



Annual Report



- **NBN Co was established in 2009 to design, build and operate Australia’s wholesale broadband access network. Underpinned by a purpose to lift the digital capability of Australia, NBN Co’s key objective is to ensure all Australians have access to fast broadband, at affordable prices, and at least cost to taxpayers.**

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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The Chief Financial Officer, NBN Co Limited, Level 13, 100 Mount Street, North Sydney, NSW 2060, Australia.

Annual Report

This Annual Report is for the year ended 30 June 2020 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 6 August 2020. The Directors have the power to amend and reissue the Financial Report.

Integrated reporting

This Annual Report has been prepared with reference to the International Integrated Reporting Council’s (IIRC) International Integrated Reporting Framework (IIRF), as NBN Co believes it provides a useful basis for disclosing how the Company creates sustainable value for its broader stakeholders over time.

The framework has been used to demonstrate how NBN Co’s purpose, its values, and risks and opportunities drive its strategy. It also considers how the execution of NBN Co’s strategy creates value for stakeholders, applying a lens that is broader than financial performance alone.

The transition to integrated reporting is a journey and therefore the adoption of the principles of the IIRF will continue to evolve.

Glossary

Defined terms within this Annual Report should be read in conjunction with the Glossary on the NBN Co website: <https://www.nbnco.com.au/utility/glossary-of-terms>.

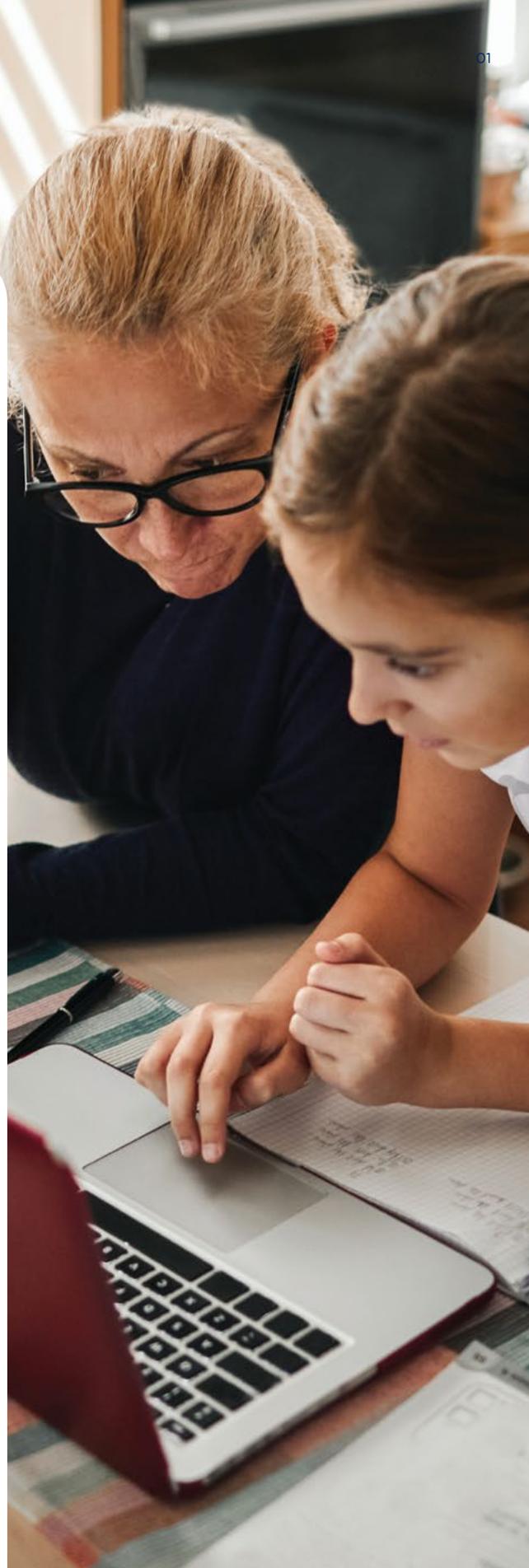
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‘nbn’, ‘bring it on’, ‘Sky Muster’, ‘gen nbn’ and the Aurora device are trademarks of NBN Co Limited.

ABN 86 136 533 741

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About NBN Co

Who we are

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

NBN Co is committed to responding to the digital connectivity needs of all Australians, working with industry, governments, regulators and community partners, to lift the digital capability of Australia.

As a Government Business Enterprise (GBE), the principal responsibility of NBN Co is to build and operate the National Broadband Network in accordance with the Commonwealth Government's Statement of Expectations¹, 24 August 2016.

The Company's key objective is to ensure that all Australians have access to fast broadband, at affordable prices, and at least cost to taxpayers.

In addition to building and operating 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 eligible premises, and at least 50Mbps to 90 per cent of fixed-line premises².

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 customers³ across the country. It is through RSPs that customers connect to the **nbn**TM network for access to high-speed internet.

NBN Co is delivering high-speed broadband to customers across Australia over an area of more than seven million square kilometres. Taking a customer-led approach, the Company is committed to working with partners to enable more Australians to use the network to drive positive social and economic benefits for themselves, their businesses and their communities, and the country as a whole.

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).



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



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

Respect each other, we create an inclusive environment

Put team above yourself, recognise one another's contribution to create an even greater outcome

Better together, share ideas and resources across the Company, partner effectively with industry

We deliver

Start by asking, 'would this make a positive difference for our customers?'

Set high expectations, accept accountability and honour our commitments

Strive and adapt, being innovative and always finding solutions to achieve excellence

We are fearless

Listen, really listen, invite feedback and ask 'why' to genuinely understand

Speak up, knowing it's safe and expected to call things out, share bold ideas

Trust and empower each other to make decisions and get things done

We care

Uphold the safety and wellbeing of each other and ourselves

Lead with purpose, do the best for our communities

Be curious, there's always something to learn so together we can grow



FY20 Highlights

- The financial year 2020 (FY20) was a pivotal period for NBN Co as it completed the initial build¹, launched new products and services, including higher speed wholesale plans, and helped support the nation's broadband needs through the summer bushfires and the COVID-19 pandemic.

Initial build¹ complete

A better
connected
Australia



11.7m ^{FY19} 10.0m

Premises Ready to Connect (RTC)

2.7 ^{FY19} 2.9

Total Recordable Injury
Frequency Rate (TRIFR)

32% ^{FY19} 31%

Female representation
in Management

Health,
safety and
engagement



86% ^{FY19} 79%

Employee engagement score

¹ NBN Co's build completion commitment was that all standard installation premises in Australia are able to connect to the nbn™ access network as at the build completion date. This excludes premises in future new developments which will be an ongoing activity for the Company beyond the build completion date. It also excludes a small proportion of premises defined as 'complex connections' – which includes properties that are difficult to access, culturally significant areas and heritage sites – where connection depends on factors outside NBN Co's control such as permission from traditional owners, and where network construction to allow such premises to connect will be an ongoing activity of NBN Co beyond the build completion date.

Chairman and Chief Executive Officer's message



The nbn™ network has helped lay the foundations for the thriving digital economy we need to remain productive, prosperous and connected.

✦ **NBN Co's purpose to lift the digital capability of Australia came into full force in the 2020 financial year as the Company completed the initial build¹ of this critical piece of telecommunications infrastructure and helped unlock the social and economic benefits of broadband access to retail and business customers across the entirety of the Australian continent.**

Making the nbn™ network available to more than 11.7 million Australian homes and businesses has been a source of great pride for NBN Co and its employees.

But more importantly, rolling out this network to more than 11.7 million homes and businesses has been critical for maintaining business productivity, employment and social cohesion during the COVID-19 pandemic and a boon for customer choice and competition within the broader telecommunications industry.

It has fundamentally changed the way Australians live and work by offering fast, secure and reliable broadband services no matter where they live or work.

And it has helped lay the foundations for the thriving digital economy we need to remain productive, prosperous and connected through the impacts of COVID-19.

FY20 performance

The last 12 months have been a period of great achievement for NBN Co as we exceeded our full-year operational and financial milestones, overcame construction challenges, launched new high-speed retail and business services, and added more than 1.7 million new retail and business customers to the network in the 12 months to June 30, 2020.

Importantly, the company continued to generate strong demand for our services and maintained an exceptionally high level of network quality with little congestion even as the challenge of the COVID-19 pandemic increased the nation's reliance on the nbn™ network like never before.

At June 30, the total number of homes and businesses ready to connect to the nbn™ network reached 11.73 million, while total activations neared 7.3 million, well ahead of the seven million premises forecast in our Corporate Plan 2020-23.

This increase in customer activations on the network, coupled with the take-up of higher speed plans during FY20, helped NBN Co continue to build the strong financial foundations it needs to reinvest in the network in the future.

Total revenue continued to grow throughout FY20 with a 36 per cent increase to \$3.8 billion, exceeding our Corporate Plan 2020-23 target by more than \$130 million. This lift came as NBN Co added its one millionth business service and as customers continued to sign up to higher speed plans. At 30 June, 69 per cent of residential and business customers were connected to nbn™ wholesale speed tiers of 50 Mbps and above.

¹ For further details on the initial build, refer to footnote 1 on page 6.

Lifting the digital capability of the nation

While the chapter on NBN Co's initial build¹ has concluded, the story of our purpose – to lift the digital capability of Australia – has only grown in importance.

The need for fast, reliable and secure broadband connectivity has never been clearer than in these last 12 months as the nation endured devastating natural disasters of flood and fire, and the economic and social shocks brought on by the COVID-19 pandemic.

For NBN Co and the telecommunications industry, COVID-19 resulted in significant increases in data demand across all networks, at all times of the day, as more Australians turned to their broadband services to remain productive and connected through this crisis.

By working closely with the telecommunications industry, we supported the nation's increased reliance on broadband through COVID-19 by augmenting our network and providing financial relief where it was most needed. We did this by:

- offering additional capacity of up to 40 per cent into the **nbn**TM network at no extra cost for retail service providers (RSPs) to help them support their customers;
- significantly increasing download data limits for customers on standard **nbn**TM Sky Muster satellite services; and
- offering up to \$150 million in financial relief to Retail Service Providers to assist Australian families and businesses in accessing the **nbn**TM network.

The COVID-19 pandemic has been the Company's biggest test and our biggest opportunity to show the true value of this important asset to the nation.

It has also re-emphasised our social compact with the nation that this network remains resilient, secure and reliable; that it continues to provide the services homes and businesses need to remain productive; and that it supports Australians to study, work and be entertained no matter their location.

Progress and collaboration

We are proud of the critical role the **nbn**TM network has played in supporting the nation through COVID-19, but we know our job to connect the nation to the benefits of broadband is not yet over.

Over the last 12 months our commitment to our purpose has been demonstrated through the continued rollout of the network and the evolution of our wholesale pricing plans.

Our operations teams have improved the connection and service quality of our hybrid fibre coaxial (HFC) network and continued the scaled rollout of our Fibre-to-the-Curb (FTTC) network which is now connected to more than 1.4 million homes and businesses.

Our pricing teams have continued to support businesses with enterprise-grade, high-speed services and have revamped our wholesale pricing products to give more bundled inclusions and value to retail customers.

NBN Co's commitment to collaboration and customer service was highlighted in FY20 with the completion of the Company's Wholesale Pricing Review 2019. This review, which was conducted in consultation with more than 50 RSPs and special interest groups, resulted in the introduction of new, high-speed plans, wide-ranging changes to NBN Co's bundled discounts, improved affordability for entry-level plans, and more data inclusions for most **nbn**TM plans.

New era, new company

With the initial construction phase of the **nbn**TM network complete, our focus now shifts to our next challenge: to fully transform from a telecommunications infrastructure construction company into a full scale, trusted customer-led service delivery organisation.

We have been moving towards this transformation for quite some time and started the restructuring of the business in late 2019 with the creation of Regional Development and Engagement, a new business unit solely focused on raising the digital capability of regional and remote communities across Australia.

¹ For further details on the initial build, refer to footnote 1 on page 6.

More recently, we started the necessary changes to simplify our business structure.

These changes will allow us to better integrate technology, architecture, engineering and network functions, and to draw closer alignment of our network strategy and solutions to heighten performance for our customers.

While the shape and structure of our operations will change through this transition, we are determined to not let these changes impact our efforts to continually improve customer service and to fulfil our purpose to lift the digital capability of Australia.

Investing in the future

Despite this year's many challenges, we achieved significant revenue and customer growth in FY20, and remain on track to become cash flow positive in the near term.

Becoming cash flow positive remains an important target for NBN Co as it will provide the long-term, financial foundations we need to continue to invest in the network and our customer products and services.

In order to lend additional support to our future growth ambitions, NBN Co this year completed its inaugural borrowing from private debt markets with the addition of credit facilities totalling \$6.1 billion.

These funds provide the Company with flexibility to maintain a financially prudent level of liquidity, and the opportunity to accelerate value accretive initiatives over coming years.

Our growing revenue base together with our trajectory towards cash-flow positive territory, will also allow us to target new investments, including building out the network to new homes and businesses, simplification of IT systems, and new customer experience initiatives to improve satisfaction levels and help accelerate economic growth in the post-pandemic world.

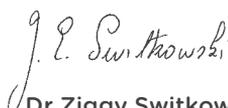
Towards 2021

As we close FY20, we are incredibly proud of our achievements and of the way the **nbn™** network has performed over the past 12 months, particularly through the COVID-19 pandemic when the nation needed access to reliable, fast and secure broadband.

With the initial build¹ complete, we are excited about this new era facing NBN Co, an era that we believe will see great progress towards the digitisation of the economy and the creation of a truly connected nation as this Company continues on its journey to lift the digital capability of Australia.

Faster speeds, better access and improved competition will always be the enablers of this purpose, but the ultimate success of the **nbn™** network will hinge on how we work together, as an industry and a nation, to get the most out of this critical asset and position it as the driving force behind Australia's digital economy.

Ziggy and Stephen



Dr Ziggy Switkowski
AO
Chairman



Stephen Rue
Chief Executive
Officer



Directors' report

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 2020 and the auditor's report therein.

❖ Report Structure

This report is designed to be read in its entirety. The required elements of the Directors' Report, including the Operating and Financial Review (OFR) as required by ASIC Regulatory Guide 247, are covered on pages 13 to 83. Commentary on NBN Co's financial performance specifically is contained on pages 56 to 61, and references information reported in the Financial Report (pages 124 to 183).



Our business

Our purpose

To lift the digital capability of Australia

Our values

We are one team

We deliver

We are fearless

We care

Strategic pillars

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 our **customers' diverse needs**



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



Build capabilities for the future and **grow profitability** to enable reinvestment to benefit our customers



Our business model



NBN Co's business model is focused around the performance of its core activities. The execution of these core activities is achieved by planning and delivering initiatives in line with our six strategic pillars. The core activities and strategic pillars are supported by cross-functional teams that provide subject matter expertise across the Company.

How we create value

Our resources

Our business model

Our network

A secure, reliable and high-speed broadband network available to all Australians

Our people

Highly capable teams who contribute their knowledge and are empowered to deliver NBN Co's purpose and strategy

Our stakeholders and partners

Relationships with government regulators, RSPs, industry groups and local communities

Our environment

Resources to build and operate the network

Our business performance

Sustainable revenues and financial results



Value we create

FY20 Performance

A better connected Australia

The nbn™ network is the backbone of Australia's digital capability, directly contributing to greater productivity, economic prosperity and deeper social inclusion



Initial build¹
completed

11.7m

premises Ready to Connect (RTC²)

Health, safety and engagement

Maintaining a safe and inclusive workplace and a top quartile employee engagement score



Employee
engagement score

86%

Customer experience

Continue to create great customer experiences with new products and services that help unlock the social and economic benefits of broadband access



Premises
activated³

7.3m

Reduced environmental impact

Protection of the natural environment and areas of cultural heritage significance, and a low carbon and climate resilient network



17%

Solar power purchase agreement negotiated, forecast to be equivalent to 17% of power demand in FY23

Sustainable financial growth

Long-term sustainable financial growth to enable reinvestment to benefit Australians



Revenue

\$3.8b

¹ For further details on the initial build, refer to footnote 1 on page 6.

^{2,3} Cumulative number of premises ready to connect and connected homes and businesses as at 30 June 2020.

FY20 Performance



In FY20 NBN Co completed the initial build¹ and as a result more than 11.7 million homes and businesses can now order a service over the **nbn™** network.



❖ **The 2020 financial year was a period of incredible challenge, change and achievement for NBN Co, its employees, delivery partners, and the broader telecommunications industry.**

NBN Co's performance in FY20 was underpinned by the Company's dual responsibilities to the nation: to provide fast, secure and reliable broadband to homes and businesses, and to generate sufficient revenue to enable reinvestment into the network to meet and keep up with customer demand into the future.

On the first responsibility, NBN Co excelled in its duty to keep the nation connected. As bushfires, floods and the COVID-19 pandemic tested the nation, NBN Co doubled down on its commitment to keep communities connected, businesses operational and the nation productive.

During the summer bushfires, NBN Co established vital communication services to 33 evacuation centres across New South Wales and Victoria to help support more than 4,700 residents, business owners, volunteers and other support staff stay connected to the outside world.

The ongoing impacts of COVID-19 have also seen NBN Co provide sustained assistance and significant financial relief to customers and the broader telecommunications industry.

More than \$80 million worth of credits were distributed to internet retailers in FY20 as the Company moved quickly to offer pricing relief for increased network capacity requirements. Financial assistance packages for up to a further \$150 million were also created in consultation with industry to help internet providers connect low income households with home schooling needs, support emergency and essential services and assist small and medium businesses and residential customers facing financial hardship.

