supplier of telecommunications equipment to NBN Co. Mr Milne recused himself from NBN Co Board meetings when the supply of NetComm Wireless Ltd or competitive telecommunications equipment was discussed.

During the period, Mr Malone was a Non-Executive Director of Speedcast International Limited. NBN Co has contracts with Speedcast Australia Pty Ltd and Speedcast Managed Services Pty Ltd, both subsidiaries of Speedcast International Limited. Mr Malone recused himself from the Board meeting held on 11 December 2018 when a matter involving Speedcast was discussed.

The following aggregate payments for goods and services occurred with the above related parties:

|  | NBN Co Group |              |
|--|--------------|--------------|
| For the year ended   | 30 June 2019 | 30 June 2018 |
|  | \$           | \$           |
| <b>Payments for goods and services (excluding GST)</b>                                     |              |              |
| Payments for various goods and services from entities with common key management personnel | 148,171,875  | 107,810,253  |

## H. Other financial information *continued*

### H7 Remuneration of auditors

Under Section 98 of the PGPA Act, the Auditor-General is responsible for auditing the financial statements of NBN Co Limited and its subsidiaries. On 4 December 2015, the Australian National Audit Office (ANAO) reappointed PwC as contractors to the financial statement audit process.

NBN Co has engaged PwC on assignments additional to their contract auditor duties and may decide to continue to do so, where their expertise and experience with the Group is important and no potential conflicts of interest exist. Any such engagement with PwC is subject to prior approval by the ANAO and having regard to their independence policies.

The Directors are satisfied that the provision of advisory services by PwC did not compromise auditor independence requirements, having a specific regard to PwC's role as the contractor to the ANAO.

During the year the following fees were paid or payable for services provided by the auditor and PwC:

|  | NBN Co Group     |                  |
|--|------------------|------------------|
| For the year ended   | 30 June 2019     | 30 June 2018     |
|  | \$               | \$               |
| <b>Australian National Audit Office</b>                                |                  |                  |
| Audit of annual financial statements                                   | 2,085,000        | 1,788,000        |
| Review of half-year financial statements                               | 611,000          | 526,000          |
| Audit of NBN Co reporting for whole of Government financial statements | 300,000          | 327,700          |
| Non-recurring audit fees   | -                | -                |
| <b>Total remuneration for audit and other assurance services</b>       | <b>2,996,000</b> | <b>2,641,700</b> |
| <b>PwC Australia</b>   |                  |                  |
| Other assurance related services                                       |                  |                  |
| - <i>Accounting advice</i>   | -                | -                |
| - <i>Regulatory audit and reviews</i>                                  | 417,000          | 404,000          |
| - <i>Other reviews</i>   | -                | 340,000          |
| <b>Total remuneration for other assurance related services</b>         | <b>417,000</b>   | <b>744,000</b>   |
| Other services   |                  |                  |
| - <i>Other</i>   | 303,200          | 307,000          |
| <b>Total remuneration for other services</b>                           | <b>303,200</b>   | <b>307,000</b>   |
| <b>Total auditor's remuneration</b>                                    | <b>3,716,200</b> | <b>3,692,700</b> |

## H8 Other significant accounting policies

### Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that they are impaired. A financial asset is impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Significant financial assets are tested for impairment individually. The remaining financial assets are assessed in groups that share similar credit risk characteristics.

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost and contract assets (as defined in AASB 15). Loss allowances are deducted from the gross carrying amount of the financial asset and recognised in profit or loss. ECLs are based on the difference between contractual cashflows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate of the financial asset.

NBN Co has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The provision rates are based on days past due for groupings of various customers with similar loss patterns (i.e. by geographic region, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

### Inventories

Inventories include spare parts to be used in maintaining the **nbn**<sup>TM</sup> access network. Costs are assigned to individual items of inventory on the basis of weighted average costs. Inventories are valued at the lower of cost and net realisable value.

### Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Group using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the Statement of financial position.

The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

### Interest income

The Group records interest income on an accruals basis. For financial assets, interest revenue is determined by the effective yield on the instrument.

## H. Other financial information *continued*

### H8 Other significant accounting policies *continued*

#### Gifted assets and government grants

Government grant income is recognised when the performance obligations of the grant are satisfied.

When the grant relates to an asset or assets received for no consideration, the gifted asset is recorded at fair value and the resulting gain is credited to deferred income.

The gain is released to profit or loss on a straight line basis, over the expected period of provision of services which is estimated to be the useful life of the relevant asset or assets.

#### Subscriber costs

Subscriber costs primarily include contractual payments to Telstra regarding the disconnection of services and to Optus regarding the migration of subscribers as well as expenditure for medical alarm and satellite subsidy schemes. Expenditure is recognised in the period as the disconnection or migration service is rendered.

#### Changes in significant accounting policies

Except for the changes below, the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* with an initial adoption date of 1 July 2018. As a result, the Group has changed its accounting policies as detailed below.

#### AASB 9 *Financial Instruments*

AASB 9 sets out the requirements for recognising and measuring financial assets and financial liabilities and some contracts to buy or sell non-financial items. It replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 9 contains three principal classification categories of financial assets: Amortised cost, Fair value through other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVTPL). The classification of financial assets under AASB 9 is based upon the nature of the business model in which the financial asset is managed and its contractual cash flow characteristics. AASB 9 eliminates the previous AASB 139 categories of held to maturity, loans and receivables and available for sale.

AASB 9 largely retains the existing requirements in AASB 139 for the classification and measurement of financial liabilities.

The adoption of AASB 9 has not had a significant effect on the Group's accounting policies. All non-derivative financial assets and liabilities continue to be held at amortised cost.

The Group continues to recognise derivative financial instruments as cash flow hedges and there has been no change in the Group's accounting policies in relation to cash flow hedges as the policies fully align with the requirements of AASB 9.

### Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. In line with the requirements of AASB 9, the Group recognises loss allowances for ECLs on financial assets measured at amortised cost and contract assets (as defined in AASB 15). Loss allowances are deducted from the gross carrying amount of the financial asset. ECLs are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate of the financial asset.

As a result of the adoption of AASB 9, there are consequential amendments to AASB 101 *Presentation of Financial Statements* which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income. The Group presents impairment losses on financial assets under other operating expenses, similar to the presentation under AASB 139, and not separately in the statement of profit and loss and other comprehensive income as this amount is not material to the Group.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Given the nature of the Group's financial assets the Group has determined that no adjustments were required for impairment losses on transition to the ECL impairment model, and that the adoption of the ECL impairment model did not result in the recognition of any significant impairment in the twelve months to 30 June 2019.

### Transition

Changes in accounting policies resulting from the adoption of AASB 9 have been adopted retrospectively with the exception of the Group electing to take the exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.

There were no material differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9, therefore no adjustment was recorded in retained earnings as at 1 July 2018 to reflect the adoption of AASB 9. Accordingly, the comparative information presented for FY18 is prepared on the basis of AASB 139, rather than AASB 9. Details of the comparative period's accounting policies can be found in the 2018 Annual Report.

### AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations. It establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers and requires revenue to be recognised in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services.

This is achieved by applying the following five steps:

- identify the contract with the customer;
- identify performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract based on their standalone selling prices; and
- recognise revenue when (or as) performance obligations are satisfied.

## H. Other financial information *continued*

### H8 Other significant accounting policies *continued*

NBN Co's accounting policy for contracts with customers reflects the five-step model outlined in AASB 15 (see Note B1 for more details on the accounting policy).

#### Transition

The Group adopted AASB 15 using the cumulative effect method – i.e. by recognising the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of equity at 1 July 2018. Therefore, comparative information has not been restated and continues to be reported under AASB 118 and AASB 111. Details of the comparative period's accounting policies can be found in the 2018 Annual Report.

The adoption of AASB 15 has not had a material impact on the results of the Group. There is no adjustment to the opening balance of retained earnings as at 1 July 2018 and there is no difference between the consolidated financial statements for the twelve months ended 30 June 2019 as presented using AASB 15 and consolidated financial statements for the twelve months ended 30 June 2019 as presented under AASB 118 and AASB 111.

#### New standards and interpretations available for early adoption

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period. These standards, amendments to existing standards and interpretations have not been early adopted by the Group.

Of those standards that are not yet effective, only AASB 16 *Leases* is expected to have a material impact on the Group's financial statements in the period of initial application. The impact of AASB 16 is discussed below.