Since the start of March when social distancing measures were introduced, data demand across the **nbn™** network increased by up to 70 per cent during daytime business hours. The **nbn™** network also experienced significant growth in data demand within the busy evening period, with peak download increases of more than 30 per cent compared to the pre-COVID-19 period.

1 For further details on the initial build, refer to footnote 1 on page 6.

For NBN Co, COVID-19 has provided the Company's biggest sustained test of the reliability and resilience of the **nbn**[™] network.

Throughout the COVID-19 crisis the **nbn**[™] network demonstrated its value and importance in keeping Australia connected, productive, working and educated.

Notwithstanding the incredible challenges of FY20, the Company surpassed operational targets and achieved another period of strong financial performance.

At the end of FY20, more than 11.7 million premises had been declared Ready to Connect (RTC) resulting in NBN Co completing the initial build¹ before the target date of 30 June 2020. As a result of this achievement, NBN Co exceeded its Corporate Plan 2020–23 RTC target by more than 230,000 premises.

As at 30 June 2020, almost 7.3 million premises were connected to services over the **nbn**[™] network and with the demand for fast broadband services accelerating during the year, NBN Co achieved its Corporate Plan 2020–23 activations target two months ahead of schedule.

The Company generated revenue of \$3.8 billion, exceeding the Corporate Plan 2020–23 target by \$137 million. This was primarily driven by the significant increase in the number of premises activated and the growth in business revenue to \$666 million.

Residential Average Revenue per User (ARPU) increased to \$45, up from \$44 in FY19 as more customers selected or upgraded to higher speed tiers to meet their growing data needs.

¹ For further details on the initial build, refer to footnote 1 on page 6.



The value and importance of the **nbn™** network to the nation, as well as the strength of the Company’s business case, was underlined this year as NBN Co completed its inaugural, long-term borrowing from private debt markets. This saw NBN Co enter into bilateral agreements with a group of banks to receive credit facilities totalling \$6.1 billion.

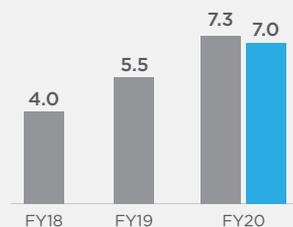
These credit facilities will provide flexibility to maintain a financially prudent level of liquidity, and the opportunity to accelerate value accretive initiatives as the Company continues to roll out broadband connectivity across the nation.



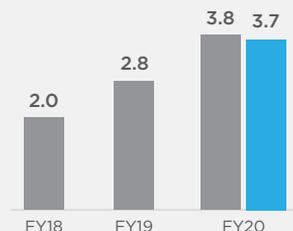
Cumulative RTC Premises (million)



Cumulative Activations Premises (million)



Annual Revenue (\$ billion)



EBITDA before subscriber costs (\$ billion)



■ Actual
 ■ Corporate Plan 2020-23

A better connected Australia

- ❖ **NBN Co remains committed to creating a more prosperous and connected Australia by helping to connect people with the social and economic benefits that access to fast, reliable and secure broadband enables.**

The nbn™ network is more than a wholesale broadband network, it is the nation's digital backbone that helps connect homes, businesses, schools, health and communication systems to the services and tools needed to create a more prosperous Australia.

With more than 11.7 million homes and businesses able to order an nbn™ service today, Australians across the nation can access the broadband services they need to participate in the digital economy.

The value and critical role that broadband access plays in keeping the nation productive, educated and connected with each other and the world, was increasingly demonstrated this year as bushfires, floods and the COVID-19 pandemic tested the nation like never before.

It is part of the Company's social compact with the nation that the nbn™ network remains resilient, secure and reliable, particularly in times of natural disasters; that it continues to support businesses to help them remain productive; and that it supports Australians to study and work remotely especially when circumstances disrupt normal life.





**The value of
access to fast, reliable
and secure broadband
has never been clearer
for the nation.**

**It is part of the Company's social compact
with the nation that the nbn™ network remains
resilient, secure and reliable.**



COVID-19 Downstream impacts

- Typical busy hour growth ranged between **5-30 per cent** during the months of March to June
- Peak records set:
 - Six all-time new highs including **14.5 Terabits per second (Tbps)** on 19 May which was a **32 per cent increase** over the pre-COVID-19 baseline
- Typical business hours, growth ranges of **20-70 per cent** during the months of March to June
- Average volume growth per user: **13 per cent increase**
- Average monthly use per user: January 290GB, February 282GB, March 312GB, April 330GB, May 314GB, June 297GB.

COVID-19 Upstream impacts

- Typical busy hour growth ranged between **10-40 per cent** during the months of March to June
- Peak records set:
 - Five all-time new highs including **1.06Tbps** on 10 April which was a **38 per cent increase** over the pre-COVID-19 baseline
- Typical business hours, growth ranges of **40-110 per cent** during the months of March to June
- Average volume growth per user: **76 per cent increase**
- Average monthly use per user: January 24GB, February 22GB, March 28GB, April 34GB, May 32GB, June 28GB.

COVID-19

The COVID-19 pandemic has disrupted economies, education and how people connect with friends and family all around the world.

But while COVID-19 forced millions of people into social isolation to lessen the impact of the virus on communities and healthcare systems in Australia, many businesses, educational institutions, and online entertainment providers were able to continue thanks to the widespread availability of the **nbn™** network and the access to reliable, fast and secure broadband it enables.

The Company leveraged local and overseas expertise to fully understand network impacts as large portions of the population migrated online for business and personal needs.

These insights allowed NBN Co to quickly deploy resources and introduce a series of relief measures to ensure the nation's broadband and connectivity needs were supported through this crisis.

By working closely with the industry, NBN Co helped support the nation's increasing online needs by:

- offering to boost CVC capacity by up to 40 per cent, at no cost to RSPs from March to September 2020
- doubling the average data download limits on Sky Muster satellite services to ensure those in rural and regional Australia can stay connected
- releasing \$150 million in financial assistance packages. This relief fund was designed to help RSPs connect low-income households with home schooling needs, support emergency and essential services and assist small and medium businesses and residential customers facing financial hardship.

The increased reliance on the **nbn™** network has resulted in significant increases in data demand and higher speed tiers as more Australians turned to broadband connectivity for their business, education and entertainment needs.

Since social distancing measures were introduced, data demand across the **nbn™** network increased by up to 70 per cent during the daytime business hours.

In the evening busy hours, when network usage peaks at around 9pm, network traffic increased by more than 30 per cent.

While these increases in data demand have been significant throughout the COVID-19 period, they remained well within the capacity headroom built into the **nbn™** network.

Congestion, network faults and outages also remained at very low levels during the most intense periods of COVID-19 related social distancing, with no material increase compared to previous months.

Focus on network capability and reliability



Offered **additional capacity of up to 40 per cent CVC bandwidth** at no cost to RSPs from March to September 2020



Doubled download data limits for standard **Sky Muster** services up to 90GB at no additional cost to RSPs



Focused on **network reliability** by limiting non-essential network maintenance to minimise planned outages and to undertake essential maintenance works from midnight to 6am



Led an **industry-wide working group** (including key network carriers, and working with streaming and gaming companies) to deal with issues around network capability, maintenance and security

Australia's data demand

NBN Co uses sophisticated systems and processes to provide deeper insights and analytics to better understand Australia's data needs now and into the future.

Having a deep understanding of how, when and why customers use the network, as well as changes in underlying technologies, such as video compression and traffic protocols, helps the Company keep up with growing data demand and deliver network improvements to meet the future needs of all Australians.

Data consumption on the **nbn™** network significantly increased in FY20 as the wide-ranging impacts of the COVID-19 pandemic resulted in millions of Australians relying on their broadband connections for work, study and entertainment.

Throughout the COVID-19 pandemic, the Company offered RSPs up to an additional 40 per cent capacity at no cost to support the nation's broadband needs. This capacity boost helped ensure NBN Co customers had the capacity they needed during periods of social restrictions.

During the peak of COVID-19 and social distancing restrictions, average monthly downloads per user on the **nbn™** network increased by 5 per cent, from 282GB per month in February, to 297GB per month in June, peaking at 330GB in April. Uploads per user increased by 27 per cent in the same period, from 22GB per month in February, to 28GB per month in June, peaking at 34GB in April.

Over the last 12 months (from June 2019 to June 2020), customer demand for data continued to grow strongly, with **nbn™** customers' average monthly data downloads growing 16 per cent to 297GB per user per month compared to 255GB per user per month in FY19.

Fixed-line broadband networks continue to carry the vast majority of internet traffic in Australia, accounting for almost 90 per cent of all downloads¹.

Average monthly data downloads growing to

297GB

per user

↑ 16%

Data downloads on **nbn™** retail services account for 69 per cent of all downloads, across all communications networks in Australia¹.

NBN Co has responded to increasing demand from customers for higher speed **nbn™** residential broadband services by launching three new residential wholesale bundle discount price points: Home Fast, Home Superfast and Home Ultrafast. These plans have each been developed by NBN Co following detailed consultation with RSPs.

The Company's commitment to improving value and access to wholesale broadband services continues to help increase the take-up of peak wholesale speed plans of 50Mbps or higher (download), which now make up 69 per cent of all plans accessed over the **nbn™** network, excluding Satellite products.

NBN Co has also identified a potential upgrade path for each access technology that are anticipated to enable the provision of greater speed and capacity over time as Australia's data demand continues to grow. In addition, the Company continues to track and evaluate emerging technologies that may complement current architecture to further enhance the capacity and speeds available in the future as and when the demand arises.

¹ ACCC Internet Activity report
<https://www.accc.gov.au/system/files/Internet%20Activity%20Report%20%28December%202019%29.pdf>

Average monthly data usage for June 2020¹

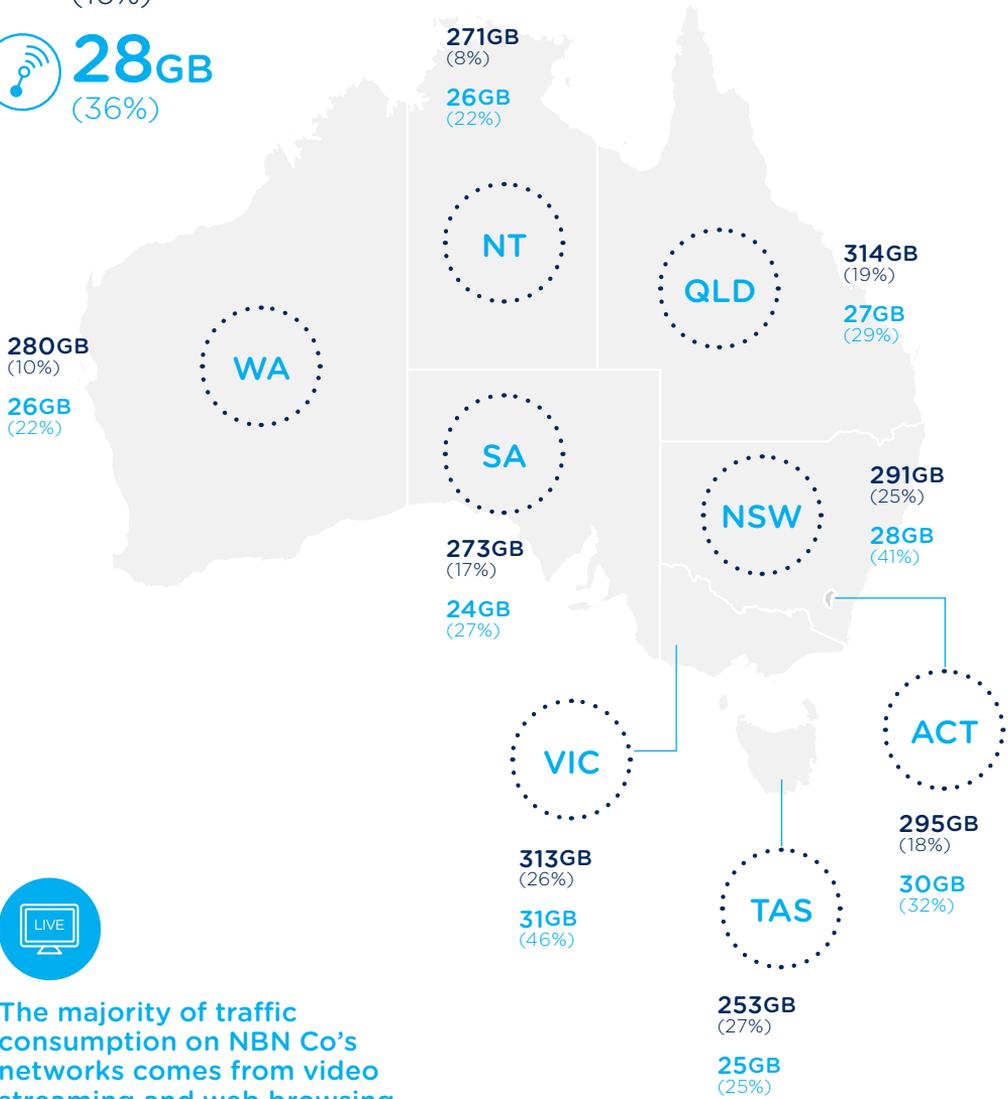
National average

 **297GB**
(16%)

 **28GB**
(36%)

 **Downstream**
(% increase)

 **Upstream**
(% increase)



¹ Figures include year-on-year increases and are based on NBN Co data for June 2019 and June 2020. Excludes satellite usage.



Commitment to regional, rural and remote Australia

Delivering broadband services across Australia remains a core driver of NBN Co's purpose.

While the Company recognises there is more work to be done to truly deliver on its commitment to provide consistently fast, reliable broadband services to regional and rural communities, it continues to make good progress in connecting Australians and improving broadband competition in regional, rural and remote areas.

In October 2019, NBN Co launched a new business unit solely focused on meeting customer needs and raising the digital capability of regional and remote communities across Australia.

The creation of this new business unit, known as Regional Development and Engagement (RDE) led by Chief Development Officer, Regional and Remote, Gavin Williams addresses a key recommendation in the 2018 Regional Telecommunications Review to assign responsibility for improving NBN Co's regional and remote assets to an experienced member of the Company's senior executive management team.

RDE plays a critical role in bringing together all aspects of the fixed wireless and satellite teams, from engineering through to operations, to ensure regional customers remain front and centre post the completion of the initial build¹.

¹ For further details on the initial build, refer to footnote 1 on page 6.

RDE is as much a community engagement operation as it is an engineering one. To reflect this, RDE has expanded its team with **nbn**TM local, a specialist engagement team that works across the nation to inform and educate regional residential and business customers about the benefits that fast broadband can deliver.

nbnTM local has been deliberately decentralised to allow the team the flexibility to spend time listening to the needs and aspirations of regional residents and business owners, so they can help provide access to fast, secure and reliable broadband services for all Australians.

nbnTM local continues to serve an important role as the Company's rapid response service in times of crises. Using a fleet of satellite-enabled Road Muster Trucks, the **nbn**TM local team has collectively travelled close to 600,000 kilometres and visited more than 2,600 towns across Australia over the last three years, providing mobile Wi-Fi hotspots at evacuation centres as part of state government-coordinated disaster recovery efforts.



Since its formation RDE has supported:

The business **nbn**TM Satellite Service launch

- This wholesale satellite service provides access to fast broadband and business-grade support for businesses across Australia, helping them access national and international markets and generate new economic opportunities in regional and remote areas

Sky Muster Plus

- Providing access to fast and accessible broadband services with the additional benefit of unmetered data for activities other than streaming video and traffic via virtual private networks

Expansion of **nbn**TM Local

- Expanding the on-the-ground community and stakeholder engagement team who work to help lift digital capability, improve customer experience, ensure larger local problems and concerns are identified early and addressed; and raise awareness about the social and economic benefits that fast broadband can deliver

Fixed Wireless upgrades

- Continued investment to help manage capacity and performance on the fixed wireless network into the future.

Bushfires

The bushfires of December 2019 and January 2020 were a devastating and disruptive force across Australia.

Restoring and providing the essential communication services that families relied on to stay in contact with each other and emergency services during this national bushfire emergency was the Company's highest priority during this time.

While a small number of fixed line and fixed wireless sites were damaged by the fires, overall, the **nbn**[™] network was resilient in the face of these devastating fires.

Where service outages did occur, these were mainly due to mains power outages. In those instances, the Company deployed generators to restore power to **nbn**[™] services once it was safe to do so.

Impacted sites were restored, on average, in less than 48 hours as the Company worked in close collaboration with its government, emergency services and industry partners.

The Company helped support affected communities by establishing vital communication services with its Sky Muster satellite services to 33 evacuation centres across New South Wales and Victoria.

NBN Co employees remained in these centres, working in shifts to ensure they could provide advice to those needing information about how best to connect with loved ones and emergency service providers.

As a result, these communication services helped support more than 4,700 residents, business owners, volunteers and other support staff across the evacuation centres, providing a vital link to the outside world.

The impacts of these bushfires were far-reaching and initiated important discussions about how governments, homeowners and businesses need to respond to natural disasters.

NBN Co regularly assesses how to make its networks more resilient so they can better support emergency services and communities in times of need.

The Company is also working with third parties on a number of initiatives to improve resiliency of networks. These are targeted at:

- increasing visibility of power performance data and impact on the **nbn**[™] network
- sharing of data and knowledge with key power industry players
- the adoption of industry standards for the notification of planned power events to NBN Co in exchange for network incident data which will assist in the management of power outages and customer experience by power utilities.

Internally, the Company is investing in multiple areas to improve the resilience of the **nbn**[™] network and therefore overall customer experience, including but not limited to:

- increasing the number of hybrid generators which will not only support the continuity of power supply to various technologies during extended outages but will reduce the Company's carbon emissions. These generators, which combine fuel used by traditional generators with renewable energy sources to create high-efficiency energy systems, are particularly important in servicing fixed wireless sites in regional and remote areas
- investment in battery backup for HFC areas that experience the highest impacts due to loss of mains power. This will reduce the number and duration of customer impacting incidents
- a redundant link and backup site for NBN Co satellite points of interconnect (POI) to ensure failover in the case of a loss of the current POI
- addition of redundancy to transit fibre spurs.