#### AASB 16 *Leases*

NBN Co will apply the standard from its mandatory adoption date of 1 July 2019. AASB 16 replaces the previous definitive guidance and interpretations found within: AASB 117 *Leases*; IFRIC 4 *Determining whether an arrangement contains a lease*; SIC-15 *Operating Leases – Incentives*; and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. This effectively removes the classification of leases as either operating leases or finance leases for the lessee – effectively treating all leases as finance leases. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make future lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

NBN Co established a project team to facilitate the transition to AASB 16. The project team has identified and evaluated the requirements of AASB 16 and subsequently determined NBN Co's transition approach including the implementation of an upgraded leasing system, preparation of lease data for transition and assessment of the financial impact of AASB 16 upon NBN Co.

NBN Co will apply the modified retrospective transition approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information. NBN Co intends to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 July 2019 which were assessed to contain leases in accordance with AASB 117 and IFRIC 4.



### Leases in which the Group is a lessee

NBN Co will recognise new right of use assets and lease liabilities for leases previously recognised as operating leases (see Note F3), except where NBN Co applies the practical exemption to not apply AASB 16 for leases of low value assets.

Management consider low value assets as those assets valued at less than \$10,000, with the low value assessment based on the value of the asset when it is new. On transition the lease liabilities will be recognised at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate as at 1 July 2019. Under the modified retrospective transition approach, the Group have elected to recognise the right of use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Based on the information currently available, the Group estimates that it will recognise additional right of use assets of between \$525 million and \$575 million and lease liabilities of between \$550 million and \$600 million as at 1 July 2019 in relation to existing operating leases. However, these estimates may be subject to change following the completion of the adoption procedures.

In accordance with AASB 16, there will also be a transition impact expected for the Group's leases previously recognised as finance leases. Under AASB 16 contingent rental payments that depend on an index or rate, which were previously excluded from

minimum lease payments under AASB 117 (see Note C8), and non-lease components for certain asset classes, for which NBN Co intends to apply the practical expedient not to separate lease components from any associated non-material non-lease components, will be included within future lease payments. This will result in an adjustment to the lease liabilities and right of use assets recognised as a result of the remeasurement of these finance leases to reflect these increased lease payments. The Group intends to incorporate these changes and remeasure the right of use assets and lease liabilities from 1 July 2019.

Based on the information currently available, the Group estimates that it will recognise additional right of use assets and lease liabilities of between \$975 million and \$1,025 million as at 1 July 2019 in relation to the remeasurement of existing finance leases. However, these estimates may be subject to change following the completion of the adoption procedures.

Following the adoption of AASB 16, the Group's operating profit will improve, while both its depreciation expense and interest expense will increase due to the remeasurement of the lease liabilities and right of use assets. This is due to the change in the accounting treatment for leases that were classified as operating leases under AASB 117 as well as the incorporation of contingent rental payments and non-lease components into the right of use assets and lease liabilities for leases which were previously classified as finance leases.

### Leases in which the Group is a lessor

There is no expected financial impact for leases in which the Group is a lessor. Under AASB 16, these leases continue to be assessed as either finance or operating leases. The Group will continue to recognise rental income on a straight line basis for operating leases entered into as a lessor.

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## I. Events occurring after the reporting period

No matter or circumstance has arisen since 30 June 2019 to the date of signing of this report that has significantly affected, or may affect:

- The Group's operations in future financial years
- The results of those operations in future financial years
- The Group's state of affairs in future financial years.

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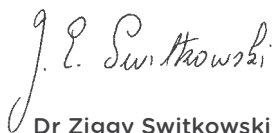
## Directors' declaration

- (1) The financial statements and notes set out on pages 106 to 158 are in accordance with the *Corporations Act 2001* and the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), including:
- (i) Complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date.
- (2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (3) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note H4 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 described in Note H4.

Note A confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors.

Signed in accordance with a resolution of the Directors.



**Dr Ziggy Switkowski AO**

Chairman  
8 August 2019



**Mr Stephen Rue**

Chief Executive Officer  
8 August 2019

## Independent auditor's report



Auditor-General for Australia



### INDEPENDENT AUDITOR'S REPORT

To the members of NBN Co Limited

#### Opinion

In my opinion, the financial report of NBN Co Limited and its subsidiaries (together the NBN Co Group) for the year ended 30 June 2019 is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the NBN Co Group's financial position as at 30 June 2019 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The financial report of the NBN Co Group, which I have audited, comprises the following as at 30 June 2019 and for the year then ended:

- Statement of profit or loss and other comprehensive income;
- Statement of financial position;
- Statement of changes in equity;
- Statement of cash flows;
- Notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- Directors' declaration.

#### Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the NBN Co Group in accordance with the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by me. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code.

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of NBN Co Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

**Key audit matter**

**Valuation of property, plant and equipment and intangible assets – impairment**

*Refer to Note C3 'Property, plant and equipment,' Note C4 'Intangible assets' and Note C5 'Impairment of non-financial assets'*

NBN Co Group's assets include intangibles currently under construction and as such NBN Co Group is required to conduct, under the Australian Accounting Standards, an annual impairment assessment over these assets. The impairment assessment is performed to test that the recoverable amount of the NBN Co Group's Cash Generating Unit is not less than the carrying amount as at 30 June 2019.

The NBN Co Group's property, plant and equipment and intangible assets combined were the largest balances on the Statement of financial position at year-end of \$31,587m. This is a key audit matter for me, as determining the recoverable amount of these assets as part of the impairment test, was complex and required significant professional judgement due to the nature of the NBN Co Group's business and assets and emergence of new technologies.

**How the audit addressed the matter**

To audit the impairment of property, plant and equipment and intangible assets, I assessed the appropriateness of key factors of NBN Co Group's approach to assessing impairment including the identification of Cash Generating Unit and determination of methodology. This included consideration of industry practice for entities with large assets under construction and alternative valuation techniques.

I performed the following procedures on NBN Co Group's valuation models used to assess impairment, engaging independent valuation experts to assist in aspects of this work:

- assessed, on a sample basis, the appropriateness of how the current replacement cost, a key input to determine the recoverable amount, was estimated based on the nature of each technology type and the data sources;
- assessed whether the useful lives used to convert the current replacement cost to a depreciable replacement cost were reasonable and consistent with those used for testing depreciation and amortisation expenses for a sample of models;
- as part of assessing NBN Co's depreciated replacement cost, I have performed a sensitivity analysis varying certain inputs in NBN Co's economic obsolescence test including revenue and discount rates to other outcomes that I considered reasonably possible;
- re-performed the reconciliation for each technology type between the fixed asset register and the valuation models;
- assessed the appropriateness of the year-on-year change in current replacement cost for each technology type by considering movements in selected indices such as Australian Bureau of Statistics construction and communication indices; and
- assessed key technological advancements for a sample of technology types and assessed the expected impact on the current replacement cost.

Independent auditor's report *continued***Key audit matter****Accuracy and completeness of depreciation and amortisation expense**

*Refer to Note C3 'Property, plant and equipment' and Note C4 'Intangible assets'*

NBN Co Group's property, plant and equipment and intangible assets combined were the largest balances on the Statement of financial position at year-end of \$31,587m with depreciation and amortisation expense for the year ended 30 June 2019 of \$2,614m.

This is a key audit matter for me because the calculation of the depreciation and amortisation expense, including the estimation of useful lives and cost allocations in the depreciation calculations, of the network property, plant and equipment and intangibles involves significant professional judgement and complex manual accounting by the NBN Co Group.

**How the audit addressed the matter**

In relation to the calculation of depreciation and amortisation, I undertook the following procedures:

- performed industry benchmarking to assess the appropriateness of the useful lives of NBN Co Group's assets;
- assessed the appropriateness of a sample of cost allocations in the depreciation calculations by comparison with the historical allocation of asset costs. These models are used to calculate depreciation for assets in use that are not yet transferred to the fixed asset register;
- re-performed the mathematical calculations for a sample of manual depreciation models; and
- tested the accuracy of a sample of in-service dates, which determines the commencement of the depreciation, to external and internal source documentation showing when construction was completed.

**Key audit matter****Valuation of construction liabilities estimates**

*Refer to Note C3 'Property, plant and equipment' and Note C6 'Trade and other payables'*

The liability balance recognised at 30 June 2019 was \$1,147m.

This is a key audit matter for me as NBN Co Group's process for estimating construction liabilities due to delivery partners involves significant professional judgement due to the complexity of the unique network build.

In line with industry practice, NBN Co Group calculated construction liabilities by estimating the total cost at construction completion and applying their estimate to the stage of their completion to determine the costs incurred to date which have been incurred but not yet paid to delivery partners. This estimate is dependent on a number of key estimates and judgements such as milestone information from delivery partners, average build duration periods and estimates for variations to costings for detailed designs.