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**[™] 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.

In addition to the work that NBN Co performs through our regional and community engagement business units, our CSR program provides opportunities for NBN Co's employees to contribute to lifting the digital capability of Australia through a number of programs.

NBN Co employees are able to make pre-tax donations to a variety of charities through the Company's workplace giving platform. Over the 2020 financial year, NBN Co employees contributed over \$77,000 to charitable institutions.

NBN Co directly supports digital inclusion and STEM (Science, Technology, Engineering and Maths) education by providing secure, fast and reliable broadband services to schools across Australia. As part of its partnerships with schools, NBN Co runs a STEMpreneur program that combines face-to-face workshops and virtual mentoring to coach students as they develop business ideas to help overcome challenges in their community. This program 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.

Volunteering is an important way for NBN Co employees to engage with the community to lift digital capability. NBN Co has been partnering with the Australian Business Community Network (ABCN) since 2017 to mentor high school students from socio-economically disadvantaged communities. Through programs such as *Interview 2 Impress* and *Future Thinkers* our employees have been able to mentor students on topics such as Design Thinking and Interview Skills. In 2019 we had 100 employees mentor 394 students from 16 schools across seven states and territories.

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.

While COVID-19 meant there was a suspension of in-person volunteering activities, the Company was able to support remote learning for students by partnering with ABCN and WorkVentures to provide 450 laptops to students in the ABCN school network.

NBN Co has also established a partnership with Landcare Australia to provide volunteering opportunities for the Company's employees to assist in environmental rehabilitation projects. The Company has also established a *Sustainable Agriculture Grants* program that will be awarded in 2020 to a sustainable agriculture initiative that uses the **nbn**[™] network to improve environmental and agricultural outcomes.

Health, safety and engagement

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

NBN Co seeks to create an environment that attracts and retains the right talent to deliver the Company's purpose, while striving to remain in the top quartile engagement scores of global companies.

While NBN Co's employees have always felt great pride in what they do, the Company's efforts to support the nation through natural disasters and the COVID-19 pandemic, have resulted in a substantial increase in its engagement score.

NBN Co's 2020 annual employee survey achieved a participation rate of 94 per cent, and an engagement score of 86 per cent, which is the Company's highest ever score. This was a seven percentage-point increase from 2019 and for the first time, places NBN Co in the top 10 per cent of global companies when it comes to employee engagement.

Workforce statistics

6,200

employees and contractors

Employee
Engagement Score (%)

↑ +7

NBN Co is now
in the top 10% of
global companies

86

FY20

YEAR ON YEAR INCREASE

44 51 68 70 74 79

FY14 FY15 FY16 FY17 FY18 FY19



NBN Co is committed to being a great place to work and providing a safe and inclusive working environment for all employees.





NBN Co's response to the COVID-19 pandemic included changes to where and how our people work outside the Company's properties (from home and in the field). As planning for a cautious return to properties continues, NBN Co is also exploring ways to optimise the productive and flexible working practices established throughout the pandemic. This includes where roles are located around Australia to reflect the diversity of our customers and the community, and ensure NBN Co remains a great place to work.

NBN Co is committed to providing a safe and inclusive working environment that respects and supports the diverse backgrounds and perspectives of all our people. NBN Co seeks to create an environment where its teams work together to solve problems and innovate to achieve the Company's purpose.

Diversity and Inclusion at NBN Co

NBN Co is committed to the promotion of diversity and inclusion among its people, in the workplace and in the community.

Inclusive workforces enhance decision making, attract and retain talent and helps to create the customer-led, one team culture that is necessary to deliver on NBN Co's purpose of lifting the digital capability of Australia.

NBN Co's inclusive work environment has resulted in a more engaged workforce, and enhanced productivity and retention. It also allows the Company to attract the highest calibre of employees from the widest talent pool available. Most importantly, it fosters better decision making and problem solving by harnessing the diversity of thought and experience from the Company's workforce.

Strength in diversity opportunity through inclusion



Gender Equality



Accessibility



Cultural Diversity



LGBTIQIQ Pride



First Peoples

Gender Equality

NBN Co's objectives are:

- to provide a fair and equitable workplace in which men, women, transgender and intersex have equal access to opportunity, and to develop and succeed in their career at NBN Co
- to increase the participation of women in the workforce with a specific focus on female representation at the senior management level
- to promote NBN Co as an employer of choice for women
- to build external relationships and partnerships that support our purpose and encourage girls and women into STEM (Science, Technology, Engineering and Maths) careers.

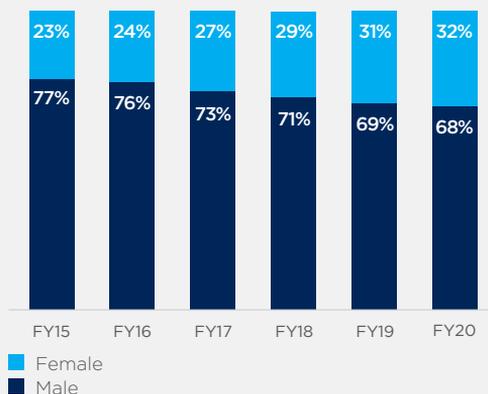
To support the achievement of these objectives, the following initiatives have been put in place:

- launching **nbn™** Equals, an enterprise-wide network for employees to connect, learn, share experiences and lead the conversation on gender equality priorities
- providing an inclusive, safe and supportive working environment through a range of policies including 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
- commitment to pay equity at point of hire and throughout an employee's career, including a comprehensive gender pay equity analysis through the annual remuneration review process.

Through the implementation and ongoing measurement of the above initiatives, NBN Co's overall female representation was 32 per cent at 30 June 2020 (1,895 employees).

The Company also reported 31.5 per cent women in management at this time which while less than the desired target of 33 per cent by the end of FY20, is an increase of 0.6 percentage points (pp) over the last 12 months and 8.7 pp increase since 2015 when NBN Co first established a gender target.

Gender diversity - NBN Co leadership



In addition, the female engagement score is slightly higher than that of their male counterparts, with female engagement at 87 per cent compared to 86 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 2020, and future targets for female representation is outlined on the following page.

Annual Report 2020

Non-Executive Directors	4	57%
Executive Committee	4	33%
Senior Management	155	33%
Middle Management	464	31%
Total Women in Management ¹	623	32%

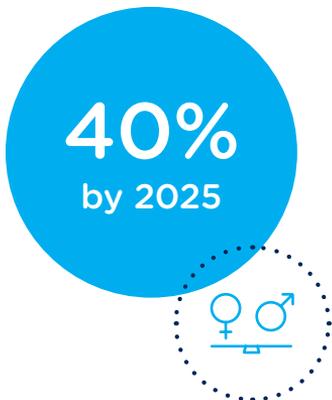
Objectives and targets for female representation

Measure	Objective	Target
Female representation in management ¹	Increase representation of women in management roles	Increase representation to 40% by FY25
Employee engagement	Maintain engagement of women at 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.

Gender Equality

40% of leadership roles to be held by women by 2025.



Best in market policies, practices and culture

Zero tolerance for disrespect

Targets set and tracked

Hire and retain

Policies to attract women

Culture of inclusiveness

Develop and promote

Aligned employer brand

Tailored development for talented women

Accessibility

To support the inclusion of people with a disability, NBN Co launched its first Accessibility and Inclusion Plan (2018-2021) in December 2018. Under the Plan, NBN Co aims to offer a supportive, accessible and inclusive workplace for its employees, as well as products and services for people and customers with a disability in the broader community.

Cultural Diversity

NBN Co continues to create an environment in which all cultures are respected.

In FY20 the cultural diversity activities included:

- publishing a multi-faith room guide to the location of worship spaces across our offices
- publishing monthly articles detailing diverse cultural events celebrated around the world
- celebrating days of cultural significance including Harmony Day and Cultural Diversity Day.

LGBTIQ Pride

NBN Co continues to build a workplace to connect, support and celebrate awareness of Lesbian, Gay, Bisexual, Transgender, Intersex, Queer or Questioning (LGBTIQ) employees and their allies.

NBN Co was awarded Bronze employer status at the Australian Workplace Equality Index Awards in 2020.

LGBTIQ Pride achievements in FY20 included:

- launching a new LGBTIQ women's network, *Opals* within the Company. This is to support the mentoring and promotion of LGBTIQ identifying women
- celebrating LGBTIQ days of significance such as International Day Against Homophobia, Biphobia & Transphobia and Wear it Purple Day
- driving stronger relationships with the industry community, sharing events with some of NBN Co's strategic partners, and increasing visibility of inclusion through dedicated Pride locked computer screensavers across every location.

First Peoples

NBN Co's vision for reconciliation is centred on deepening relationships with First Peoples communities, connecting and creating opportunity, and guiding positive outcomes by lifting the digital capability and unlocking the social and economic benefits of the **nbn**[™] network for all Australians.

NBN Co launched its third Reconciliation Action Plan (RAP) in October 2018.

The Company continues to focus on reconciliation and NBN Co's First Peoples' Pillar, Liakukana ("lee-ah-kooh-kâh-nah") continues to grow, steering the Company's efforts to increase employee awareness and engagement with its reconciliation journey.

FY20 initiatives included:

- employment of an Indigenous Affairs Manager to develop NBN Co's strategy for engaging and assisting with connectivity and digital capability of First Peoples communities
- collaborating with Jonathon Thurston Academy in response to COVID-19, to connect schools in First Peoples communities to facilitate the delivery of online tutoring services
- implementing emergency Wi-Fi service solutions in First Peoples communities to enable ongoing connectivity during COVID-19 restrictions
- Welcome to Country and smoking ceremonies at construction commencement
- celebrating National Reconciliation Week and NAIDOC week
- focusing on hiring First Peoples employees and using Indigenous suppliers through NBN Co Delivery Partners
- continuing to grow the Liakukana community of employee volunteers, including First Peoples representation, to help educate and support NBN Co to deliver on its First Peoples strategy and RAP actions.

❖ A safe and healthy workforce

Wellbeing of our people

Caring for the wellbeing of NBN Co's people is at the heart of how the Company operates. The impact of COVID-19 in the second half of FY20 has impacted the physical, and mental health and safety of individuals and communities in an unprecedented manner. In response, NBN Co implemented a number of specific initiatives to support employees' physical and mental safety and wellbeing. These included but were not limited to:

- additional controls for our field employees, such as additional Personal Protective Equipment (PPE) and revised protocols for entering customer premises
- releasing NBN Co's COVID-19 Safe Operating Procedure for field-based workers
- ergonomic programs to support employees working from home
- a series of webinars covering topics such as sleep and our health, mindfulness, dealing with uncertainty and positive parenting
- dedicated intranet page to centralise COVID-19 related material including Frequently Asked Questions for field workers, safe work procedures and ergonomics guidance
- development and release of People Leader guides, to help leaders manage the response to COVID-19
- release of wellbeing pulse surveys to check how our people were feeling and identify any areas where further support could be provided.

NBN Co's actions were well received by its employees, as demonstrated through the results of the Company's annual employee survey.

In addition to NBN Co's COVID-19 response, addressing mental health remained a core part of the overall wellbeing program, with large support for events such as R U OK Day, World Mental Health Day, Women's and Men's Health Week, and Mindful May. These activities were led and supported by NBN Co's senior leaders.

Health and safety

Everyone has the right to return home safely. At NBN Co, the health and safety of its people is the Company's first priority, and in FY20 this focus has remained as important as ever.

NBN Co's first-line management and staff are responsible for identifying, assessing and managing their operational risks, including those related to health and safety. The HSE team, as a second-line risk management function, works with and supports the broader NBN Co business and its partners to manage health and safety risks, through the provision of strategy, processes, systems, advice and programs. 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**TM access network and associated infrastructure.

The HSE Policy describes NBN Co's approach to achieving safe workplaces and is operationalised through the integrated HSE Management System. In FY20 NBN Co's HSE management system maintained its certification to:

- AS/NZS 4801:2001 Occupational Health and Safety Management Systems
- OHSAS 18001:2007 Occupational Health and Safety Management Systems.

Our performance

NBN Co has several lead and lag metrics that are tracked against targets. They measure HSE performance and help to ensure specifically for health and safety:

- total recordable injury frequency rate (TRIFR) for employees and contractors declines over time
- frequency of HSE incidents with the potential to cause serious harm to people decreases over time
- health and safety incidents are reported on time
- actions from health and safety incidents, hazards and audits are closed in an appropriate and reasonable timeframe.



In FY20 there was a reduction in the Total Recordable Injury Frequency Rate (TRIFR) for employees and contractors combined and in 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.

Although the Company has seen a favourable trend in our employee and contractor combined TRIFR from FY19 to FY20, key worker safety challenges still exist, including the scale and complexity of the work activities our employees and Delivery Partner workforce undertake. To address these challenges, in FY20 NBN Co has focused on maintaining high levels of compliance maturity by uplifting internal

and industry HSE capability, strengthening existing governance arrangements and maintaining the focus on Critical Risk Control compliance and in-field assurance. NBN Co has also completed the transition from legacy HSE IT systems to a fully integrated, cloud-based solution, providing our field workers better access to HSE compliance tools and data insights.

To maintain the focus on embedding risk controls and improving performance, priorities in FY21 will include further industry collaboration, uplift of both internal and industry capability, and alignment of systems and processes to changing business requirements. Specifically, this includes but is not limited to embedding HSE in core business processes, enabling HSE support and services in areas such as data analytics and training, and enhancing physical and psychological wellbeing and injury prevention.

	NBN Co overall TRIFR ¹	NBN Co overall frequency of HSE incidents with the potential to cause serious harm ²
FY20	2.7	1.5
FY19	2.9	1.6
FY18	3.5	2.0

- 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 LITs), 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.

Customer experience



At 30 June 2020, the total number of homes and businesses on the network reached almost 7.3 million...

...as the continued demand for high-speed, reliable and secure broadband saw more than 1.7 million new customers sign on to the network over the past twelve months.



❖ **NBN Co understands the importance of industry collaboration and listening to its customers to create value.**

As more Australians rely on fast, reliable and secure broadband to meet their evolving needs, NBN Co continues to look for better ways to service its customers through industry and retailer collaboration, its product and pricing strategy and customer experience initiatives.





NBN Co's high-speed future



nbn™ Home Fast

designed to offer peak wholesale download speeds of up to 100Mbps and is available across all fixed line nbn™ technologies.^{1,2}



nbn™ Home Superfast

designed to offer peak wholesale download speeds of up to 250Mbps and available on FTTP and HFC at launch.^{1,2}



nbn™ Home Ultrafast

designed to offer peak wholesale download speeds of 500Mbps to close to 1Gbps^{2,3} and available on all FTTP footprint and a limited HFC footprint at launch.^{1,4}

Residential

Collaboration to create value

Through continued collaboration with its RSP partners, NBN Co developed a range of new residential wholesale products, services and initiatives throughout FY20 that were designed with customers' future needs in mind. Some of these initiatives included:

- the launch of three new residential wholesale bundle discount price points: Home Fast, Home Superfast and Home Ultrafast
- the introduction of a modified 12/1 Entry Level bundle discount to provide RSPs with the flexibility to develop more affordable 12/1 broadband plans for a similar price to legacy products
- the introduction of an overhead allowance for the downstream component of the Home Fast and Home Superfast speed tiers. By over delivering bandwidth through this allowance, NBN Co can help RSPs deliver closer to wholesale download speeds and deliver on customers' expectations
- publication in November 2019 of a TC-4 Bundles Discount roadmap to May 2021 to provide RSPs with greater certainty on future wholesale prices and data capacity inclusions
- national pooling of CVC bundle discount inclusions to allow RSPs to make more efficient use of CVC capacity across all geographic areas associated with 121 Points of Interconnect (POIs)
- targeted incentives for underserved segments of the community including seniors and those who live in shared accommodation.

1 NBN Co provides wholesale services to phone and internet providers. nbn™ wholesale speed tiers available to providers vary depending on the access technology in an end customer's area. End customer experience, including the speeds actually achieved over the nbn™ broadband access network, depends on the nbn™ access network technology and configuration over which services are delivered to their premises, whether they are using the internet during the busy period, and some factors outside of NBN Co's control (like their equipment quality, software, chosen broadband plan, signal reception, or how their provider designs its network).



Improving customer experience

NBN Co is a customer-led organisation and regularly reviews the end-to-end customer journey to understand how to best serve its customers. These insights are used to develop targeted and scalable improvements that can be and often are, used in collaboration with our RSPs to improve customer service. These include:

Aware, choose & connect

- transformed field workforce and operations to improve forecasting, appointment management and scheduling of technicians
- new systems to match technician skills to jobs, ensuring better and more accurate service.

Use

- continued work with RSPs to address in-home wiring issues, modem standards, Wi-Fi performance, and customer education programs that can impact connectivity and download speeds experienced in the home
- new processes for how NBN Co communicates network maintenance and repairs to ensure customers are notified in advance and with minimum disruption
- information programs to educate customers about what broadband options can best suit their needs.

Fix

- reduced impacts of unplanned network outages by systematically addressing the key drivers of outages like third party power impacts and equipment failure
- new systems, processes, and enhanced training to improve customer service accountability between NBN Co and RSPs
- piloted a 'service health' summary tool for RSPs to have the same access and visibility to NBN Co network/service data so they can better diagnose and resolve customer issues on the **nbn™** network.