NBN Co Group continues to develop and roll out new technologies. During the early stages of the roll out of such technologies, there is a limited history of costs resulting in a greater level of estimation. Where possible, NBN Co Group leverages from the work completed on other technology types.

**How the audit addressed the matter**

I performed the following procedures:

- evaluated the design and tested the operating effectiveness of key controls over approval of a sample of construction purchase orders;
- tested whether forecast construction costs had been accurately recorded for a sample of projects, by comparing forecast costs to approved construction purchase orders;
- tested variations to original forecast construction costs by obtaining a sample of corroborating evidence including correspondence with delivery partners and changes to schedules of rates. I compared the level of costs included to those from similar completed construction sites to assess whether the NBN Co Group costs reflected the uncertainty in overall costs;
- assessed whether there were additional construction liabilities that needed to be recognised from legal claims and disputes by enquiry with management of NBN Co Group and obtaining confirmations of legal claims directly from NBN Co Group's legal advisors;
- tested the appropriateness of the stage of completion applied at 30 June 2019 for a selection of construction projects through enquiries with NBN Co Group's management and assessing the reliability of historical estimates of the stage of completion, by comparing estimates and actuals every six

months; and

- assessed whether relevant projects were appropriately included or excluded from those accrued as part of the construction liabilities by comparing the list of ongoing projects (tested as part of property, plant and equipment and intangibles) with the list of construction sites.

**Key audit matter**

**Accounting treatment of rights and obligations under significant contractual arrangements**

*Refer to Note F1 'Telstra Revised Definitive Agreements' and Note C8 'Other financial liabilities'*

The Telstra Revised Definitive Agreements (RDAs) are significant arrangements with a critical service partner, representing the largest source of individual assets and expenses for NBN Co Group. The RDAs provide NBN Co Group with access to certain Telstra infrastructure through leases and transfer of ownership.

This is a key audit matter for me as the RDAs give rise to complex accounting considerations and estimation procedures, including:

- whether the arrangements should be accounted for as service arrangements or lease arrangements; the treatment of future contingent rentals; the proportion of cash lease payments that are expenses in nature; and the appropriate discount rate used to calculate the present value of the minimum lease payments for leased assets; and
- estimating the number of disconnected Telstra services within an agreed period for which NBN Co Group is required to make payments. Judgements are involved to enable NBN Co Group to estimate how many Telstra services have been disconnected and hence the amount to accrue as at 30 June 2019. This requires an estimation of disconnection levels, based upon historical information.

**How the audit addressed the matter**

I performed the following procedures:

- assessed whether any changes in the RDAs in the current year would result in changes to the accounting judgements determined at inception of the lease agreement;
- tested a sample of new leases acquired in the period to assess whether the accounting policies determined at inception of the lease are appropriately applied;
- tested a sample of leased and owned asset additions to external source documentation to assess whether these sample assets were recognised at the appropriate time;
- assessed the NBN Co Group's accrual balance with reference to the possible ranges of current period disconnection levels and past Telstra disconnection history; and
- tested a sample of the key inputs used in the accrual calculation by agreeing to external source documentation, including invoices received from Telstra.

**Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

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**Independent auditor's report** *continued*

In connection with my audit of the financial report, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

**Directors' Responsibility for the Financial Report**

The directors of NBN Co Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the NBN Co Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the NBN Co Group or to cease operations, or have no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Report**

My objective is to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NBN Co Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the NBN Co Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the NBN Co Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the NBN Co Group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the NBN Co Group audit. I remain solely responsible for my audit opinion.

I communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be



thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the directors, I determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Australian National Audit Office



Grant Hehir  
Auditor-General

Canberra  
8 August 2019

# Regulatory report

For the year ended 30 June 2019

NBN Co is subject to various reporting requirements including (but not limited to) under the:

- *Public Governance, Performance and Accountability Act 2013*
- *Corporations Act 2001*
- *Freedom of Information Act 1982*
- *Public Interest Disclosure Act 2013*
- *Superannuation Benefits (Supervisory Mechanisms) Act 1990*
- *Work Health and Safety Act 2011*
- *Environment Protection and Biodiversity Act 1999*
- *National Greenhouse and Energy Reporting Act 2007.*

**The Regulatory report provides information on NBN Co's compliance with the applicable laws and regulations.**

**A number of matters are disclosed in the main body of the annual report. Other matters are disclosed in this Regulatory report.**

The regulatory reporting requirement index on pages 176 to 180 shows where the relevant information can be found in this annual report.



## Legislation

The *National Broadband Network Companies Act 2011* (NBN Co Act) is a standalone law which establishes:

- NBN Co's ownership arrangements and wholesale mandate
- Certain line of business restrictions on NBN Co
- A framework for access to telecommunications transmission towers owned or operated by NBN Co
- The framework for the eventual privatisation of NBN Co.

### NBN Co ownership and structure

Under the NBN Co Act, the Commonwealth must retain ownership of NBN Co until at least:

- The Communications Minister has declared that the **nbn**<sup>TM</sup> access network is built and fully operational.
- The Productivity Minister has tabled a Productivity Commission inquiry report in both Houses of Parliament.
- The Parliamentary Joint Committee on the ownership of NBN Co has examined the report.
- The Finance Minister has declared that conditions are suitable for NBN Co sale scheme.

### Corporate Plan

NBN Co published the Corporate Plan 2019–22, which covers the reporting periods of FY19 to FY22 inclusively, in August 2018. NBN Co has also prepared a draft Corporate Plan for the reporting periods 2020–23.

## Objective

NBN Co's key objective is to ensure all Australians have access to fast broadband as soon as possible, at affordable prices, and at least cost.

To achieve this objective, the **nbn**<sup>TM</sup> access network has been structured as a wholesale-only access network available on equivalent terms to all access seekers. This is intended to level the playing field for Australian telecommunications and create real and vibrant competition within the industry.

## Commonwealth Government policies

NBN Co's objectives are set by the Shareholder Ministers in a document referred to as a Statement of Expectations (SoE), which is supplemented from time to time by policy directives and correspondence. NBN Co's current objectives are set out in the 24 August 2016 SoE, which outlines the Australian Government's commitment to complete the **nbn**<sup>TM</sup> access network and ensure all Australians have access to fast broadband as soon as possible, at affordable prices and at least cost.

The Commonwealth Government expects that NBN Co will use flexible discretion in the design, build and operation of the **nbn**<sup>TM</sup> access network, within the estimated peak funding requirements. The Commonwealth Government expects NBN Co to provide download data rates of at least 25Mbps at the wholesale level to all premises and at least 50Mbps at the wholesale level to 90 per cent of Australian fixed-line premises<sup>1</sup>.

<sup>1</sup> The **nbn**<sup>TM</sup> access network is being designed to provide these peak speeds to NBN Co's Retail Service Providers at **nbn**<sup>TM</sup>'s access network boundary.

The Commonwealth Government expects the Company to operate in an appropriately transparent manner and to take proportionate responsibility for the quality, consistency and continuity of service experienced by Retail Service Providers and end users.

The Commonwealth Government's vision for NBN Co is that it operates as a commercial entity. NBN Co has been established as a wholly-owned Government Business Entity (GBE).

NBN Co has adopted a holistic security framework, aligning its overall security compliance with Australian Government security requirements and telecommunications regulatory obligations. The multi-disciplinary NBN Co Security Group, supported by investment in cyber security and independent security reviews, provides a balanced security team committed to protecting NBN Co's reputation, people, assets and information.

## Parliamentary oversight

### Responsible Minister

NBN Co has two Shareholder Ministers. As at the date of this report these were the Minister for Communications, Cyber Safety and the Arts, the Hon Paul Fletcher MP and the Minister for Finance, Senator the Hon Mathias Cormann.

### Reporting requirements and transparency

As part of regular reporting to the Commonwealth Government and Parliament, NBN Co provides regular reporting to its Shareholder Ministers and the public in accordance with the Government's requirement for a high degree of transparency of the project. This includes weekly online reporting of key network deployment metrics, monthly reports to Shareholder Ministers and quarterly financial and operational briefings of stakeholders and the media.

## Parliamentary and other Committees

During the year, NBN Co made appearances at the Senate Environment and Communications Legislative Committee (three hearings). NBN Co made three appearances at the Joint Standing Committee on the National Broadband Network.

In addition to the questions answered during the hearings, NBN Co received 197 questions on notice arising from these hearings for FY19.

During FY19, NBN Co lodged a number of 'significant event notices' with the Commonwealth Government in accordance with its obligations under the *Commonwealth Government Business Enterprise Governance and Oversight Guidelines (January 2018)* and the *Public Governance, Performance and Accountability Act 2013*. No Ministerial directions were received by NBN Co during FY19 (FY18: nil).

## Superannuation Benefits

During FY19, NBN Co complied with all relevant guidelines and made no significant changes to superannuation arrangements for employees.

## Work Health and Safety Act 2011

### Our safety performance

In FY19 we saw a favourable decrease in NBN Co's lag metrics. TRIFR decreased from 3.5 to 2.9 and the Lost Time Injury Frequency Rate (LTIFR) decreased from 1.0 to 0.9 for employees and contractors.

This improvement follows on from the launch of the refreshed HSE Critical Controls in FY18 and the implementation of the Safety Improvement Framework in FY19, to further strengthen risk controls and shift performance. These initiatives focused on the core areas of risk management, governance, leadership, processes and systems, and NBN Co workforce.

Key priorities in FY20 will include further industry collaboration, building further HSE capability, and the alignment of HSE systems and processes to changing business requirements.

| Indicators                                     | FY19 | FY18 |
|--|------|------|
| TRIFR <sup>1</sup> - employees and contractors | 2.9  | 3.5  |
| TRIFR <sup>1</sup> - employees                 | 1.6  | 2.3  |
| TRIFR <sup>1</sup> - contractors               | 3.3  | 3.9  |

<sup>1</sup> Total recordable injury frequency rate (TRIFR) is the total number of recordable injuries per million hours worked. This includes work-related fatalities and permanent disability injury/illness (PDI), and work-related injuries or illnesses resulting in lost time (Lost Time Injuries or LTIs), restricted or alternate duties (Restricted Work Injuries or RWIs), and medical treatment (Medical Treatment Injuries or MTIs). It does not include any first aid injury/illness.

In FY19, NBN Co notified Comcare of 24 work health and safety incidents. NBN Co did not receive any notices under Part 10 of the WHS Act.

Where appropriate, we conducted investigations in line with our NBN Co HSE Incident Management Procedure. NBN Co's Delivery Partners also conduct investigations in line with our HSE Incident Management Procedure for Contractors.

Tragically, there was one serious harm HSE incident reported in FY19. This occurred in September 2018, when there was a fatal motor vehicle accident involving an NBN Co Delivery Partner subcontractor in Melbourne.

Refer to pages 38 to 39 for further information on NBN Co's health and safety performance.

## Environment Protection and Biodiversity Conservation Act 1999

As a Commonwealth GBE, NBN Co reports each year in compliance with Section 516A of the EPBC Act 1999 on the following matters:

- How the activities of NBN Co accorded with the principles of Ecologically Sustainable Development (ESD)
- The effect of NBN Co's activities on the environment
- Measures being taken to minimise the impact of activities by NBN Co on the environment and the mechanisms for reviewing and increasing the effectiveness of these measures

### Accordance with and contribution to Ecologically Sustainable Development (ESD)

At NBN Co we value the environment. NBN Co aims to build and operate a network that minimises energy use and has minimal impact on the environment.

The National Strategy for Ecologically Sustainable Development defines the goal of ESD as 'development that improves the total quality of life, both now and in the future, in a way that maintains the ecological processes on which life depends' and therefore references to the integration, precautionary, intergenerational, biodiversity and valuation ESD principles. NBN Co has an ongoing commitment to ESD principles as articulated in our HSE Policy and embedded into the business activities via our management system and standards.

During FY19, this was demonstrated by:

- Continuing to build the **nbn**<sup>™</sup> access network which aims in conjunction with our RSPs to deliver access to high-speed broadband to all Australians. The **nbn**<sup>™</sup> access network will support Australia's future economic growth and evolution towards a more digitally connected workforce. Access to faster broadband will help to improve resource efficiency and reduce reliance on travel. The **nbn**<sup>™</sup> access network will support innovation, benefit the health, education and wealth of Australians, and act as a digital enabler for a lower carbon future. (Integration and Intergenerational Principle)
- Exploring long term opportunities for reductions in energy consumption and greenhouse gas emissions. (Precautionary Principle)
- Participating in the XDI Sydney – Cross Dependency Initiative. The XDI Platform provides utility managers with climate related physical risk analytics to optimise investment scenario planning and target setting for climate resilience. (Precautionary Principle) NBN Co has trialled the Initiative's tools that will help identify the risks and associated financial costs of climate change impacts. (Valuation Principle)
- Undertaking field-based environmental assurance against our Environment Protection Critical Risk Control, to ensure our most critical environmental risks are being effectively managed. The purpose of this Critical Control is to prevent harm to the environment and heritage values to ensure these are protected for future generations. (Intergenerational Principle)
- Continuing to prepare Planning Assessment Reports (PAR) for all major construction works to identify heritage places and areas of environmental significance. PAR help ensure compliance with the EPBC Act and that statutory permits are secured. PAR also help ensure that designs reflect issued conditions or environmental constraints before construction commences. (Biodiversity Principle)
- Continuing to improve our energy cost data, forecasting and planning capabilities including consideration in decision making when material. (Valuation Principle)
- Continuing to embed environment principles and minimum standards into our procurement processes, relating to energy efficiency, hazardous materials, the United Nations Global Compact and certified environment management systems. (Intergenerational Principle)

Refer to page 40 for further information on NBN Co's environmental performance.

## Our Environment Performance

In line with the growth of the **nbn**<sup>™</sup> access network, energy usage increased in FY19.

The table below provides an estimate of NBN Co's scope 1 and 2 greenhouse gas emissions and energy consumption for FY19 in comparison with prior years' externally assured data (as reported to the Clean Energy Regulator).

| Indicator   | FY19<br>Estimate | FY18    | FY17    | FY16    |
|---|------------------|---------|---------|---------|
| Scope 1 emissions (tCO <sub>2</sub> -e)             | 4,035            | 3,972   | 4,106   | 6,378   |
| Scope 2 emissions (tCO <sub>2</sub> -e)             | 246,302          | 201,131 | 152,758 | 69,413  |
| Total scope 1 and 2 emissions (tCO <sub>2</sub> -e) | 250,337          | 205,103 | 156,864 | 75,791  |
| Energy consumed (GJ)                                | 1,126,634        | 925,837 | 718,277 | 379,750 |

NBN Co is subject to the reporting requirements in the *National Greenhouse and Energy Reporting Act 2007*. The Act requires NBN Co to report its annual Australian greenhouse gas emissions, energy consumption and energy production. NBN Co will submit its final, externally assured report for FY19 energy and greenhouse gas emissions data to the Clean Energy Regulator in October 2019.

During FY19 NBN Co did not receive any fines or prosecutions under any environmental regulations. However, an Official Caution was received from the New South Wales Office of Environment and Heritage (OEH), in relation to compliance with an Aboriginal Heritage Impact Permit, issued for works being undertaken by a Delivery Partner in Hastings Point, New South Wales in 2017. NBN Co is currently implementing the OEH recommendations in relation to the incident.

## Freedom of information report

Subject to relevant exemptions from release, the *Freedom of Information Act 1982* (FOI Act) gives members of the public a general right of access to documents held by Australian Government agencies, Ministers and Government Business Enterprises, such as NBN Co. In addition to the general exemptions under the FOI Act, Parliament has determined that documents relating to NBN Co's commercial activities are exempt from the operation of the FOI Act. Similar exemptions operate for other Commonwealth businesses, and research and other organisations, such as Australia Post, CSIRO and Comcare.

During FY19, NBN Co received 119 new FOI requests, carried forward nine from FY18, finalised 117 requests under the FOI Act and carried over eleven FOI requests into the next financial year.

Those applications were processed as follows:

|                       |    |
|-----------------------|----|
| Granted in full       | 7  |
| Granted in part       | 2  |
| Access refused        | 6  |
| No documents held     | 7  |
| Request transferred   | 0  |
| Application withdrawn | 95 |

The Office of the Australian Information Commissioner (OAIC) initiated reviews concerning eight of NBN Co's FOI determinations or FOI processes in FY19. Four OAIC reviews are still pending, while four other Information Commissioner Reviews were closed, effectively upholding NBN Co's decisions. In addition, NBN Co was not subject to any reviews or appeals at the Administrative Appeals Tribunal.

### How to make FOI requests

NBN Co recognises that information is a vital and an invaluable resource, both for the Company and for the broader Australian community. NBN Co promotes a pro-disclosure culture, with the goal of creating an organisation that is open, transparent and accountable. As such, a large amount of information is freely available on NBN Co's website.

To make an FOI request, applicants should apply in writing and:

- Specify that documents are being sought for the purposes of the FOI Act.
- Provide a postal or email address where correspondence can be sent. A telephone number will also help in case further information is required.
- Describe as clearly as possible the information being sought, including any reference numbers or details that may assist in identifying specific material.