The above initiatives have helped improve customers' connection experience in FY20, with agreed installation times met with RSPs on 96 per cent of occasions and 93 per cent of activations connected right first time in June 2020. In addition, the prevalence of faults after connection was 0.7 faults after connection per 100 homes and businesses connected (in June 2020) and NBN Co met agreed fault restoration times 92 per cent of the time in June 2020. Furthermore, strong performance trends in customer advocacy during FY20 have resulted in record low DSAT (Dissatisfaction) and record high OSAT (Satisfaction) scores being achieved.

2 Where the bandwidth profile is expressed as a range, the range shows the maximum PIR which may be achieved at the **nbn™** Network Boundary for the relevant bandwidth profile. The PIR can fall anywhere in the range for the relevant bandwidth profile in respect of a particular AVC TC-4 used to serve a Premises (they are not minimum-maximum PIR ranges).

3 Regardless of the retail service customers purchase, the actual wholesale speeds delivered by the NBN Co 1000 wholesale speed tier product will be less than 1Gbps due to equipment and network limitations. Reference to speeds are not end user speeds; they are wholesale layer 2 peak information rate bandwidth provided to the RSP.

4 For the HFC Home Ultrafast bandwidth profile, the layer 2 wholesale downstream service will be configured at the layer 2 network management to a Maximum Sustained Information Rate of 750Mbps with the potential to burst up to a maximum of 990Mbps (depending on but not limited to, the Frame Size and line speed capability - see note 2 above) at potential burst durations between 1 to 50 seconds at least once a day (see section 2.2.2.5 of the **nbn™** Ethernet Product Technical Specification).

Going forward, NBN Co will continue its strong focus on being customer-led by developing compelling value propositions for our RSPs and customers.

Some of these new programs of work include:

Excellent product experience

- redefining NBN Co's roadmap to vastly simplify our product proposition
- increasing the availability of high-speed tier coverage
- evolving the Company's pricing and products to continue to provide value to our customers and retail partners.

Service excellence

- focusing on collaboration and co-design with RSPs on key areas for improvement, including outage management and outage communications to customers, and improved fault diagnosis and faster resolution processes
- investing in the in-home experience to improve internal wiring, Wi-Fi and general set up
- improving digital service and self-help tools for both RSPs and customers
- new education campaigns to help customers optimise their broadband services
- new programs to better understand the needs and wants of customers.

Focus on RSPs and customers



Increased RSP collaboration, including a pilot to upskill contact centre staff, delivering automated solutions and support with customer scheduling through two-way SMS and RSP webchats



Published **educational campaigns via traditional and digital media channels** to provide tips on getting the right speed plans and how to optimise home set-up



Raised awareness and provided information across all media channels and through targeted community engagement to help customers protect themselves against scams

Business

NBN Co's business segment was created in 2017 with the aim of supporting internet providers to meet the various broadband needs of Australian businesses, large and small so they can continue to grow and stay competitive.

NBN Co's presence in the business market has helped trigger significant competition in the market with smaller RSPs delivering services in metropolitan and regional areas and providing businesses with a range of specialised products and services.

In FY20, the Company increased its focus on business customer experience by driving awareness through education for the business market and developing a range of tools to make it easier for businesses to connect to **nbn**TM services under the banner of business **nbn**TM.

These included:

- launching business **nbn**TM marketing campaigns to help customers differentiate a business **nbn**TM service from a residential **nbn**TM service. Internal insights revealed that a business grade connection leads to greater satisfaction
- doubling the size of the **nbn**TM Business Operations Centre (BOC) team to more than 200 professionals. This team offers 24/7 support to RSPs to support business customers with dedicated and specialised service
- publishing the Solution Finder and Business Readiness Tools to help educate businesses on offerings that would best suit their requirements and help create tailored checklists for connecting services over the **nbn**TM network.

Working closely with RSPs, the supply of business-grade products and services has helped business **nbn**TM reach a number of milestones, including:

- connecting more than one million business customers to the **nbn**TM network. Business customers are unlocking the full potential of the **nbn**TM network through products that offer options to RSPs such as priority data over the **nbn**TM network, symmetrical uploads and download speeds and dedicated fibre between the Fibre Access Node (FAN) and the end customer's premises¹
- signing up more than 1,000 business customers for **nbn**TM Enterprise Ethernet, which provides access to symmetrical wholesale download and upload speeds of close to 1Gbps² across broad geographies and distributed sites
- launching business **nbn**TM Satellite Services (BSS) in November, which provides business-grade connectivity options to businesses in regional and remote Australia.

NBN Co will continue to partner with RSPs to support small and medium businesses nationally and to launch products and services required in regional areas and to improve access to enterprise-grade services. By developing improved product and service offerings, NBN Co is working to be the network of choice to help lift the digital capabilities of Australian businesses.

1 business **nbn**TM is not available on the **nbn**TM fixed wireless network. These options are not available on business **nbn**TM Satellite Service. Priority data and symmetrical speed options also not available on HFC.

2 Regardless of the retail service you purchase, the actual wholesale speeds delivered by the **nbn**TM Enterprise Ethernet product will be less than 1Gbps and no more than 952Mbps due to equipment and network limitations. **nbn**TM Enterprise Ethernet is only available on the **nbn**TM fixed line network. Your experience, including the speeds actually achieved over the **nbn**TM network, depends on some factors outside our control (like your equipment quality, software, and how your service provider designs its network).

Industry engagement

Delivering a great customer experience will involve working even more closely with the industry – RSPs, universities, research partners and regulators – and customers to maximise the benefits and value of the **nbn**TM access network.

NBN Co's technology innovation program has established formal partnerships with a number of universities, the CSIRO, and key network and systems suppliers. These partnerships enable NBN Co to explore technology developments such as Software Defined Networking, Machine Learning/Artificial Intelligence and evolutions in access network technologies, that help guide and refine NBN Co's 10-year technology strategies.

Research projects with universities continue to provide NBN Co with greater understanding of emerging technologies, and their applicability to the **nbn**TM network in the long-term. For example, collaborative research into areas such as 5G has improved NBN Co's understanding of antenna properties for millimetre wave spectrum, and traffic scheduling options for optimising Customer Experience. These examples help NBN Co optimise its strategy for future 5G deployment. Investigations into emerging service delivery architectures have helped NBN Co better understand future options for managing increased data consumption and application demands.

Partnering with the CSIRO has opened opportunities for NBN Co to participate in studies of national significance, such as research programs to inform emerging policy and industry development in the post-COVID-19 environment.

In working closely with its key suppliers, NBN Co continues to explore the next generation of access technologies (e.g. ngPON, DOCSIS[®] 4.0, 5G) in real-world environments, helping determine their suitability to the **nbn**TM network in the long-term. These studies help NBN Co plan its network evolution in an optimal way.

NBN Co is expanding its technology innovation program to accommodate broader industry research, that will deliver ongoing improvements and efficiencies in end-to-end service delivery.

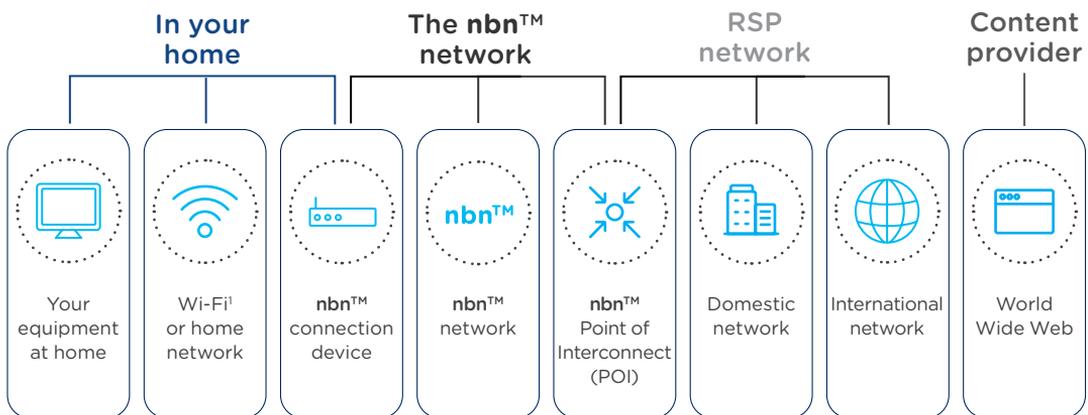


Going forward NBN Co will:

- maintain periodic Wholesale Pricing Reviews with RSPs and industry groups, as established in FY20, including the publication of a roadmap showing wholesale pricing discounts and data inclusions for the TC-4 Bundles Discount to provide the industry with certainty on future pricing
- continue to consult with RSPs to further optimise wholesale service standards through a revised Wholesale Broadband Agreement (WBA) contract. The agreement is designed to ensure clear lines of responsibility for the different parts of the end-to-end service between NBN Co and the RSPs
- deepen the collaboration with RSPs and regulators to drive customer experience, such as continuing to innovate on products that reduce congestion, and better meet customer needs
- continue to collaborate with universities and research partners, to develop new technologies that will improve the customer experience of the **nbn**TM network.

It is important to note that while the Company continues to focus on customer experience, the **nbn™** network is only one part of a complex value chain that influences the service and satisfaction of customers. Customers may still be impacted by the state of wiring inside their homes, the quality of their networking equipment (including routers and modems) and the strength of Wi-Fi signal available on their devices – matters which are ordinarily addressed through direct customer interactions with their RSPs. Customers' experiences of the **nbn™** network will also be influenced by the

amount of connectivity virtual circuit (CVC) purchased by their RSPs, which will affect the performance of their service during peak time. Therefore, NBN Co will drive a joint industry agenda, collaborating with RSPs, regulators, policymakers and broader industry stakeholders to drive improved customer outcomes, including addressing factors that are outside NBN Co's control but nevertheless impact customer experience. In collaboration with the industry, any gaps will be identified and a program of works implemented for the benefit of the wide range of customers using the **nbn™** network.



1 Your Wi-Fi device may be provided by your RSP or you can choose to purchase your own. The quality or type of device may affect your experience.

Environmental impact

🔗 NBN Co values the environment and communities in which it operates.

Through its integrated HSE management system, NBN Co is committed to implementing principles that include:

- establishing targets to reduce the Company's environmental impact
- adopting ecologically sustainable development principles
- protection and management of heritage, including places and objects of cultural heritage significance to Aboriginal and Torres Strait Islander peoples.

These principles are now further supported by developing NBN Co's Sustainability Program, which focuses on social, economic, and environmental considerations, including climate change.

NBN Co aims to preserve and minimise the impact on the natural environment, reduce the Company's overall energy consumption and waste to landfill, and preserve sites of cultural heritage significance.



NBN Co is committed to protecting the natural environment, areas of cultural heritage significance, and operating a low carbon and climate resilient network.

Our performance

NBN Co has lead and lag metrics tracked against targets, to measure HSE performance and help ensure specifically in regards to the environment:

- there is progress in delivering the program of initiatives to achieve our carbon emissions reduction target
- the amount of waste from NBN Co facilities that is recycled increases over time
- the frequency of HSE incidents with the potential to cause serious harm to the environment decreases over time
- environmental incidents are reported on time
- actions from environmental incidents, hazards and audits are closed in an appropriate and reasonable timeframe.

In FY20 energy use and waste generation continued to increase in line with build and connection activity. However, with the completion of the initial build¹, the rate of environmental incidents has steadied. Incident trends were similar to prior years, with the most common types of incidents related to impacts from the release of waste and physical damage from build activities.

In response, during FY20 NBN Co has continued to implement energy efficiency projects and solutions to expand recycling of facilities and network waste, maintained focus on environmental, cultural and heritage protection controls and assurance, and aligned systems and processes to changing business requirements.



¹ For further details on the initial build, refer to footnote 1 on page 6.

Energy efficiency, climate action and resilience

NBN Co's greenhouse gas emissions and climate change are material environmental issues to NBN Co.

The Company is committed to addressing our carbon footprint, and understanding and proactively managing the impact of climate-related risks (such as increased frequency of extreme weather events) on NBN Co.

In FY20 a program was established that aims to reduce greenhouse gas emissions by a cumulative total of 91 kT over a three-year period, and result in a 15 per cent reduction in the FY23 forecast emissions.

Solar power purchase agreement negotiated, forecast to be equivalent to 17% of power demand in FY23



During FY20 this program included:

- negotiating a solar power purchase agreement which will see a new solar farm developed to provide 80GWh/yr of renewable energy and associated Renewable Energy Certificates over ten years
- continuing the transition of the NBN Co real estate footprint into more energy efficient buildings, with the five green star rated building in North Sydney
- commencing deployment of a NBN Co developed automated capability to put network line cards into a low power state when not in use to reduce energy consumption.

NBN Co has also taken actions to respond to the challenges of climate change and to improve the resilience of the network.

In FY20, these actions included:

- developing and trialling solar renewable energy and battery technology through a Solar Hybrid Power Cube, to power a Fixed Wireless site. This technology replaced an off-grid diesel generator, providing a largely renewable energy solution to a site where no mains power is available
- participating as a member of the New South Wales Government's Cross Dependency Initiative (XDI) Sydney, which assessed climate risks to NBN Co infrastructure in the Sydney Basin.

Sustainable financial growth



FY20 was another period of strong financial performance for NBN Co, exceeding Corporate Plan targets, generating strong revenues and moving towards a cash flow positive position.



- ❖ **NBN Co is focused on growing revenues and profitability. This will enable reinvestment in network upgrades and operations to continuously improve and evolve its products, processes and technologies to benefit Australians.**

Our approach to financial performance

NBN Co's purpose is to lift the digital capability of Australia. As part of this, the Company must remain focused on growing its earnings position and reaching cash flow positive status in the near term. This is essential to enable reinvestment in the network to meet customer demand; to meet debt and contractual lease obligations; and to generate a modest return on the Australian taxpayers investment in the Company.

How we manage financial performance

When measuring financial performance NBN Co is focused on growing revenue and EBITDA before subscriber costs and reaching cash flow positive status in the near term. Despite this year's many challenges, the Company recorded strong growth in these core financial metrics in FY20, exceeding its Corporate Plan targets for revenue and EBITDA before subscriber costs. For detailed information on our FY20 financial performance, refer to pages 56 to 61 of this report.



Investing in the future

The value of the **nbn**[™] network to the nation and the strength of the NBN Co business model and asset base was underlined this year as the Company completed its inaugural, long-term borrowing from private debt markets with the addition of credit facilities totalling \$6.1 billion. These funds provide the Company with flexibility to maintain a financially prudent level of liquidity and the opportunity to accelerate value accretive investments over the coming years.

Coupled with our growing revenue base and trajectory towards positive cash flows, these funds will also allow NBN Co to target new investments and help accelerate economic growth in the post-pandemic world.

Going forward new investments have been targeted for:

- continuing to connect new homes and businesses
- opportunities to increase availability of high-speed business grade services
- ongoing investment in HFC, Fixed Wireless and Transit capacity, which underpins the performance of all network technologies to support usage growth, particularly in rural and regional areas
- simplification of IT systems to deliver operational synergies and opex reduction
- customer experience initiatives to continually improve satisfaction levels.

In addition to the above, the Company will continue to reinvest in the **nbn**[™] network to meet the future speed and capacity requirements of our customers.



Financial performance

Financial highlights

For the year ended 30 June	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Financial performance					
Total revenue	3,837	2,825	1,978	1,001	421
Operating expenses	(2,071)	(2,217)	(2,081)	(1,827)	(1,411)
EBITDA before subscriber costs	1,766	608	(103)	(826)	(990)
Subscriber costs	(2,414)	(1,903)	(1,948)	(1,573)	(582)
EBITDA ¹	(648)	(1,295)	(2,051)	(2,399)	(1,572)
Loss for the year	(5,239)	(4,878)	(4,780)	(4,244)	(2,750)
Financial position					
Total assets	36,850	32,757	28,203	24,127	18,552
Contributed equity	29,500	29,500	29,500	27,465	20,275
Capital expenditure ²	5,038	5,905	5,713	5,838	4,669
Related party borrowings	19,458	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.

During the year, the Company recorded strong growth in its core financial metrics, significantly exceeding its Corporate Plan targets for revenue and EBITDA before subscriber costs.

In FY20, total revenue grew by 36 per cent to \$3.8 billion. This was driven by the significant increase in the residential and business customer base and the faster than expected take-up of services by customers with the Company exceeding its FY20 activations target two months ahead of schedule.

On a reported basis, operating expenses decreased by seven per cent to \$2.1 billion. Reported operating expenses have been impacted by the adoption of the new accounting standard on leases (AASB 16 *Leases*). In accordance with the requirements of this standard, certain lease and right-of-use arrangements are no longer accounted for as operating expenses and are now recognised on the balance sheet.

Adjusting for the impact of AASB 16, underlying operating expenses increased by two per cent or \$47 million. This increase is in line with expectations and is due to higher

direct network costs associated with operating an expanded network with a significantly larger customer base.

EBITDA before subscriber costs grew to \$1.8 billion driven by the strong growth in revenue.

Subscriber costs of \$2.4 billion continue to reflect payments to Telstra for the disconnection of existing services and to Optus for the migration of subscribers to services over the **nbn**[™] access network. These costs are expected to virtually cease by FY22 and, therefore do not reflect ongoing activities.

The statutory loss for the year of \$5.2 billion is in line with expectations and reflects the current stage of the Company's life-cycle with significant upfront investment in the network build and customer activations, illustrated through depreciation and amortisation expense and subscriber-related expenditure.

Total assets increased by 12 per cent to \$36.9 billion driven by the increase in network assets as the initial build¹ was completed.

1 For further details on the initial build, refer to footnote 1 on page 6.

Related party borrowings as at 30 June 2020 were \$19.5 billion, with the cost of debt remaining fixed at 3.96 per cent. As at 30 June 2020, the Company had not drawn down on the available credit facilities totalling \$6.1 billion that were entered into during the year.