FOI applications can be emailed to:

FOIofficer@nbnco.com.au

Or posted to:

FOI Officer  
NBN Co Limited  
Level 11, 100 Arthur Street  
North Sydney NSW 2060

## Information publication scheme

Part 2 of the FOI Act requires Commonwealth Government agencies, Ministers and certain Government Business Enterprises (GBEs) to establish an Information Publication Scheme (IPS). As a GBE, NBN Co is required to adhere to the IPS provisions and outline the Company's obligations to provide the Australian community with access to information regarding the Company's operations, activities and other matters. In addition to publishing a broad range of information on the website, NBN Co has published its IPS Plan, which explains how the Company implements and administers its IPS. This may be found at the following:

<http://www.nbnco.com.au/corporate-information/about-nbn-co/freedom-of-information/information-publication-scheme.html>.

While section 7(2) and section 7(3A) of the FOI Act exempts NBN Co from releasing information relating to its commercial activities, NBN Co regularly releases information about its operations on a proactive basis. NBN Co's objective is to continue along this path without compromising its commercial, business or operational objectives, or those of its business partners.



NBN Co welcomes input from the community regarding its IPS, along with suggestions regarding information that our Company might consider publishing. In that regard, please forward any comments or suggestions to the FOlofficer@nbnco.com.au. If NBN Co is unable to publish the information requested, NBN Co staff will be in contact to discuss the reasons that the information was unavailable. NBN Co will also endeavour to provide other options regarding information that may be available.

## Privacy and access to personal information

Under the *Privacy Act 1988* individuals have, subject to certain exceptions permitted by law, a right to request access to their personal information. For further information, please refer to NBN Co's Privacy Policy, available on our website.

Individuals may apply for access to their personal information held by NBN Co by writing to:

Privacy Officer  
NBN Co Limited  
Level 11, 100 Arthur Street  
North Sydney NSW 2060

Or email to: [privacyofficer@nbnco.com.au](mailto:privacyofficer@nbnco.com.au)

## Other matters

During FY19, no reports on NBN Co were given by any of the Commonwealth Ombudsman, Office of the Australian Information Commissioner or Australian Securities and Investment Commission. The following reports were published during FY19 by relevant third parties:

- 'NBN Consumer experience: Households and businesses - the end-to-end journey' by the Australian Communications and Media Authority (August 2018).
- 'NBN Wholesale Market Indicators Report' by the Australian Competition and Consumer Commission (published 13 August 2018, 13 November 2018, 12 February 2019 and 21 May 2019).
- 'The rollout of the NBN in rural and regional areas: 2nd report of the 45th Parliament' by the Joint Standing Committee on the National Broadband Network (November 2018).
- 'ACCC inquiry into NBN wholesale service standards - Second discussion paper' by the Australian Competition and Consumer Commission (December 2018).

## Workforce statistics

Paragraph 28E(ga) of the PGPA Rule requires the publication of statistics on the number of employees of the Company (with reference to ongoing and non-ongoing employees), at the end of the reporting period and the previous reporting period, in relation to each of the following:

- full-time employees
- part-time employees
- gender
- location

NBN Co's workforce statistics are provided in the tables below.

### Employment by classification and gender as at 30 June 2018

|  | Ongoing      | Non-Ongoing | Total        |
|--|--------------|-------------|--------------|
| Male                                   | 4,167        | 439         | 4,606        |
| Female                                 | 1,965        | 162         | 2,127        |
| Indeterminate, Intersex or Unspecified | 6            | 84          | 90           |
| <b>Total</b>                           | <b>6,138</b> | <b>685</b>  | <b>6,823</b> |

### Employment by classification and gender as at 30 June 2019

|  | Ongoing      | Non-Ongoing | Total        |
|--|--------------|-------------|--------------|
| Male                                   | 3,913        | 400         | 4,313        |
| Female                                 | 1,865        | 183         | 2,048        |
| Indeterminate, Intersex or Unspecified | 8            | 38          | 46           |
| <b>Total</b>                           | <b>5,786</b> | <b>621</b>  | <b>6,407</b> |

### Employment type by full-time, part-time status as at 30 June 2018

|              | Ongoing      | Non-Ongoing | Total        |
|--------------|--------------|-------------|--------------|
| Full-time    | 6,006        | 659         | 6,665        |
| Part-time    | 132          | 26          | 158          |
| <b>Total</b> | <b>6,138</b> | <b>685</b>  | <b>6,823</b> |

### Employment type by full-time, part-time status as at 30 June 2019

|              | Ongoing      | Non-Ongoing | Total        |
|--------------|--------------|-------------|--------------|
| Full-time    | 5,650        | 593         | 6,243        |
| Part-time    | 136          | 28          | 164          |
| <b>Total</b> | <b>5,786</b> | <b>621</b>  | <b>6,407</b> |

| Employment type by location as at 30 June 2018 | Ongoing      | Non-Ongoing | Total        |
|--|--------------|-------------|--------------|
| ACT  | 22           | 1           | 23           |
| NSW  | 2,267        | 320         | 2,587        |
| NT   | 7            | -           | 7            |
| QLD  | 485          | 14          | 499          |
| SA   | 152          | 10          | 162          |
| TAS  | 44           | 1           | 45           |
| VIC  | 2,979        | 329         | 3,308        |
| WA   | 182          | 10          | 192          |
| <b>Total</b>                                   | <b>6,138</b> | <b>685</b>  | <b>6,823</b> |

| Employment type by location as at 30 June 2019 | Ongoing      | Non-Ongoing | Total        |
|--|--------------|-------------|--------------|
| ACT  | 23           | 1           | 24           |
| NSW  | 2,123        | 299         | 2,422        |
| NT   | 6            | -           | 6            |
| QLD  | 439          | 9           | 448          |
| SA   | 137          | 2           | 139          |
| TAS  | 45           | 1           | 46           |
| VIC  | 2,851        | 303         | 3,154        |
| WA   | 162          | 6           | 168          |
| <b>Total</b>                                   | <b>5,786</b> | <b>621</b>  | <b>6,407</b> |

# Regulatory reporting requirements index

For the year ended 30 June 2019



| Section   | Subject  | Location                     | Pages          |
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| <b><i>Public Governance, Performance and Accountability Act 2013 (PGPA Act)</i></b> |  |                              |                |
| s. 97   | Financial report   | Financial Report             | 105-159        |
|   | Directors' report  | Directors' report            | 12-70          |
|   | Auditor's report   | Independent auditor's report | 160-165        |
| <b><i>Corporations Act 2001</i></b>   |  |                              |                |
| s. 295  | Financial statements   | Financial Report             | 106-109        |
|   | Notes to financial statements  | Financial Report             | 110-158        |
|   | Directors' declaration   | Directors' declaration       | 159            |
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| s. 301 and s. 308   | Audit of annual report and auditor's report  | Independent auditor's report | 160-165        |
| <b><i>Public Governance, Performance and Accountability Rule 2014</i></b>           |  |                              |                |
| <b>28E</b>  | <b>Contents of annual report</b>   |                              |                |
| 28E (a)   | The purposes of the company as included in the company's corporate plan for the reporting period   | Regulatory report            | 167            |
| 28E (b)   | The names of the persons holding the position of responsible Minister or responsible Ministers during the reporting period, and the titles of those responsible Ministers  | Regulatory report            | 168            |
| 28E (c)   | Any directions given to the entity by a Minister under the company's constitution, an Act or an instrument during the reporting period   | Regulatory report            | 168            |
| 28E (d)   | Any government policy order that applied in relation to the company during the reporting period under section 93 of the Act  | Regulatory report            | 167-168        |
| 28E (e)   | Particulars of non-compliance with:<br>(a) a direction given to the entity by the Minister under the company's constitution, an Act or instrument during the reporting period; or<br>(b) a government policy order that applied in relation to the company during the reporting period under section 93 of the Act | Not applicable               | Not applicable |
| <b><i>Public Governance, Performance and Accountability Rule 2014</i></b>           |  |                              |                |
| 28E (f)   | Information on each director of the company during the period  | Directors' report            | 55-60          |
| 28E (g)   | An outline of the organisational structure of the company (including any subsidiaries of the company)  | Financial Report             | 145            |

| Section  | Subject   | Location   | Pages                               |
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| 28E (ga)   | Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following:<br>(a) statistics of full-time employees<br>(b) statistics on part-time employees<br>(c) statistics on gender<br>(d) statistics on staff location  | Regulatory report  | 174-175                             |
| 28E (h)  | An outline of the location (whether or not in Australia) of major activities or facilities of the company   | Directors' report  | 13-53                               |
| 28E(i)   | Information in relation to the main corporate governance practices used by the company during the reporting period  | Corporate governance statement   | 84-103                              |
| 28E (j),<br>28E(k)   | For transactions with a related Commonwealth entity or related company where the value of the transaction, or if there is more than one transaction, the aggregate of those transactions, is more than \$10,000 (inclusive of GST):<br>(a) the decision-making process undertaken by the directors of the company for making a decision to approve the company paying for a good or service from, or providing a grant to, the related Commonwealth entity or related company; and<br>(b) the value of the transaction, or if there is more than one transaction, the number of transactions and the aggregate of value of the transactions | Not applicable   | Not applicable                      |
| <b>Public Governance, Performance and Accountability Rule 2014</b> |   |  |                                     |
| 28E (l)  | Any significant activities or changes that affected the operations or structure of the company during the reporting period  | Directors' report  | 70                                  |
| 28E (m)  | Particulars of judicial decisions or decisions of administrative tribunals that may have a significant effect on the operations of the company  | Regulatory report  | 171-172                             |
| 28E (n)  | Particulars of any report on the company given by:<br>(i) the Auditor-General; or<br>(ii) a Parliamentary Committee; or<br>(iii) the Commonwealth Ombudsman; or<br>(iv) the Office of the Australian Information Commissioner; or<br>(v) the Australian Securities and Investments Commission   | Independent auditor's report<br>Regulatory report<br>Regulatory report<br>Regulatory report<br>Regulatory report | 160-165<br>173<br>173<br>173<br>173 |
| 28E (o)  | An explanation of information not obtained from a subsidiary of the company and the effect of not having the information on the annual report   | Not applicable   | Not applicable                      |

| Section                                | Subject   | Location                                   | Pages            |
|--|---|--|------------------|
| 28E (oa)                               | Information about executive remuneration  | Remuneration report                        | 81               |
| 28E (p)                                | An index identifying where the requirements of this section and section 28F (if applicable) are to be found.  | Regulatory index                           | 177-180          |
| <b>28F</b>                             | <b>Disclosure requirements for government business enterprises.</b>   |  |                  |
| 28F (1)(a)(ii)                         | An assessment of significant changes in the company's overall financial structure and financial conditions  | Directors' report                          | 42-47            |
| 28F (1)(a)(ii)                         | An assessment of any events or risks that could cause financial information that is reported not to be indicative of future operations or financial condition   | Directors' report                          | 48-51            |
| 28F (1)(b)                             | Information on dividends paid or recommended  | Directors' report                          | 70               |
| 28F (1)(c)                             | Details of any community service obligations the government business enterprise has including:<br>(a) an outline of actions taken to fulfil those obligations; and<br>(b) an assessment of the cost of fulfilling those obligations   | Not applicable                             | Not applicable   |
| 28F (2)                                | A statement regarding the exclusion of information on the grounds that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise.<br><br>However, information may be excluded if the directors of the government business enterprise believe, on reasonable grounds, that the information is commercially sensitive and would be likely to result in unreasonable commercial prejudice to the government business enterprise. The annual report must state whether such information has been excluded. | Not applicable                             | Not applicable   |
| <b>Work Health and Safety Act 2011</b> |   |  |                  |
| Sch 2, cl 4(2)(a)                      | Initiatives taken during the year to ensure the health, safety and welfare of workers who carry out work for the entity.  | Directors' report and<br>Regulatory report | 34-39<br>168-169 |
| Sch 2, cl 4(2)(b)                      | Health and safety outcomes (including the impact on injury rates of workers) achieved as a result of initiatives mentioned under clause 4(2)(a) or previous initiatives.  | Directors' report and<br>Regulatory report | 38-39<br>168-169 |
| Sch 2, cl 4(2)(c)                      | Statistics of any notifiable incidents of which the entity becomes aware during the year that arose out of the conduct of businesses or undertakings by the entity.   | Directors' report and<br>Regulatory report | 38-39<br>168-169 |

| Section   | Subject   | Location  | Pages            |
|---|---|---|------------------|
| Sch 2, cl 4(2)(d)   | Any investigations conducted during the year that relate to businesses or undertakings conducted by the entity, including details of all notices given to the entity during the year under Part 10 of the <i>Work Health and Safety Act 2011</i> .  | Directors' report and Regulatory report   | 38-39<br>168-169 |
| Sch 2, cl 4(2)(e)   | Such other matters as are required by guidelines approved on behalf of the Parliament by the Joint Committee of Public Accounts and Audit.  | Directors' report and Regulatory report   | 38-39<br>168-169 |
| <b><i>Environment Protection and Biodiversity Conservation Act 1999</i></b> |   |   |                  |
| s. 516A(4) and (6)  | Report on the implementation of the Ecologically Sustainable Development program within NBN Co including social, economic, culture and environmental performance.   | Regulatory report   | 169-171          |
| <b><i>Superannuation Benefits (Supervisory Mechanisms) Act 1990</i></b>     |   |   |                  |
| s. 6(1)(b)  | Report on establishment and operation of the superannuation arrangement under which the benefits are provided.  | Regulatory report   | 168              |
| <b><i>The Freedom of Information Act, 1982</i></b>                          |   |   |                  |
| s. 93   | Provide information to the Information Commissioner (IC)  | Regulatory report   | 171-173          |
| <b><i>National Greenhouse and Energy Reporting Act 2007</i></b>             |   |   |                  |
| s. 19   | Report to be given to the Regulator:<br>(1) A corporation registered under Division 3 of Part 2 must, in accordance with this section and in respect of each financial year mentioned in subsection (2), provide a report to the Regulator relating to the:<br>(a) greenhouse gas emissions;<br>(b) energy production;<br>(c) energy consumption.<br>from the operation of facilities under the operational control of the corporation and entities that are members of the corporation's group, during that financial year<br>(2) A report under subsection (1) is required for:<br>(a) the corporation's trigger year (within the meaning of subsection 12(1) or(3)); and<br>(b) any financial year in which the corporation is registered at the end of that year. | The Regulatory report contains estimated FY19 greenhouse gas emissions, energy consumption and energy production data.<br><br>Actual FY19 data will be subject to external assurance and will be submitted to the Clean Energy Regulator in October 2019. | 171              |



# Additional information

For the year ended 30 June 2019



## Additional footnotes

Outlined below are footnotes in respect to customer experience metrics disclosed on pages 26 and 27. These footnotes further explain what each metric is measuring and how each metric has been calculated for June of each applicable year. These metrics do not cover services supplied by RSPs to customers. This is a guide only, and relate only to the areas in which NBN Co are taking action. All of the metrics are based on averages, summaries and simplifications - what customers experience may vary considerably - and may fluctuate over time. The graphs on pages 26 to 27 plot performance at different points in time. Performance between these points may vary.

### Right first time installations of nbn™ equipment

3. The percentage of homes and businesses that have their nbn™ equipment installed without additional work from NBN Co the first time the installation is attempted. Typically NBN Co excludes customer cancellations, customer or RSP initiated reschedules, customer premises 'shortfalls' and other things outside of NBN Co's control such as bad weather. This measure covers the installation of equipment that does not require more than one appointment. It does not cover successful connections to a plan over the nbn™ access network through an RSP.

### Meeting agreed installation times

4. The percentage of premises that NBN Co connects to the nbn™ access network within its agreed service level timeframes with RSPs. The target timeframes vary by nbn™ access network type and available infrastructure at the premises. This measure does not include Priority Assistance connections or Accelerated Connections.

### Average network bandwidth congestion (per week)

5. The average number of minutes of bandwidth congestion per week/per service. This is calculated across all bandwidth purchased by all RSPs across the entire network (CVC congestion). Please note that while bandwidth congestion is caused by the level of provisioning of capacity by the RSP, there are also other types of congestion which may occur on the nbn™ access network. See the Fixed-line network congestion metric for an example of this.

### Fixed-line network congestion

6. This metric reflects the estimated monthly average percentage of homes and businesses that experience nbn™ access network congestion (as per NBN Co's congestion measures for fixed-line networks). Congestion metrics vary between fixed-line technologies. This excludes nbn™ Fixed Wireless and Sky Muster™ satellite. These are calculated based on the utilisation of certain parts of the nbn™ fixed-line access network that are shared by RSPs. The speeds actually achieved over the nbn™ access network also depend on factors outside NBN Co's control including your equipment quality, software, signal quality, broadband plans and how your RSP designs its network.