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

Revenue

For the year ended 30 June	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Telecommunications revenue	3,645	2,643	1,818	922	403
Other revenue	192	182	160	79	18
Total revenue	3,837	2,825	1,978	1,001	421

Telecommunications revenue increased by 38 per cent to \$3.6 billion driven by the significant growth in the customer base with almost 7.3 million homes and businesses now connected to services over the **nbn**[™] access network.

Telecommunications revenue includes residential and business segment revenue. Residential telecommunications revenue increased by 37 per cent to \$2,979 million and telecommunications revenue from the business segment increased by 40 per cent to \$666 million.

Residential Average Revenue Per User (ARPU) increased from \$44 in the prior year to \$45 in FY20. The increase in residential ARPU was driven by the take-up of higher speed tier plans by customers and the continued growth in data consumption, but offset by pricing and data inclusion changes following industry consultation through the Company's 2019 Wholesale Pricing Review and COVID-19 response initiatives to support the nations broadband needs throughout the pandemic.

Other revenue of \$192 million includes revenue from developers, commercial works activities and the Technology Choice Program, as well as licensing fees.

FY20



■ Residential telecommunications revenue
■ Business telecommunications revenue

FY19



■ Residential telecommunications revenue
■ Business telecommunications revenue

Operating and other expenditure

For the year ended 30 June	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
Operating expenditure					
Direct network costs	641	746	691	537	407
Employee benefits expenses	877	867	787	751	601
Other operating expenses	553	604	603	539	403
Total operating expenditure	2,071	2,217	2,081	1,827	1,411
Other expenditure					
Subscriber costs	2,414	1,903	1,948	1,573	582
Depreciation and amortisation expense	3,154	2,614	2,167	1,488	884
Net finance costs	1,460	993	580	368	293

Following the adoption of the new accounting standard AASB 16 *Leases* from 1 July 2019, certain operating expenses and right-of-use arrangements are no longer accounted for as operating expenses and are now recognised on the balance sheet as a right-of-use asset and lease liability. The impact of these accounting requirements decreased reported operating expenditure by approximately \$193 million in comparison to the prior year. The reduction in reported operating expenditure is offset by increased depreciation and amortisation expense and finance costs.

The adoption of AASB 16 has impacted the reported expenditure for direct network costs and other operating expenses.

Operating expenditure

- Adjusting for the impact of AASB 16, direct network costs increased on an underlying basis by six per cent. These costs directly relate to operating the **nbn**TM access network and have increased due to the expanded footprint of the network and the growth in the number of residential and business customers. The increase in these costs primarily relates to service assurance, maintenance and restoration activities, rental of network infrastructure, and network power.
- Employee benefits expenses remained relatively flat. The three per cent reduction in the average number of employees and temporary contractors over the past twelve months was offset by annual CPI increases and a change in the resourcing needs as the Company continues to evolve.

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).

- Adjusting for the impact of AASB 16, other operating expenses have also remained flat. These costs are associated with IT and software applications, outsourced business operations, strategic consulting, legal and regulatory services, communication and public information provision, commercial properties and other employee-related expenditure.

Other expenditure

- Subscriber costs increased by 27 per cent to \$2.4 billion due to the growth in customer activations and the timing of associated disconnections and migrations.
- Depreciation and amortisation expense increased by 21 per cent to \$3.2 billion primarily due to the growth in network assets.
- Net finance costs increased by 47 per cent to \$1.5 billion. These costs primarily relate to interest on related party borrowings and finance charges relating to accounting for assets under a lease or right-of-use arrangement under AASB 16. These charges have increased in line with the growth in borrowings and infrastructure supplied by Telstra under right-of-use arrangements and the recognition of a greater number of 'accounting' leases following the adoption of AASB 16.

Cash flows

For the year ended 30 June	2020	2019
	\$m	\$m
Net cash flows used in operating activities (excluding subscriber costs)	1,692	587
Payments for subscriber costs (excluding GST)	(2,544)	(1,702)
Net cash flows used in operating activities (including subscriber costs)	(852)	(1,115)
Net cash flows used in investing activities	(5,280)	(5,743)
Net cash flows provided by financing activities	5,956	6,785
Net decrease in cash and cash equivalents	(176)	(73)

- Net cash flows used in operating activities (excluding subscriber costs) increased to \$1.7 billion due to the significant growth in revenue.
- Payments for subscriber costs increased by 49 per cent to \$2.5 billion, reflecting the timing of activations and associated cash payments.
- Net cash flows used in investing activities reflect the cost of completing the initial build¹, connecting customers at scale and ongoing capital investments in the network.
- Net cash flows provided by financing activities reflect the drawdown of debt (\$7.4 billion) offset by interest charges on borrowings (\$649 million) and finance leases payments primarily relating to right-of-use arrangements over infrastructure provided by Telstra (\$800 million).

1 For further details on the initial build, refer to footnote 1 on page 6.

Capital expenditure¹

For the year ended 30 June	2020 \$m	2019 \$m	2018 \$m	2017 \$m	2016 \$m
FTTP network	479	395	350	431	1,078
FTTN/B network	847	1,181	1,639	2,259	1,668
FTTC network	1,491	1,428	827	93	-
HFC network	974	1,540	1,306	1,260	412
Fixed Wireless network	456	443	353	317	354
Satellite network	69	70	72	201	135
Transit network	156	207	451	527	288
Common capital expenditure	566	641	715	750	734
Total capital expenditure	5,038	5,905	5,713	5,838	4,669

In FY20, NBN Co invested \$5.0 billion in capital expenditure. In addition to completing the initial build² and connecting customers at scale, significant investments continued in customer experience initiatives to raise the quality and performance of the network.

Capital expenditure continued on the FTTP network, relating to the Greenfields network, and connecting customers to the Brownfields network. In addition, investments in the development of enterprise-grade capabilities to service the business segment, which include extending fibre infrastructure to businesses, are reported in this category and continue to grow.

Capital expenditure on the FTTN/B, FTTC and HFC networks primarily relates to construction and connection activities in the rollout of these technologies.

Capacity upgrades continue on the fixed wireless network and reflect approximately 60 per cent of the capital expenditure during the year on this part of the network.

Capital expenditure on the Transit network has continued to cater for both the demand for increased capacity and the growth in the customer base.

Investments have also continued on network platforms, business support systems, product development and data quality, which is reflected in common capital expenditure.

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

2 For further details on the initial build, refer to footnote 1 on page 6.

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 30 June 2019.

Greenfields FTTP network

The CPP decrease during the period is driven by efficiencies in the build.

FTTN/B network

The CPP increase during the period is primarily driven by higher civil works, the increasing percentage of FTTP premises across the build, and higher connection costs for activations.

FTTC network

The CPP increase is due to greater civil works required in the build and higher customer connection costs.

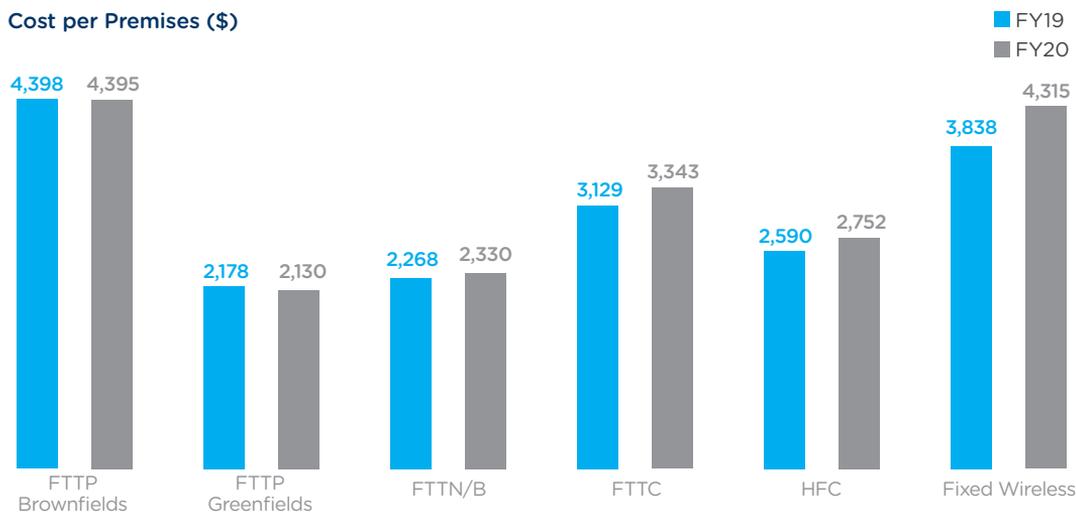
HFC network

The CPP increase during the period reflects further capacity upgrades and the higher volume of new lead-in conduits and civil works required in the later stages of the initial build¹.

Fixed Wireless network

The CPP increase during the period is primarily due a reduction in the estimated number of premises within areas serviced by the Fixed Wireless network. The CPP at 30 June 2020 includes the impact of a reduction of approximately 90,000 premises and as the estimated premise count is the denominator within the CPP calculation, this has resulted in a higher average CPP. As outlined in the Corporate Plan 2020–23, the premises adjustment has been applied following a full analysis of available premises data within the fixed wireless areas.

Cost per Premises (\$)



¹ For further details on the initial build, refer to footnote 1 on page 6.

Risk management

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?

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

Overview of risks

The challenges related to building and scaling the network and improving the customer experience remain central to the Company's risk profile. However, the business risks have evolved to incorporate the challenges of undertaking a major transformation program and managing the impacts of COVID-19.

COVID-19 continues to have a profound impact on the telecommunications industry and Australia more broadly. To support the country's network needs during the crisis, significant industry-wide steps were taken to help facilitate high-speed and reliable access for Australians. How the industry responds in the longer term will be closely monitored.

Key corporate risks and COVID-19 implications

Health and safety of employees, contractors and the public

NBN Co and its partners must operate in a manner that prioritises the health and safety of its staff, contractors, and the public. COVID-19 has heightened risks associated with physical and psychological safety and the wellbeing of NBN Co employees, contractors and customers. The workplace in particular presents challenges to maintain appropriate

social distancing controls to minimise risks of transmission while COVID-19 remains active. These challenges are managed through a risk based HSE management system and regular testing of partner and internal practices.

Ensuring the security of NBN Co people, information and critical infrastructure

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. Globally, the cyber threat environment has increased, with COVID-19 themed phishing and ransomware more prevalent. Physical attacks against telecommunications infrastructure attributed to COVID-19 conspiracy theories linked to 5G technology have also taken place. To manage security threats to critical network assets, people and information, NBN Co operates a best practice security model, with aligned security structures, processes and systems.

Welfare of customers connecting and using the network

NBN Co and its partners must operate in a manner that protects the welfare of customers, including the remaining customers migrating onto the network and vulnerable customers for whom it is critical to have reliable connectivity. Robust processes and industry agreements are in place to manage migration activities and ensure the reliability of the nbn™ network.

Executing company transformation whilst maintaining operational commitments

NBN Co must continue to transform its workforce, technology and processes to deliver its customer-led strategy with a competitive cost base, agile digitally-enabled processes, customer-led workforce and simplified technology environment. COVID-19 has impacted the timing of certain transformation initiatives, that are expected to be recovered in FY21. These activities must be navigated against a complex backdrop of managing a safe return to the workplace and overall economic recovery. Transformation efforts are governed and coordinated through a central transformation office.

Resilience of NBN Co's network and operations to extreme environmental conditions

NBN Co is an operator of critical national communications infrastructure, and 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. The COVID-19 pandemic in addition to the December 2019 and January 2020 Black Summer bushfires has highlighted the risk that NBN Co is required to increase investment in resilient infrastructure above its planned level of investment. A business resilience framework is adopted to manage the impact of adverse events, which includes robust business continuity, incident management and crisis management structures.

Meeting increasing network performance expectations within commercial constraints

NBN Co must balance commercial considerations with stakeholder expectations in relation to network speed, capacity and congestion targets across the **nbn™** network access technologies. These expectations have been increased by COVID-19, which has profoundly changed how the network is used as working from home becomes more prolific. A material demographic shift from cities to regional or urban fringe areas, would further impact the way network capacity is managed and timing of capacity upgrades. Extensive data analytics, performance monitoring tools and industry research is undertaken to inform network forecasts and planning.

Responding to infrastructure competition and wireless substitution (incl. 5G) with competitive products

NBN Co must actively manage the impact of infrastructure competition and mass market offerings for business and residential segments through competitive products and pricing constructs that generate positive brand awareness in the market. Longer term, while COVID-19 has reinforced the value of connectivity, it has also placed pressure on industry revenues, which is likely to result in alternate fixed and mobile

infrastructure providers competing more aggressively as the economy recovers. External threats and opportunities are actively monitored, and product strategies adjusted accordingly.

Impact of COVID-19 on business markets

NBN Co must navigate the economic impact of COVID-19 on the business sector and the resultant uptake of business-grade services. This is compounded by businesses actively looking to reduce their office footprints.

Close senior executive oversight of the external economic environment is undertaken, with challenges and opportunities managed through executive sponsored initiatives.

Maintaining customer experience, trust and sentiment in the market

NBN Co must maintain positive customer experience and market sentiment in an environment where COVID-19 has increased network performance expectations and impacted the capacity of the industry's customer facing processes to meet demand. Community trust can be adversely impacted if the **nbn™** network and industry more broadly does not meet customer expectations on an ongoing basis. Extensive independent research and internal analysis of customer experience is undertaken, with key insights built into operational performance metrics.

Balancing potential increases in regulatory obligations with cost base and revenue requirements

NBN Co appreciates that there will always be a need for regulators to be assured of its business segment activities and continued focus on residential pricing, service levels and customer experience. While COVID-19 has increased industry cooperation, NBN Co must ensure that COVID-19 response plans and industry initiatives are effectively managed alongside regulatory obligations. Strong relationships with key regulatory and government stakeholders are maintained, with an emphasis on proactive engagement, while material obligations are actively managed through a formal compliance management program.

Outlook



As NBN Co transitions from its construction phase into a mature customer-led service organisation, it will continue to strengthen its focus on helping residential and business customers connect and get the best possible experience from their broadband service.



➤ **With more than 11.7 million homes and businesses now able to connect, the initial build¹ of the nbn™ network is complete. While this was an important milestone for the Company, it certainly is not the end goal for NBN Co.**

Almost 7.3 million homes and businesses are now experiencing the benefits of the nbn™ network every day and more than eight million customers are expected to be connected to the nbn™ network within the next twelve months.

As NBN Co transitions from its construction phase into a mature customer-led service organisation, it will continue to strengthen its focus on helping residential and business customers connect and get the best possible experience from their broadband service.

Future investments in NBN Co's business, people and operations will be underpinned by two major sources of funding:

- the Company's trajectory to become cash flow positive
- the Company's inaugural, long-term borrowing from private debt markets.

The securing of these credit facilities will help NBN Co continue the job of connecting customers at scale and provide flexibility to maintain a financially prudent level of liquidity, and the opportunity to accelerate value accretive initiatives.

NBN Co's purpose to lift the digital capability of Australia is underpinned by six strategic pillars that continue to guide the Company's goals and objectives. A summary of the Company's future performance objectives against each of these strategic pillars is provided on the following pages.

1 For further details on the initial build, refer to footnote 1 on page 6.

Our strategic pillars



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

The Company continues to strive for excellence in delivering a resilient and secure broadband network, while also taking a long-term approach to enhance network capability over time.

In FY21 and beyond NBN Co will be focused on the following performance outcomes:

- continuing construction as new premises are added to the nation's housing stock and businesses connect to the **nbn**TM network with an estimated 12 million premises RTC by June 2021
- complete the construction of approximately 100,000 complex premises that involve connecting some of Australia's outlying islands, difficult-to-access sites, culturally significant areas, heritage sites and regions that have been impacted by natural disasters. 80 per cent of these premises are forecast to be RTC by the end of the 2020 calendar year
- targeted programs and initiatives to connect underserved customer segments including those who rent and senior Australians
- implementing its technology road map to increase speed and capacity as demand increases
- continued investment in security resources and capabilities to ensure the network remains secure, reliable and resilient.



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

The Company's culture continually evolves to build expertise, work practices and capabilities that support our customer-led strategy.

The Company is committed to keeping NBN Co a great place to work and in the coming years will be focused on:

- continuing to keep our people safe and well, champion sustainability, foster a diverse and inclusive work environment and maintain high engagement of our people
- ensuring our values are demonstrated through our day-to-day behaviours, including how we communicate and manage change
- transitioning our workforce to meet the demands of a customer-led service organisation, considering specialist capability in areas of competitive advantage
- increasing female representation in senior management roles to 40 per cent by FY25.



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

The Company listens to its customers and designs products and services that drive customer satisfaction, use and network preference.

In FY21 NBN Co will continue to connect customers at scale with the aim of having more than eight million premises connected to the **nbn™** network by June 2021. Going forward NBN Co will focus on the following customer experience initiatives:

- continued evolution of use, fix and connect initiatives to further improve customer experience metrics
- deepen the collaboration with RSPs and stakeholders to drive customer experience improvements for residential and business customers
- reinvestment in the network to increase capacity as demand increases.



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

NBN Co will continue to adapt its pricing and products to meet the evolving needs of all customers, from entry-level to high-speed and high-use residential and business customers.

In the coming years NBN Co will continue to invest in high-speed products for residential and business customers while also focusing on serving low-income segments of the population and low-usage customers through affordable products.



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

Delivering a great customer experience will involve working even more closely with the industry, RSPs, stakeholders, regulators and customers to maximise the benefits of the nbn™ network.