### Uptake to higher wholesale plans

7. This includes wholesale plans available to RSPs with download speeds of 50Mbps and 25-50Mbps. The nbn™ access network is being designed to provide these peak speeds to NBN Co's RSPs at NBN Co network boundary. The nbn™ wholesale speed tiers available to RSPs vary depending on the nbn™ access network technology in your area. Your experience including the speeds actually achieved over the nbn™ access network depends on the network type, technology, whether you are using the internet during

the busy period and configuration over which services are delivered to your premises. Your experience will also be affected by some factors outside our control including your equipment quality, software, signal quality, broadband plans and how your RSP designs its network. Speeds may be impacted by network congestion on NBN Co's Fixed Wireless network, including during busy periods. Satellite users may experience latency.

#### Network availability

8. Percentage of time the **nbn**<sup>TM</sup> access network is available and operating. For this measure, the network is considered 'unavailable' during the time NBN Co is restoring services following the raising of a fault. It doesn't include periods where the network is unavailable due to operational outages for network upgrades and improvements or events beyond NBN Co's control. This metric has been rounded to the nearest two decimal places.

#### Meeting agreed fault restoration times

9. The percentage of time NBN Co resolves accepted faults within NBN Co's target timeframes with RSPs. This measure tracks individual service faults, not network related faults which are tracked separately. The fault restoration measure does not include restoration for faults reported to us relating to Priority Assistance Faults or Enhanced Faults, network upgrades and improvements, and events beyond NBN Co's control. NBN Co's target timeframes apply to faults raised by RSPs and accepted by NBN Co and vary depending on the location of the premises, and are different for the Sky Muster<sup>TM</sup> satellite network.

#### Faults after connection completed (per 100 connected homes and businesses)

10. The number of faults on the **nbn**<sup>TM</sup> access network per 100 premises per month (excluding faults within 10 business days of the connection). This measure tracks individual service faults, not network related faults which are tracked separately. It excludes faults not related to the **nbn**<sup>TM</sup> access network. The calculation of this metric has changed from October 2018. The new calculation of this metric excludes faults within 10 business days of the connection. This provides a better representation of the performance of the network post any connection related issues. The historical figures have been recalculated using this new metric. This metric should not be compared with the old 'Faults per 100 connected homes and businesses' metric as contained in previous monthly progress reports.

#### Fixed Wireless busy hour cell performance

11. The percentage of **nbn**<sup>TM</sup> Fixed Wireless network cells that do not, or are forecast not to, meet the Company's design threshold of a 30 day average of 6Mbps download throughput in the busiest hour of the day for that cell (averaged across all active services connected to that cell in the applicable hour). This metric is used to prioritise NBN Co's Fixed Wireless capacity upgrade program and does not reflect any performance commitments of the Company's products. It is not indicative of actual customer experience (which depends on a wide range of factors).

#### Fixed Wireless busy hour backhaul performance

12. The percentage of **nbn**<sup>TM</sup> Fixed Wireless network cells that connect via backhaul links that exceed, or are forecast to exceed, the Company's threshold of a 28 day average of 0.25% or more packet loss in the busiest hour of the day for that link. This metric is used to prioritise NBN Co's Fixed Wireless capacity upgrade program and does not reflect any performance commitments of the Company's products. It is not indicative of actual customer experience (which depends on a wide range of factors).

## Glossary

| Abbreviation or term   | Definition   |
|--|--|
| <b>ABS</b>   | Australian Bureau of Statistics.   |
| <b>ACCC</b>  | Australian Competition and Consumer Commission.  |
| <b>Access Seeker</b>   | A customer acquiring NBN Co wholesale services with the intention to supply broadband services to Service Providers or customers.  |
| <b>Access Technology</b>   | The technology used by NBN Co to deliver the <b>nbn™</b> access network from the exchange location to the network distribution point.  |
| <b>Access Virtual Circuit (AVC)</b>                              | The bandwidth acquired by Retail Service Providers which can be allocated to customers' premises. The AVC is a virtual point-to-point connection from NBN Co's network boundary point associated with customer premises back to the POI. |
| <b>ACMA</b>  | Australian Communications and Media Authority.   |
| <b>Asymmetric digital subscriber line (ADSL)</b>                 | A type of broadband communications technology that uses copper lines to connect to the Internet.   |
| <b>Australia's broadband network</b>                             | The nation-wide wholesale-only access network, available on non-discriminatory terms to all access seekers, that will be deployed by NBN Co and third parties engaged on behalf of NBN Co.   |
| <b>Average Revenue Per User (ARPU)</b>                           | Calculations include all telecommunications revenue generated including AVC, CVC and other products.   |
| <b>Brownfields</b>   | Pre-existing premises.   |
| <b>Business Satellite Services</b>                               | Services providing Sky Muster™ capacity for remote businesses and enterprise customers.  |
| <b>Capital Expenditure (Capex)</b>                               | The cost of purchasing tangible and intangible assets.   |
| <b>Committed Information Rate (CIR)</b>                          | The bandwidth (usually expressed in kilobits per second) guaranteed under a certain service level agreement.   |
| <b>Connectivity Serving Area (CSA)</b>                           | A logical collection of customer premises defined by NBN Co. Each CSA has approximately the same number of customer premises.  |
| <b>Connectivity Virtual Circuit (CVC)</b>                        | Determines the capacity of Retail Service Providers (RSPs) to be able to service each CSA. The CVC is virtual Ethernet broadband capacity acquired by an RSP that can be allocated by them to their aggregated AVCs at a CSA.            |
| <b>Copper Network</b>  | Telstra's copper-based customer access network, which is used to deliver standard voice telephony and broadband services.  |
| <b>Cost per premises (CPP)</b>                                   | An internal NBN Co management calculation used to assess the comparative incremental costs of construction of each access technology.  |
| <b>Customer</b>  | Final downstream customer to NBN Co's Retail Service Providers.  |
| <b>Dark Fibre</b>  | Optical fibre with no active electronics attached.   |
| <b>Data Over Cable Service Interface Specification (DOCSIS®)</b> | A telecommunications standard that permits the addition of high-speed data transfer and internet access through HFC infrastructure.  |

| Abbreviation or term                 | Definition  |
|--------------------------------------|---|
| <b>Delivery Partner (DP)</b>         | A third party involved in the build of the <b>nbn</b> <sup>TM</sup> access network. A Delivery Partner is a contractor, which has a contract with NBN Co for the delivery of a certain amount of work/activities in relation to the build and operation of the <b>nbn</b> <sup>TM</sup> access network.   |
| <b>Distribution Point Unit (DPU)</b> | The DPU is one of the main components used in FTTC architecture. A DPU is typically connected to a GPON network and uses either VDSL2 or G.fast technology for the last run of copper into the premises.  |
| <b>EBITDA</b>                        | Earnings Before Interest, Taxes, Depreciation and Amortisation.   |
| <b>Engagement score</b>              | Measure of the total number of engaged employees as a percentage of the total number of respondents to a bi-annual engagement survey. NBN Co's engagement surveys are undertaken by Culture Amp, allowing NBN Co to benchmark itself against other enterprises.   |
| <b>Enterprise Ethernet</b>           | Is a layer 2 wholesale broadband product that is designed to provide access to the speed, quality and service needs of enterprise end customers.  |
| <b>Fibre Network</b>                 | NBN Co's optical fibre telecommunications network that is owned or controlled by NBN Co and which has been accepted into service, ready for the provision of commercial (non-trial) <b>nbn</b> <sup>TM</sup> access network services.   |
| <b>Fibre-to-the-Building (FTTB)</b>  | Network design in which the Fibre Network is deployed to the basement of a building and copper lines are used for the connection to the customer premises.  |
| <b>Fibre-to-the-Curb (FTTC)</b>      | Network design in which the Fibre Network is deployed to a distribution point near the premises and copper lines are used for the connection between the distribution point and the premises.   |
| <b>Fibre-to-the-Node (FTTN)</b>      | Network design in which the Fibre Network is deployed to the node (i.e. a VDSL cabinet), while copper lines are used for the connection between the node and the premises.  |
| <b>Fibre-to-the-Premises (FTTP)</b>  | Network design in which the Fibre Network is deployed to each premises. It involves connecting homes and businesses with an optical fibre cable which can be used to provide a range of high-speed broadband services and phone services.   |
| <b>Fixed-line</b>                    | Delivery of voice, data and broadband services over a physical line from the exchange location to the customer premises (with termination at that premises).  |
| <b>Fixed Wireless</b>                | Network design in which network connections are provided through radio signals.   |
| <b>FYXX</b>                          | The financial year ending 30 June 20XX.   |
| <b>FY19(A)</b>                       | Actuals for the financial year ending 30 June 2019.   |
| <b>GAAP</b>                          | Generally Accepted Accounting Principles.   |
| <b>G.fast or G.mgfast</b>            | The letter 'G' in G.fast stands for the ITU-T G series of recommendations; fast is an acronym for fast access to subscriber terminals. The 'mg' in G.mgfast stands for multi-gigabit. A technology similar to DSL for carrying broadband signals over copper pairs. It uses different signalling method and much higher frequency spectrum to deliver potential speeds higher than traditional DSL. |