Going forward NBN Co will continue to focus on the following:

- collaboration with RSPs to further optimise wholesale service standards. This will be facilitated through a revised Wholesale Broadband Agreement (WBA) which aims to ensure clear lines of responsibility for the different parts of the end-to-end service between NBN Co and the RSPs
- deepening the collaboration with RSPs and regulators to drive customer experience by continuing to innovate on products in order to meet customer needs
- collaboration with universities and research partners to develop new technologies that will improve the customer experience of the nbn™ network
- identifying co-investment opportunities with state and local governments
- continue with a dedicated focus on supporting the needs of regional and rural Australia.



6. Build capabilities for the future and grow profitability to enable reinvestment to benefit our customers

NBN Co is focused on growing revenues and profitability to enable reinvestment in network upgrades and operations and to continuously improve and evolve its products, processes and technologies.

Going forward, NBN Co will be focused on growing revenue and EBITDA on an annual basis, generating free cash flow and targeting value accretive investments that enhance network and business performance.

Board of Directors



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 Bill Morrow as Chief Executive Officer. His current term will expire on 2 October 2022.

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 Tabcorp Holdings Limited, 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

Nil

Other Current Appointments

Dr Switkowski is Chancellor of RMIT University.

Board Committee Memberships

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

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



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, Secretary of the Department of Communications, and Chief of Staff in the Office of the Prime Minister. 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.

Other Current Appointments

Nil

Board Committee Memberships

Mr Clarke is a member of NBN Co's 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 Non-Executive Director of CSIRO, a Council member of the Australian Institute of Company Directors (WA) and, an Advisory Board member of the SMART Infrastructure Facility (University of Wollongong).

Ms In't Veld 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, Alumina Ltd and Northern Star Resources Limited 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 primarily concerned with technology. iiNet's values reflected Mr Malone'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), the .au Domain Administration (as a founder and Chairman), and Diamond Cyber Security. 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's Charles Todd Medal. Mr Malone is also 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 a Director of Seven West Media Ltd, Speedcast International Ltd and the Axicom Group.

Other Current Appointments

Mr Malone is a Committee member of the Advisory Council for Regional and Small Publishers Innovation Fund.

Board Committee Memberships

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



Ms Kate McKenzie

Non-Executive Director

Term of Office

Ms McKenzie was appointed as a Director effective 1 December 2019. Her current term will expire on 30 November 2022.

Skills, Experience and Qualifications

Ms McKenzie is a highly regarded and experienced telecommunications executive. Most recently she was Chief Executive Officer of Chorus NZ from 27 February 2017 to 20 December 2019.

Prior to joining Chorus, Ms McKenzie was Chief Operating Officer of Telstra. She joined Telstra in 2004 and held a range of senior executive roles in strategy, marketing, products and wholesale. Ms McKenzie has a passion for innovation and technology and for customer centricity and has an impressive track record in delivering growth, productivity and change management.

Ms McKenzie also has significant corporate governance experience having previously been on the boards of Allianz Australia Limited, Foxtel, Sydney Water, Reach, CSL and Workcover. Prior to her experience at Telstra, Ms McKenzie was involved in a number of micro-economic reform initiatives, including the sale of a bank and an insurance company, sale of water assets and the establishment of the national electricity market.

Ms McKenzie has a Bachelor of Arts and Bachelor of Laws with a strong track record in understanding government and regulatory environments. She is also a member of Chief Executive Women, has served on the Telstra Foundation, Telstra's philanthropic arm and has had a long history of involvement in promoting the interests of indigenous communities.

Current Company Directorships

Ms McKenzie is a Non-Executive Director of Stockland Corporation Limited.

Other Current Appointments

Nil

Board Committee Memberships

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

Other Current Appointments

Nil

Board Committee Memberships

Ms McKenzie is a member of NBN Co's Audit and Risk Committee, and 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 of 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 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 Energy Security Board.

Other Current Appointments

Dr Schott is a member of First State Super's Direct Asset Committee.

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 Patrick Flannigan

Non-Executive Director

Term of Office

Mr Flannigan was first appointed as a Director effective 11 November 2013. His terms of office came to an end effective 10 November 2019.

Mr Justin Milne

Non-Executive Director

Term of Office

Mr Milne was first appointed as a Director effective 11 November 2013. His terms of office came to an end effective 10 November 2019.

Board and Committee meetings

The number of Board and Committee meetings held during FY20 and the attendance by Directors at those meetings is 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 FAA FTSE FAICD ¹	10	10	05	05	02	02	06	06
Mr Drew Clarke AO PSM	10	10	-	-	02	02	06	06
Mr Patrick Flannigan ²	04	03	02	01	-	-	02	02
Ms Shirley In't Veld	10	09	05	05	02	02	-	-
Ms Kate McKenzie ³	05	04	02	02	02	01	03	03
Ms Zoe McKenzie ⁴	10	09	02	02	02	02	-	-
Mr Michael Malone ⁵	10	09	03	03	02	01	04	03
Mr Justin Milne ⁶	04	04	-	-	-	-	02	02
Mr Stephen Rue ⁷	10	10	05	05	02	02	06	06
Dr Kerry Schott AO ⁸	10	10	05	05	02	02	-	-

(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 attended Audit and Risk Committee meetings ex officio. He also attended People and Remuneration Committee meetings ex officio until such time as he was appointed Chair of the People and Remuneration Committee effective 19 November 2019. Dr Switkowski was also Chair of the Nominations Committee during the reporting period from 1 July 2019 to 30 June 2020.
- 2 Mr Patrick Flannigan was a member of the Board, Audit and Risk Committee, Nominations Committee and People and Remuneration Committee during the reporting period from 1 July 2019 until the end of his term as a Non-Executive Director on 10 November 2019. Mr Flannigan attended the Nominations Committee and Board meetings held on 17 December 2019 as a guest at those meetings.
- 3 Ms Kate McKenzie was appointed to the Board effective 1 December 2019 at which time she was also appointed as a member of the People and Remuneration Committee and Nominations Committee. Ms McKenzie was appointed a member of the Audit and Risk Committee effective 4 February 2020. She attended an Audit and Risk Committee meeting held on 3 February 2020 as a guest, prior to her appointment as a Committee member.
- 4 Ms Zoe McKenzie was appointed a member of the Audit and Risk Committee effective 4 February 2020. She attended an Audit and Risk Committee meeting held on 3 February 2020 as a guest, prior to her appointment as a Committee member.
- 5 Mr Michael Malone was a member of the Audit and Risk Committee during the reporting period from 1 July 2019 until his retirement from the Committee effective 4 February 2020. Mr Malone was appointed as a member of the People and Remuneration Committee effective 19 November 2019.
- 6 Mr Justin Milne was a member of the Board and Nominations Committee and, Chair of the People and Remuneration Committee during the reporting period from 1 July 2019 until the end of his term as a Non-Executive Director on 10 November 2019. Mr Milne attended the Nominations Committee and Board meetings held on 17 December 2019 as a guest at those meetings.
- 7 Mr Stephen Rue, Managing Director and Chief Executive Officer attended Audit and Risk Committee, Nominations Committee and People and Remuneration Committee meetings ex officio.
- 8 Dr Kerry Schott AO was Chair of the Audit and Risk Committee during the reporting period from 1 July 2019 to 30 June 2020.

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 73.



Ms Kathrine Dyer

Appointed in July 2017
Chief Operations Officer

Skills, Experience and Qualifications

Ms Dyer began her appointment as Chief Operations Officer on 3 August 2020.

Ms Dyer joined NBN Co from Telstra in November 2010 and was appointed to the Executive Committee in July 2017 as the Chief Network Deployment Officer, where she oversaw the design and build of the **nbn**TM access network from an operational and strategic perspective.

In the role of Chief Operations Officer, Ms Dyer is responsible for design, build, connect and assurance activities across the **nbn**TM network, Supply Management and the management of contact centres and self-serve portals for customers and RSPs.

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 18 years' in-house experience, Mr Forsell joined NBN Co in March 2010 as the 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.

Mr Forsell has previously held senior legal counsel roles at 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.



Mr Will Irving

Appointed in October 2019

Chief Strategy & Transformation Officer

Skills, Experience and Qualifications

Mr Irving is responsible for NBN Co's Strategy, Transformation, Regulatory, and Data and Analytics functions.

Prior to joining NBN Co, Mr Irving was the Interim CEO of Telstra InfraCo and the Group Executive of Telstra Wholesale from 2016-18. From 2011-16 Mr Irving headed Telstra Business, responsible for over one million Small and Medium Business Telstra customers - from sole traders to smaller ASX listed companies and local government.

Prior to that, Mr Irving was Telstra's Group General Counsel from 2005-2011, through the T3 privatisation, the 3G mobile build and Telstra's major deal with NBN Co in 2011.

Mr Irving held a variety of legal management roles at Telstra between 1997 and 2005 and was a lawyer at King & Wood Mallesons from 1994-97.

Mr Irving holds a Bachelor of Law (Honours) and Bachelor of Commerce from Melbourne University. He has four teenage children and lives in Melbourne.



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, inclusive and collaborative workforce to deliver excellent outcomes, developing the workforce skills and capabilities and providing workplaces focused on caring for the health and safety of employees.

Ms Kincaid has over 20 years' experience leading HR functions across New Zealand, the UK, as well as Australia. Before joining NBN Co, Sally held senior HR roles in a number of global organisations including QBE, ING and Citigroup.

Ms Kincaid holds an MBA from Henley Business School in the UK, Bachelor of Business Studies from Massey University, New Zealand, and was previously Chair of the QBE Foundation.



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 Graduate of the Australian Institute of Company Directors.



Mr John Parkin

Appointed in November 2019
Chief Engineering Officer

Skills, Experience and Qualifications

Mr Parkin began his appointment as Chief Engineering Officer on 3 August 2020. Prior to this Mr Parkin had been part of the Executive Committee as Acting Chief Network Engineering Officer since November 2019.

In his role of Chief Engineering Officer, Mr Parkin is responsible for **nbn**TM network architecture, engineering, planning, performance and capacity.

Mr Parkin joined NBN Co in August 2018 to lead Customer Field Operations. Under Mr Parkin's leadership, NBN Co has transformed field operations, improved commercial leadership of its Delivery Partners, established a Workforce Operations Centre, expanded NBN Co's Internal Field Workforce and led network operations through the year of bushfires, floods and COVID-19 pandemic.

Mr Parkin has a long history of international experience in service delivery operations working for national telecommunications organisations including British Telecom (UK), Telecom New Zealand (NZ) and Telstra, complemented with extensive commercial operational experience gained from working with international business partners in India, Malaysia and the Philippines. Mr Parkin is a former board member of the Telecommunications Industry Ombudsman (TIO).



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 and Corporate Social Responsibility.

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.



Ms Debbie Taylor

Appointed in January 2019
Chief Information Officer

Skills, Experience and Qualifications

Ms Taylor has been performing the role of Chief Information Officer since January 2019. Ms Taylor joined NBN Co in May of 2014 and her role as CIO follows her tenure as Executive General Manager, Technology Design and Delivery.

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 successfully deliver large and complex IT and Network transformation projects enabling and driving significant business change.

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, a minor in computer science and is a graduate of the Australian Institute of Company Directors.



Mr Brad Whitcomb

Appointed in May 2014
Chief Customer Officer

Skills, Experience and Qualifications

Mr Whitcomb is responsible for customer experience, product and service development, commercial models, marketing, and relationship management with our retail partners.

Mr Whitcomb previously held roles as NBN Co's Chief Culture and Transformation Officer, and Chief Strategy and Transformation Officer.

Mr Whitcomb has extensive experience leading customer-focused business transformations across the telecommunications and technology sectors.

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.



Mr Gavin Williams

Appointed in October 2019

Chief Development Officer, Regional and Remote

Skills, Experience and Qualifications

Mr Williams was appointed Chief Development Officer Regional & Remote in October 2019, bringing more than five years' experience at NBN Co and 25 years within the telecommunication industry across Australia.

Mr Williams has held leadership roles that have spanned engineering, product management, marketing and strategy disciplines across consumer, business and wholesale markets.

Prior to joining NBN Co, Mr Williams held positions in Optus, Telstra and was principal of an independent consultancy. He was a Board Director of Southern Cross Cable.

Mr Williams holds a Bachelor of Engineering degree (Hons) from the University of Melbourne and a Master of Business Administration from Macquarie University.

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 postgraduate 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.

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 Tower 5, Level 14, 727 Collins Street, Docklands, Victoria, 3008. 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 61 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 FY20.

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 2020, no material claims have been made.

During FY20, 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

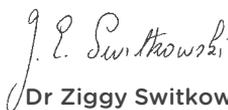
No matter or circumstance has arisen since 30 June 2020 to the date of the signing of this report that has significantly affected, or may affect:

- 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

6 August 2020

Remuneration report

Remuneration
report

The Remuneration report sets out the principles and the remuneration strategy NBN Co applies to remunerate key management personnel (KMP).

The report demonstrates the alignment of the remuneration policy with NBN Co’s goals and strategic imperatives. NBN Co is committed to performance-based reward that is underpinned by prudent risk management and supports the retention of high calibre executives to meet our current and future commitments.

FY20 was a very significant year for NBN Co on a number of fronts:

- completion and successful delivery of the initial build¹ phase of an Australia-wide infrastructure program of unprecedented size and scale with the full year target of 11.5 million premises RTC achieved.
- activated premises grew to almost 7.3 million households and businesses – covering 17 million Australians.
- secured NBN Co’s inaugural, long-term borrowing from private debt markets with credit facilities totalling \$6.1 billion. Securing these credit facilities provides NBN Co with the flexibility to maintain a financially prudent level of liquidity, and the opportunity to accelerate value initiatives. Significantly, this raising has been secured with no covenants and no government guarantees, which is reflective of the strong financial foundations that have been laid for NBN Co.

- Improved customer experience as a strategic priority as part of our transition to a customer-led service organisation. Customer experience and satisfaction have continued to improve in FY20 despite the unprecedented impact of bushfires, major weather events and COVID-19. This is demonstrated by the FY20 outcomes for OSAT (Satisfaction) and DSAT (Dissatisfaction) which are the strongest in the history of NBN Co.
- Supported the community through the summer bushfires and extreme weather events.
- Delivered secure and stable broadband connectivity throughout Australia that supported the community and economy through the unprecedented challenges of COVID-19.



1
Attract and retain high calibre executives



2
Foster exceptional talent and performance



3
Responsibly reward key management personnel



¹ For further details on the initial build, refer to footnote 1 on page 6.

Letter from the Chair of the People and Remuneration Committee

On behalf of the NBN Co Board I am pleased to present our 2020 Remuneration Report. This Report summarises NBN Co's achievements of the past year and the associated remuneration outcomes for our Key Management Personnel, including the Chief Executive Officer, and the fee arrangements for our Board members.

Remuneration oversight

The oversight of senior executive remuneration is a key responsibility of the Board and the People and Remuneration Committee. In discharging its duties, the Board and the Committee regularly review NBN Co's remuneration approach to ensure that it appropriately recognises executive performance in the context of our Corporate Plan, reflects individual accountability and reinforces alignment with company values.

No material change has been made to NBN Co's senior executive remuneration framework during this year. This framework varies from those developed by most ASX-listed companies in not having a long-term incentive component but is similar in most other aspects including in the construction of its Balanced Scorecard.

At the start of each operating year and with each new Corporate Plan, the Board reviews and endorses a Balanced Scorecard which documents the key metrics of performance and summarises how at-risk pay will be allocated at year end to those participating in the Short Term Incentive (STI) program.

To date the key performance indicators have covered the customer experience, the build of the physical network, financial results, and progress of certain strategic programs. The emphasis varies from year to year.

Performance in 2020

In 2020 NBN Co successfully completed the initial build¹ of the network with 99% of Australian households and businesses able to connect to the national broadband network. This was achieved despite the 2020 financial year being punctuated by extreme events, with extraordinary bushfires from December through January, severe weather storms and floods from February through March, followed by the duress and restrictions imposed due to COVID-19 from March onwards.

In the face of these unprecedented challenges our CEO, Stephen Rue, his leadership team together with all the staff at NBN Co delivered the completion of the initial build¹. In addition, they supported Australia's increased reliance on broadband through a time of great adversity and need, adapting service provision and support for customers as part of our response.

The completion of the initial build¹ was accompanied by very strong performance across the key financial, connection, network, and service metrics. In 2020 NBN Co achieved the best financial performance in its history with both EBITDA and total revenue materially exceeding their targets.

And with the final quarter of the year being the first billion dollar revenue quarter, momentum is strong for the start of 2020/21.

The focus on the customer has seen positive satisfaction trends and record scores achieved by NBN Co in 2020 across a range of metrics. (Customers are defined as our Retail Service Providers and end users such as households and small to medium businesses.)

Customer experience, and driving a customer led culture to lift the digital capability of Australia, remain a focus for NBN Co in 2021 and beyond.

By most measures, it was a standout year – one of the best in NBN Co's decade long history.

Remuneration outcomes

The Board has also determined that there will be no increase in the base pay of NBN Co staff and the board members for the year 2020/21.

In determining the performance related at-risk component for executives in 2019/20, the Board has concluded the Corporate Objectives gateways for the STI program have been satisfied. Gateways are in place to ensure that aberrant results in Health and Safety, or key financials, or other aspects of operations are properly considered even if outside the Balanced Scorecard.

The People and Remuneration Committee characterised NBN Co's performance across its key metrics as 'much better than expectations'. In accordance with this assessment, the Board approved an STI payout of 95% of the maximum STI.

This calculation is not indifferent to the environment in which the STI judgement is made. The Board has the view that the remuneration principles should continue to be applied consistent with past NBN Co practices and NBN Co obligations to its executives. The interests of our shareholder, the Commonwealth, are best served when NBN Co leaders are fairly remunerated and outstanding performance is appropriately rewarded.