| Abbreviation or term                             | Definition  |
|--|---|
| <b>Gigabit Passive Optical Networks (GPON)</b>   | Is a point-to-multi point access technology that is used in fibre optic networks to serve multiple homes and small businesses.  |
| <b>Gigabits Per Second (Gbps)</b>                | A unit of measurement of transmission speeds equal to one billion bits per second. X/YGbps means a maximum downstream speed of XGbps and a maximum upstream speed of YGbps.   |
| <b>Government</b>                                | Reference to the Commonwealth or Cth is used interchangeably with Government.   |
| <b>Government Business Enterprise (GBE)</b>      | Commonwealth entity or wholly-owned Commonwealth company as defined by the PGPA Act and as prescribed as a GBE under the PGPA Rule.   |
| <b>Greenfields</b>                               | A new development that can be either New Developments or Infills. Greenfields developments represent the growth of the premises market.   |
| <b>Health, Safety &amp; Environment (HSE)</b>    | The activities responsible for establishing and maintaining policies regarding employee health, safety and environment issues.  |
| <b>Hybrid Fibre Coaxial (HFC) Cable Networks</b> | Networks utilising both optical fibre and coaxial cable for the delivery of Pay TV, internet and voice services.  |
| <b>Infills</b>                                   | A type of Greenfields development where new premises or a development (i.e. demolition and rebuild) are planned to be built on currently developed land that is surrounded by established areas, where Telstra copper services are currently unavailable. |
| <b>Information Technology (IT)</b>               | Underlying operating and business systems and processes providing the platform and flow of information through NBN Co to enable the deployment, activation and operation of Australia's broadband network.  |
| <b>Internal Rate of Return (IRR)</b>             | The average annual total return from the cash investment over a specified time period, used to measure and compare the profitability of the investment.   |
| <b>Internet of Things (IoT)</b>                  | The Internet of Things (IoT) is an evolution of machine to machine (M2M) connectivity, a network of physical devices, vehicles, home appliances, and other items embedded with electronics, software and sensors.   |
| <b>Lead-in</b>                                   | The part of the network from the pit in the street to the customer premises.  |
| <b>Local Network</b>                             | The part of the network from the Fibre Distribution Hub down each street.   |
| <b>Megabits Per Second (Mbps)</b>                | A unit of measurement of transmission speeds equal to one million bits per second. X/YMbps means a maximum downstream speed of XMbps and a maximum upstream speed of YMbps.   |
| <b>Multi-Technology Mix (MTM)</b>                | An approach used to determine which technologies to be utilised on an area-by-area basis to maximise the speed of the rollout and build the network most effectively.   |
| <b>NBN Co</b>                                    | NBN Co Limited.   |
| <b>Network Engineering Operations (NEO)</b>      | The NBN Co team responsible for the operation and activation of <b>nbn</b> <sup>™</sup> services on the <b>nbn</b> <sup>™</sup> access network.   |

| Abbreviation or term                                    | Definition   |
|---|--|
| <b>New Developments (Greenfields Estates)</b>           | An estate that complies with the New Development Policy statements released by the Government. New Developments includes commercial, industrial and residential estates comprising of more than 100 lots with development approval to be released within a three year period located in NBN Co's long-term Fibre Footprint. For the role of NBN Co with regards to Greenfields developments, refer to the appropriate policy as befitting the circumstance.  |
| <b>Next Generation Passive Optical Network (NG-PON)</b> | A telecommunications network standard capable of increasing speeds over the fibre cables.  |
| <b>NG-PON2</b>  | Next generation passive optical network (version 2) is the next evolution of FTTP technology.  |
| <b>Operating Expenditure (Opex)</b>                     | The ongoing cost of running a business, system or product, including payments under lease agreements. For the purpose of the Corporate Plan, Operating Expenditure includes all nominal payments, such as nominal payments under finance lease agreements. This nominal view of costs incurred may differ from the accounting treatment under statutory accounting rules.  |
| <b>Over the Top (OTT) Entertainment Services</b>        | Entertainment Services (audio, video, and other media) delivered directly to the consumer via the internet, without requiring users to subscribe to a traditional communication, cable or broadcast television service providers.  |
| <b>Point of Interconnect (POI)</b>                      | The connection point that allows RSPs and WSPs to connect to the <b>nbn</b> <sup>TM</sup> access network access capability. In the field, this is the physical port on the Ethernet Fanout Switch (EFS) switch located at the <b>nbn</b> <sup>TM</sup> access network's POI, where an Access Seeker connects to establish exchange of traffic with the <b>nbn</b> <sup>TM</sup> access network.  |
| <b>Premises</b>   | A premises which NBN Co is required to connect is: <ol style="list-style-type: none"> <li>1. an addressable location currently used on an ongoing basis for residential, business (whether for profit or not), government, health or educational purposes;</li> <li>2. a school as defined by the Department of Education, Employment and Workplace Relations;</li> <li>3. within a new development at an addressable location for which NBN Co is the wholesale provider of last resort; or</li> <li>4. a standard telephone service activated in compliance with the USO.</li> </ol> |
| <b>Premises activated</b>                               | Refers to premises which have an active service installed. Premises are activated after receiving and provisioning a service order from a RSP to install a new service at the premises.  |
| <b>Product Development Forum</b>                        | See <a href="http://www.nbnco.com.au/industry/service-providers/industry-consultation/product-development-forum.html">http://www.nbnco.com.au/industry/service-providers/industry-consultation/product-development-forum.html</a> .  |
| <b>Ready for Service (RFS)</b>                          | A Rollout Region is Ready for Service (RFS) when the majority of premises are passed by the <b>nbn</b> <sup>TM</sup> access network and RSPs are able to begin selling services over the <b>nbn</b> <sup>TM</sup> access network in that Rollout Region.   |
| <b>Ready to Connect (RTC)</b>                           | A premises is Ready to Connect (RTC) when an <b>nbn</b> <sup>TM</sup> service order can be placed, and the service can be connected within an area that has been declared Ready for Service.   |

| Abbreviation or term                             | Definition  |
|--|---|
| <b>Retail Service Provider (RSP)</b>             | A third-party provider of retail broadband services to customers.   |
| <b>Robotics</b>                                  | Robotic technology that helps to generate efficiencies through the use of automation.   |
| <b>Rollout Region</b>                            | A region served by the <b>nbn</b> <sup>TM</sup> access network.   |
| <b>Service providers</b>                         | A third-party provider of broadband services whether to customers and/or Retail Service Providers.  |
| <b>Sky Muster<sup>TM</sup> satellite service</b> | NBN Co satellite service which will provide broadband services to Australians in predominantly rural locations.   |
| <b>Statement of Expectations (SoE)</b>           | See <a href="https://www.communications.gov.au/publications/nbnstatementofexpectations">https://www.communications.gov.au/publications/nbnstatementofexpectations</a>   |
| <b>Subscriber Payments</b>                       | Subscriber-related costs primarily reflect contractual payments to Telstra regarding the disconnection of existing services and to Optus regarding the migration of subscribers to services over the <b>nbn</b> <sup>TM</sup> access network. |
| <b>Systems Engineering Operations (SEO)</b>      | The NBN Co team that provides converged network and information technology (IT) engineering solutions to digitally enable NBN Co's customers.   |
| <b>Technology Choice Program</b>                 | A program which provides individual or groups of premises with the option to pay for a switch to a different <b>nbn</b> <sup>TM</sup> access network technology.  |
| <b>VDSL</b>                                      | Very-High-Bit-Rate Digital Subscriber Line.   |
| <b>Virtual Private Network (VPN)</b>             | A private server run by a third-party provider to access the internet.  |
| <b>Wholesale Broadband Agreement (WBA)</b>       | A document which sets out NBN Co's supply terms for the <b>nbn</b> <sup>TM</sup> Ethernet Bitstream Service and other related products and services.  |
| <b>Wholesale Service Provider (WSP)</b>          | A provider of wholesale services to Service Providers, NBN Co is the Wholesale Service Provider (WSP) on-selling National Broadband Network access to Retail Service Providers (RSP).   |
| <b>XGS-PON</b>                                   | 10 Gigabit per second symmetrical passive optical network is the next generation of FTTP technology.  |
| <b>4K/8K TV</b>                                  | Ultra High Definition of video content: 4000 pixels (4K UHD) or 8000 pixels (8K UHD).   |
| <b>5G</b>  | Fifth-generation wireless technology.   |



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