COVID-19

Given the damaging impact of COVID-19 on communities and businesses, and the complications which have predictably emerged in some instances of remuneration and incentive determinations, the NBN Co Board did consider how, if at all, this might modify its conclusions.

We are aware that some organisations have elected to reset KPIs to reflect major disruptions to their businesses, or to reduce, eliminate or defer payment of annual incentives.

¹ For further details on the initial build, refer to footnote 1 on page 6.

At a headline level, NBN Co's progress has continued despite the significant dislocation from the pandemic to date. The services that NBN Co provide have been (and continue to be) in high demand. NBN Co has experienced some issues with its supply chains, call centres, the need for revised protocols and PPE for its field staff working with households etc, but has benefitted from the accelerated shift to digitisation, working from home and home schooling. The new network has coped well and stood up to the task in challenging circumstances.

Taken in totality and noting the decision to provide additional bandwidth at no charge (hence no profiteering from COVID-19 related growth in demand), the impact upon our commercial outcomes is judged as not material – neither net favourable nor otherwise.

In the nine months to March 2020, before COVID-19, the performance of NBN Co was trending strongly positive and this continued to year end without measurable deviation. No revision has been made to any budget or target.

The Board has concluded that no variation is called for in our annual remuneration approach.

Downsizing and Transformation

A further consideration has been the coincidence of the annual incentive payment with the start of a workforce downsizing – a requisite step to ensure satisfactory future business performance beyond the completion of the construction phase.

The Company has announced a reduction of 800 positions to its 6,200-strong workforce to be implemented by calendar year end.

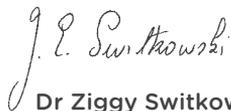
This reduction has been well telegraphed – with the build nearing conclusion and network construction falling from 30,000 homes passed each week to about 3,000. An orderly reduction of both NBN Co and contractor resources is normal and to be expected.

No element within the 19/20 Balanced Scorecard incents headcount numbers and the recommended STI is unaffected.

Conclusion

It is the Board's view this assessment is appropriately aligned with performance for the year, and the contribution NBN Co made to supporting Australia in a difficult year of unprecedented events.

We trust you find this report informative and that it clearly demonstrates our commitment to responsible and effective remuneration practices.



Dr Ziggy Switkowski

Chair, People and Remuneration Committee

6 August 2020

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 2020. The job titles for KMP reflect their roles during FY20.

Name	Title	FY20 Status	KMP Status
Current Senior Executives deemed to be KMP			
Mr Stephen Rue	Chief Executive Officer (CEO)	Full year	Current
Ms Kathrine Dyer	Chief Network Deployment Officer	Full year	Current
Mr Will Irving	Chief Strategy and Transformation Officer	Part year	Current
Mr Philip Knox	Chief Financial Officer	Full year	Current
Mr John Parkin	Acting Chief Network Engineering Officer	Part year	Current
Mr Paul Tyler	Chief Customer Officer - Business	Full year	Current
Mr Brad Whitcomb	Chief Customer Officer - Residential	Full year	Current
Former Senior Executives deemed to be KMP			
Mr JB Rousselot	Chief Strategy Officer	Part year	Former
Mr Peter Ryan	Chief Network Engineering Officer	Part year	Former
Current Non-Executive Directors			
Mr Drew Clarke AO PSM	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
Ms Kate McKenzie	Non-Executive Director	Part 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 W Irving was appointed as KMP on 1 October 2019
- Mr J Parkin was appointed as KMP in an acting capacity on 16 November 2019 and in a confirmed capacity from 3 August 2020
- Mr JB Rousselot ceased to be KMP on 31 October 2019
- Mr P Ryan ceased to be KMP on 15 November 2019
- Mr J Milne ceased to be a Non-Executive Director effective 10 November 2019
- Mr P Flannigan ceased to be a Non-Executive Director effective 10 November 2019
- Ms K McKenzie was appointed as a Non-Executive Director effective 1 December 2019
- Mr P Tyler ceased to be KMP on 3 August 2020.

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**[™] 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 FY20, NBN Co received external advice in relation to remuneration from Ernst & Young (EY) and AON. 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 and AON 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. Develops and implements people management and remuneration policies and practices 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, through performance-based reward and recognition of highly capable employees. NBN Co's remuneration policies and practices are aligned with market practice and 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 objectives now and into the future. To enable this, NBN Co's Senior Executive remuneration strategy establishes an effective link between performance, prudent risk management and pay, achieved through:

- annually reviewing the Senior Executive remuneration framework
- consideration of market remuneration practices when determining Senior Executive remuneration
- ensuring a minimum level of performance is achieved by NBN Co before any Short-Term Incentive (STI) payments can be earned
- the application of malus provisions to deferred STI
- 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 purpose
To lift the digital capability of Australia

Achieved by focusing on NBN Co’s strategic imperatives

					
1	2	3	4	5	6
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 our customers’ diverse needs	Strengthen relationships with Government, Industry and Community to optimise customer benefits	Build capabilities for the future and grow profitability to enable reinvestment to benefit our customers

...which are reflected in STI Corporate Measures

<p>NBN Co Controlled End-User Customer Experience</p> <p>Improvement in key lead indicators in NBN Co controlled end-user satisfaction metrics</p>	<p>Customer Advocacy</p> <p>Improvement in DSAT (Dissatisfaction) OSAT (Overall Satisfaction) and declines in Telecommunications Industry Ombudsman (TIO) complaints</p>	<p>Premises Ready to Connect</p> <p>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</p>	<p>Premises Active</p> <p>Premises that have an active service installed. Premises are activated after receiving and provisioning a service order from a Retail Service Provider</p>	<p>EBITDA before subscriber costs</p> <p>Earnings Before Interest, Tax, Other income, Depreciation and Amortisation (as defined and presented in NBN Co’s Management Accounts, excluding subscriber costs)</p>
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...and NBN Co’s actual performance

<p>NBN Co Controlled End-User Customer Experience</p> <p>The majority of metrics are on or ahead of target, despite the unprecedented challenges of the bushfires, weather events and COVID-19.</p>	<p>Customer Advocacy</p> <p>Strong performance trend over FY20 with record low DSAT score and high OSAT score.</p>	<p>Premises Ready to Connect</p> <p>Excellent progress was made with 11,733,576 premises ready to connect which exceeds the full year target by 278,034 premises.</p>	<p>Premises Active</p> <p>Strong FY20 performance with incremental premises connected, exceeding target by 15% or 230k. Premises Active at the end of FY20 was 7,267,000.</p>	<p>EBITDA before subscriber costs</p> <p>Very strong EBITDA before subscriber costs outcome of \$1,034m which significantly exceeded budget by approximately 23%.</p>
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...and directly impacts Senior Executive remuneration

Total Fixed Remuneration	CEO STI Outcome	Average Senior Executive STI Outcome
No Total Fixed Remuneration increases for FY21 arising from the annual review of Senior Executive Remuneration	Awarded at 95% of maximum	Awarded at 95% of maximum

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. In accordance with these objectives, each Senior Executive's remuneration package consists of Total Fixed Remuneration (TFR) and 'at risk' remuneration delivered through an STI program, which includes a deferred component. NBN Co does not grant long-term incentive awards to its Senior Executives.

Remuneration components

Remuneration Component	Overview	Application
Total Fixed Remuneration	Base salary, employer superannuation contributions, salary-sacrificed benefits and applicable fringe benefits tax.	Positioned using appropriate benchmarks, reflecting size and complexity of role, responsibilities, experience and skills.
Cash STI	'at risk' remuneration, rewarding both NBN Co and individual performance.	Remuneration outcomes determined based on performance and contribution against annual objectives and adherence to the risk management framework.
Deferred STI	25% of STI awards are deferred for two years. Awards are delivered in cash.	Supports risk management and governance over the medium term through malus provisions.

Remuneration mix

A portion of Senior Executive remuneration is 'at risk' to ensure alignment with NBN Co's strategic objectives. 'At risk' remuneration is only awarded for delivering performance aligned to NBN Co's strategy.

In FY20, the Target STI opportunity for the Chief Executive Officer (CEO) was 50 per cent of TFR and for Senior Executives during FY20 was 37.5 per cent of the participant's 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.

Further detail on actual performance outcomes for FY20 has been provided in the Performance outcomes for FY20 section below.

The composition of the remuneration packages for the CEO and Executive Committee is set out below with TFR and target STI components as a percentage of the total target annual remuneration for FY20.



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:

- relevant market data
- complexity of the role
- internal relativities
- skills and experience
- individual performance.

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.

STI program

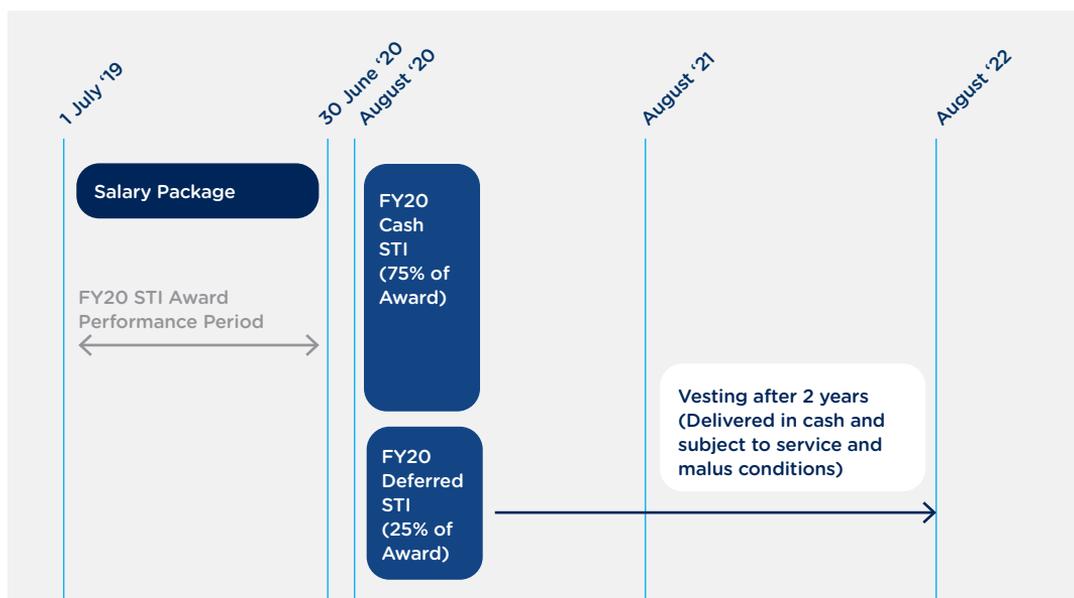
In line with market practice, selected Senior Executives are eligible to be awarded an STI under the terms of NBN Co's STI program. The Program provides Senior Executives with the opportunity to receive 'at risk' remuneration that is determined based on NBN Co's performance and then on individual performance 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, provide NBN Co with the flexibility to manage the overall cost of the program in line with the achievement of corporate performance outcomes.

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.

STI 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. STI deferral supports prudent risk management and mitigates against any unintended negative consequences that may arise after STI has been awarded. Deferred amounts are not subject to performance hurdles, however they are subject to malus 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.



Remuneration benchmarking

NBN Co aims to position target total remuneration (TFR plus target STI opportunity) competitively against comparable organisations.

External market benchmarks are prepared by independent remuneration advisors drawing upon disclosed data from relevant Australian listed and unlisted companies and Government Business Enterprises. The benchmarks applied are aligned with the evolution of NBN Co.

Target total remuneration for each Senior Executive role is informed by the benchmark data and relevant internal relativities.

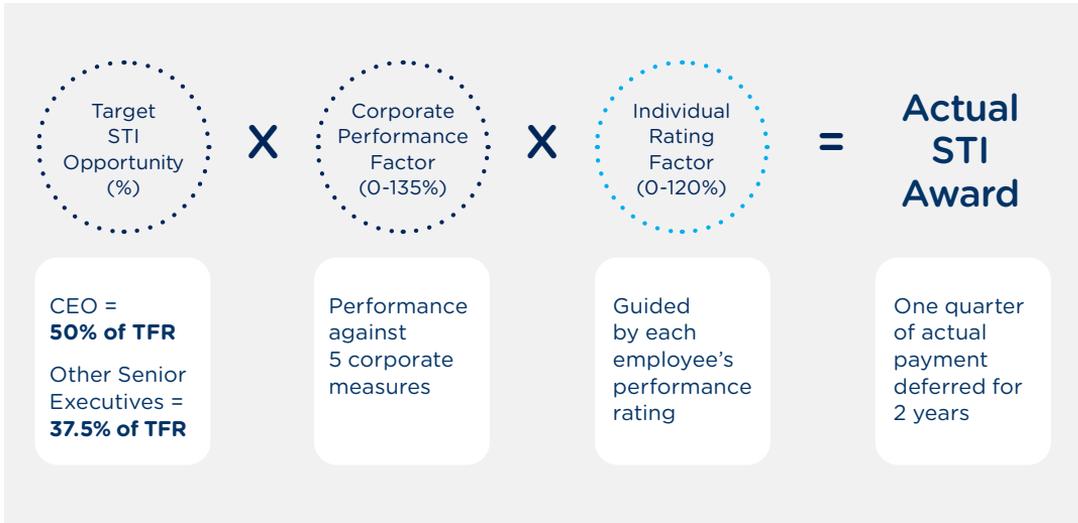
The PR&C annually reviews the remuneration arrangements of each Senior Executive to ensure that they appropriately reflect, individual and company performance and market conditions.

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 malus 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 measures at the start of the performance period and determines if they have been satisfied.

For FY20, NBN Co's Corporate Objectives and Safety act as gateways for any STI to be awarded and the entire pool can be eliminated if either gateway is not satisfied. The operating and financial review section provides details on NBN Co's financial performance and non-financial performance for FY20.

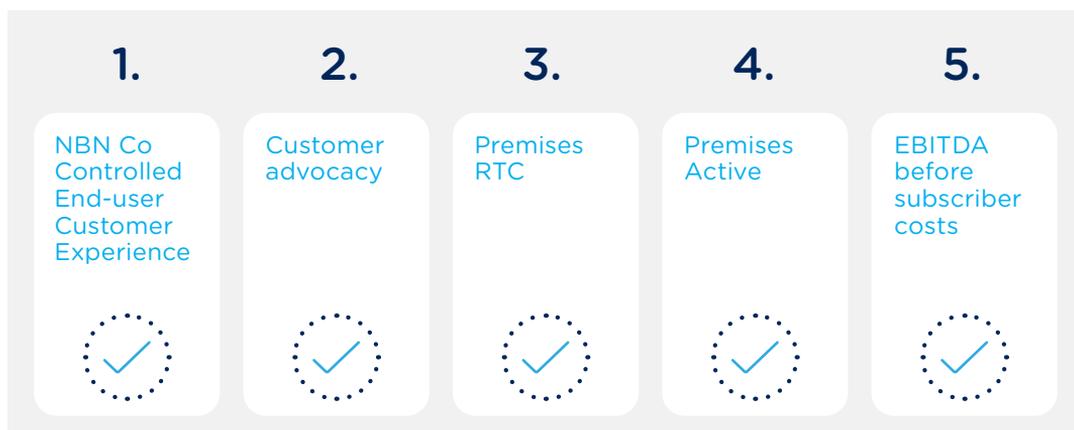
If the gateway measures are satisfied during the performance period, the P&RC then determines whether to adjust the target STI pool up or down (by a range between zero per cent and 135 per cent of the target STI pool) based on achievement of corporate objectives, resulting in an actual STI award pool. 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 92.

For FY20, NBN Co's performance was assessed against five corporate measures that included



Performance outcomes for FY20

For FY20, the Board was satisfied the overall gateway measure for the Company was met. NBN Co's safety metrics are below target and significantly within the risk tolerance for FY20 with TRIFR materially below target.

While continuing to prioritise customer experience, NBN Co successfully completed the initial build¹ of the network with over 11.7 million premises ready to connect at 30 June 2020. The Company also made strong progress in connecting homes and businesses adding more than 1.7 million net connections during the year. Growth in average revenue per user and strong activations during FY20 together with careful cost management set the Company up well for performance against the financial targets.

Of the five performance metrics listed above, NBN Co significantly overachieved in Premises RTC, Premises Active and EBITDA before subscriber costs, delivered an on-target and improving trend in NBN Co-controlled metrics of customer experience, and saw decline in TIO complaints and achieved the highest ever level of customer satisfaction.

The Board accordingly arrived at a figure of 95% of maximum for the short-term incentives for KMPs.

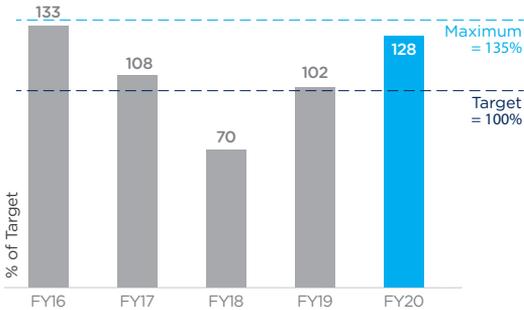
The list of KMP during FY20 disclosed in this report is shown on page 89 and a summary of remuneration received during the financial year is shown on pages 99 to 101.

¹ For further details on the initial build, refer to footnote 1 on page 6.

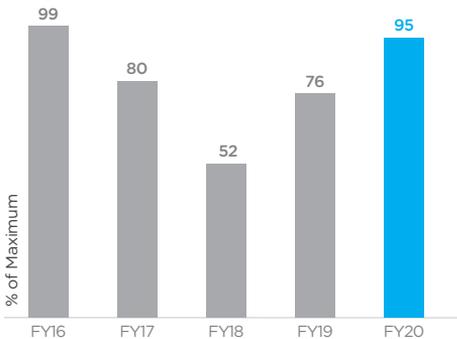
Historical STI Awards

The tables below show the historical STI Awards for NBN Co over the past five years against the Corporate Performance Factor.

Historical Short-Term Incentive as % of Target



Historical Short-Term Incentive as % of Maximum



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.

Remuneration of key management personnel

Remuneration of Senior Executives

Remuneration for Senior Executives deemed to be KMP is shown in the table below. NBN Co has applied the requirements of the PGPA Rule in its disclosures for the period ended 30 June 2020, 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 ¹	STI award ²	Super-annuation	Other Post Employment	STI award deferral ²	Long Service Leave ³	Termination Benefits	
		\$	\$	\$	\$	\$	\$	\$	\$
Senior Executives deemed to be KMP as at 30 June 2020									
S Rue ⁴	2019	1,695,760	828,482	20,531	-	-	64,484	-	2,609,257
	2020	1,865,441	1,177,335	21,003	-	-	85,762	-	3,149,541
K Dyer ⁴	2019	677,713	200,813	20,531	-	66,937	62,932	-	1,028,926
	2020	777,303	288,563	21,003	-	96,188	9,698	-	1,192,755
W Irving ⁴	2019	-	-	-	-	-	-	-	-
	2020	656,846	248,432	15,752	-	82,811	1,112	-	1,004,953
P Knox ⁴	2019	355,155	96,869	10,266	-	32,290	497	-	495,077
	2020	876,378	310,205	21,003	-	103,402	2,914	-	1,313,902
J Parkin ⁴	2019	-	-	-	-	-	-	-	-
	2020	366,643	132,056	13,085	-	44,019	1,795	-	557,598
P Tyler ⁵	2019	904,316	254,459	20,531	-	84,819	2,796	-	1,266,921
	2020	894,399	435,104	21,003	-	-	8,032	-	1,358,538
B Whitcomb	2019	859,548	248,405	20,531	-	82,802	35,218	-	1,246,504
	2020	923,213	318,573	21,003	-	106,191	33,305	-	1,402,285
Former Executives deemed to be KMP									
W Morrow ⁶	2019	306,529	-	5,133	1,214,412	-	-	807,897	2,333,971
	2020	-	-	-	-	-	-	-	-
JB Rousselot ⁷	2019	903,584	265,876	20,531	-	88,625	40,872	-	1,319,488
	2020	263,759	-	7,001	-	-	58,081	691,600	1,020,441
P Ryan	2019	817,801	240,230	20,531	-	80,076	32,057	-	1,190,695
	2020	512,549	-	10,501	-	-	(99,049)	-	424,001
Total⁴	2019	6,520,406	2,135,134	138,585	1,214,412	435,549	238,856	807,897	11,490,839
	2020	7,136,531	2,910,268	151,354	-	432,611	101,650	691,600	11,424,014

Notes

- 2020 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 2020, with one quarter of the STI award relating to FY20 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 the FY19 and FY20 KMP appointments of Ms K Dyer (1 July 2018), Mr P Knox (6 February 2019), Mr W Irving (1 October 2019) and (Acting) Mr J Parkin (16 November 2019).
- The FY20 STI for Mr P Tyler does not include a deferred component.
- 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.
- Terminations benefits for Mr JB Rousselot are in accordance with contractual commitments.

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 and Board fees (exclusive of statutory superannuation contributions) that are inclusive of all activities undertaken by Non-Executive Directors on behalf of NBN Co (i.e. inclusive of Committee participation). The Tribunal has confirmed that there will be no change in Non-Executive Directors fees for FY21. Statutory superannuation is paid in addition to the fees set by the Tribunal.

The following table sets out the Non-Executive Director fees (excluding superannuation) as directed by the Tribunal for FY20 and FY19.

Board position	2019-20 annual entitlement from 1 July 2019	2018-19 annual entitlement from 1 July 2018
Chair	\$226,930	\$222,480
Non-Executive Directors	\$113,520	\$111,290

Remuneration of Non-Executive Directors

Remuneration for Non-Executive Directors for FY20 and FY19 is shown in the table below:

		Short-term benefits	Post- employment	Total remuneration
		Director fees \$	Super- annuation contributions \$	\$
Non-Executive Directors				
D Clarke AO PSM	2019	111,290	10,573	121,863
	2020	113,520	10,784	124,304
P Flannigan ¹	2019	111,290	10,573	121,863
	2020	40,543	3,852	44,395
S In't Veld	2019	111,290	10,573	121,863
	2020	113,520	10,784	124,304
M Malone	2019	111,290	10,573	121,863
	2020	113,520	10,784	124,304
K McKenzie ²	2019	-	-	-
	2020	66,220	6,291	72,511
Z McKenzie	2019	103,407	9,824	113,231
	2020	113,520	10,784	124,304
J Milne ³	2019	111,290	10,573	121,863
	2020	40,543	3,852	44,395
K Schott AO	2019	111,290	10,573	121,863
	2020	113,520	10,784	124,304
Z Switkowski AO	2019	222,480	20,531	243,011
	2020	226,930	21,003	247,933
Total	2019	993,627	93,793	1,087,420
	2020	941,836	88,918	1,030,754

Notes

- 1 Mr P Flannigan ceased to be a Non-Executive Director effective 10 November 2019.
- 2 Ms K McKenzie was appointed as a Non-Executive Director effective 1 December 2019.
- 3 Mr J Milne ceased to be a Non-Executive Director effective 10 November 2019.

Corporate governance statement

Corporate governance statement

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

Corporate structure and governing legislation

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

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

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

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

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

Our governance framework is underpinned by:

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

Principle: Lay solid foundations for management and oversight

(based on ASX Principle 1)

The role and responsibilities of the NBN Co Board

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

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

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

The Board's key responsibilities are:

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

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

Delegation of powers

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

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

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

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

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

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

NBN Co's Executive Committee (ExCo)

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

Appointments

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

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

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

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

Performance of the Board

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

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

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

Performance of the Senior Executives

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

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

Company Secretaries

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

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

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

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

A high-performing workforce

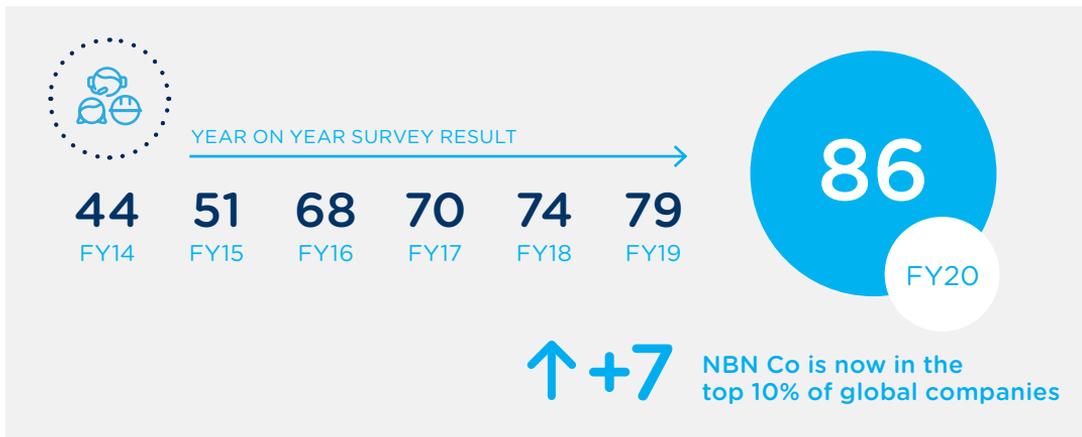
NBN Co employees are proud of their continuing individual and collective efforts to deliver one of the largest and most complex infrastructure projects ever undertaken in Australia.

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

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

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

Annual employee surveys (%)



Diversity and inclusion

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

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

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



Gender Equality



Accessibility



Cultural Diversity



LGBTIQ Pride



First Peoples

Objectives and targets for female representation

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

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

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

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

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

Health, Safety and Environment (HSE)

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

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

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

Principle: Structure the Board to add value

(based on ASX Principle 2)

The Board

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

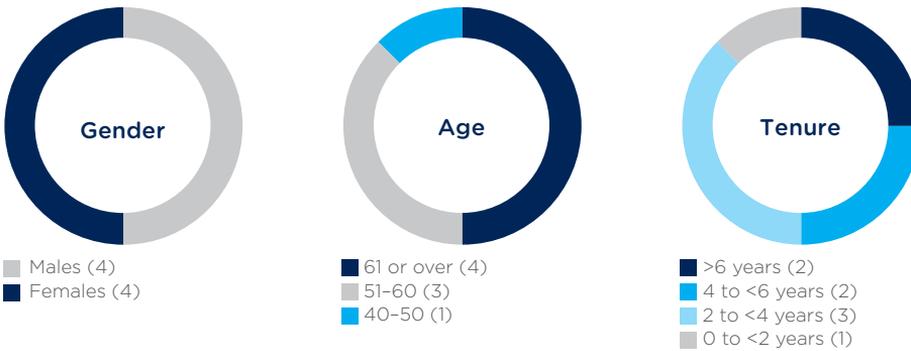
- Dr Ziggy Switkowski AO, Chairman (Non-Executive Director) appointed as Executive Chairman of NBN Co effective 3 October 2013 who reverted to the role of Non-Executive Chairman from 2 April 2014 following the appointment of Mr William Morrow as CEO
- Mr Drew Clarke AO PSM, appointed as a Non-Executive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

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

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

Board diversity

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



Meetings

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

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

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

Standing Committees - an overview

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

NBN Co's governance framework

Board of Directors

Audit and Risk Committee

Nominations Committee

People and Remuneration Committee

NBN Co Board and Committee membership:

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

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

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

Audit and Risk Committee

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

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

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

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

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

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

As at 30 June 2020, the Committee comprised:

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

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

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

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

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

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

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

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

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

Nominations Committee

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

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

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

As at 30 June 2020 the Committee comprised:

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

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

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

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

People and Remuneration Committee

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

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

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

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

As at 30 June 2020 the Committee comprised:

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

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

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

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

Standing Committees - in general

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

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

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

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

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

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

Board skills

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

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

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

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

Independence of Directors

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

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

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

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

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

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

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

Independent advisors

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

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

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

Induction

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

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

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

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

Principle: Act ethically and responsibly

(based on ASX Principle 3)

Directors' shareholding interests

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

Code of Conduct of the Board

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

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

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

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

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

Privacy

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

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

Security Group

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

Competition law

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

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

Whistleblower

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

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

Value for money

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

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

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

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

Our environment

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

Principle: Safeguard integrity in corporate reporting

(based on ASX Principle 4)

The Audit and Risk Committee assists the Board in:

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

Internal Control Framework

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

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

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

Periodic corporate reports

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

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

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

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

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

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

Internal Audit

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

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

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

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

External audit

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

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

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

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

Fraud risk and reporting

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

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

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

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

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

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

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

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

Principle: Make timely and balanced disclosure

(based on ASX Principle 5)

Continuous disclosure

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

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

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

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

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

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

Principle: Respect the right of shareholders

(based on ASX Principle 6)

Shareholder communication

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

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

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

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

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

Principle: Recognise and manage risk

(based on ASX Principle 7)

Risk management

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

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

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

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

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

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

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

Treasury

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

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

Principle: Remunerate fairly and responsibly

(based on ASX Principle 8)

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

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

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

Directors' remuneration

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

Senior Executives' remuneration

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

Auditor's independence declaration



Auditor-General for Australia



Dr Ziggy Switkowski AO
Chairman of the Board
NBN Co Limited
100 Mount Street
North Sydney NSW 2060
Australia

**NBN CO LIMITED FINANCIAL REPORT 2019–20
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 during the period) for the year ended 30 June 2020, 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 black ink that reads 'Grant Hehir'.

Grant Hehir
Auditor General

Canberra
6 August 2020

Financial Report



Financial Report



The Financial Report, comprising the consolidated financial statements, notes to the consolidated financial statements and a Directors' declaration, for the year ended 30 June 2020, 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 2020 \$m	30 June 2019 \$m
Revenue	B1	3,837	2,825
Direct network costs		(641)	(746)
Employee benefits expenses	D1	(877)	(867)
Other operating expenses	B2	(553)	(604)
Subscriber costs		(2,414)	(1,903)
Depreciation and amortisation expense	C3 & C4	(3,154)	(2,614)
Other income	B1	24	23
Net finance costs	C8	(1,460)	(993)
Loss before income tax		(5,238)	(4,879)
Income tax (expense)/benefit	H1	(1)	1
Loss for the year		(5,239)	(4,878)
Loss attributable to the shareholder		(5,239)	(4,878)
Other comprehensive gain			
<i>Items that may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges, net of tax		2	3
Total other comprehensive gain for the year, net of tax		2	3
Total comprehensive loss for the year		(5,237)	(4,875)
Total comprehensive loss attributable to the shareholder		(5,237)	(4,875)

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

Statement of financial position

NBN Co Group				
As at	Notes	30 June 2020 \$m	30 June 2019 \$m	
Current assets				
Cash and cash equivalents	C1	344	520	
Trade and other receivables	C2	512	444	
Inventories		-	39	
Derivative financial assets		5	6	
Other current assets		129	116	
Total current assets		990	1,125	
Non-current assets				
Derivative financial assets		-	2	
Property, plant and equipment	C3	33,738	29,443	
Intangible assets	C4	2,093	2,144	
Other non-current assets		29	43	
Total non-current assets		35,860	31,632	
Total assets		36,850	32,757	
Current liabilities				
Trade and other payables	C6	2,289	2,751	
Other liabilities	C7	25	24	
Lease liabilities	C8	415	276	
Other financial liabilities	C9	1,000	-	
Provisions	C10	213	160	
Total current liabilities		3,942	3,211	
Non-current liabilities				
Trade and other payables	C6	1	5	
Other liabilities	C7	847	811	
Lease liabilities	C8	10,445	8,277	
Provisions	C10	57	63	
Related party borrowings	E2	19,458	13,053	
Total non-current liabilities		30,808	22,209	
Total liabilities		34,750	25,420	
Net assets		2,100	7,337	
Equity				
Contributed equity	E1	29,500	29,500	
Other reserves		9	7	
Accumulated losses		(27,409)	(22,170)	
Total equity		2,100	7,337	

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

Statement of changes in equity

NBN Co Group				
	Accumulated losses \$m	Contributed equity \$m	Other reserves \$m	Total equity \$m
Balance at 30 June 2018	(17,292)	29,500	4	12,212
Loss for the year	(4,878)	-	-	(4,878)
Other comprehensive gain	-	-	3	3
Total comprehensive (loss)/gain for the year	(4,878)	-	3	(4,875)
Balance at 30 June 2019	(22,170)	29,500	7	7,337
Loss for the year	(5,239)	-	-	(5,239)
Other comprehensive gain	-	-	2	2
Total comprehensive (loss)/gain for the year	(5,239)	-	2	(5,237)
Balance at 30 June 2020	(27,409)	29,500	9	2,100

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 2020 \$m	30 June 2019 \$m
Cash flows from operating activities			
Receipts from customers		4,103	3,037
Payments to suppliers and employees		(4,962)	(4,162)
Interest received		7	10
Net cash used in operating activities	C1	(852)	(1,115)
Cash flows from investing activities			
Payments for property, plant and equipment		(4,870)	(5,247)
Payments for intangible assets		(410)	(496)
Net cash used in investing activities		(5,280)	(5,743)
Cash flows from financing activities			
Principal repayment of lease liabilities		(148)	(38)
Interest paid on lease liabilities		(652)	(347)
Proceeds from borrowings	C9 & H6	7,405	7,522
Interest paid on borrowings	C8	(649)	(352)
Net cash provided by financing activities		5,956	6,785
Net decrease in cash and cash equivalents		(176)	(73)
Cash and cash equivalents at the beginning of the year		520	593
Cash and cash equivalents at the end of the year	C1	344	520

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

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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 2020, 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 \$19.5 billion loan facility with the Commonwealth Government is due to be repaid by 30 June 2024 and has a fixed interest rate of 3.96% per annum. As at 30 June 2020, \$19.46 billion has been drawn down from this facility. The Group's current liabilities exceed its current assets by \$2,952 million as at 30 June 2020.

As outlined in the Corporate Plan 2020-23, the Commonwealth Government agreed to allow NBN Co to acquire private sector long-term debt. During the year, NBN Co entered into facility agreements with the private sector to secure \$6.1 billion of private sector debt for a period of five years.

At the date of signing the Financial Report the debt funding that is available through the aforementioned Commonwealth Government loan facility, combined with the Company's ability to access to up to \$6.1 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.

A. About this report continued

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 16.

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 16 *Leases* from 1 July 2019, 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:

Accounting estimates and judgements

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
Determination of whether a contract contains a lease	C8
Determination of the net present value of a lease	C8
Determination of lease term	C8

B. Our revenue and other operating expenses

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

B1 Revenue and other income

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

For the year ended	NBN Co Group	
	30 June 2020 \$m	30 June 2019 \$m
Telecommunications revenue - Residential	2,979	2,168
Telecommunications revenue - Business	666	475
Other revenue	192	182
Total revenue	3,837	2,825

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 95% 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.

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.

B. Our revenue and other operating expenses continued

B1 Revenue and other income continued

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**TM 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:

	NBN Co Group	
	30 June 2020	30 June 2019
	\$m	\$m
Trade receivables (note C2)	396	304
Contract liabilities (note C6)	120	123

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 year. 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 year.

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 year are as follows:

	NBN Co Group	
	30 June 2020	30 June 2019
	\$m	\$m
Balance at 1 July	123	90
Revenue recognised that was included in the contract liability balance at the beginning of the year	(91)	(70)
Increases due to cash received, excluding amounts recognised as revenue during the year	88	103
Balance at 30 June	120	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	
	30 June 2020	30 June 2019
	\$m	\$m
For the year ended		
Other income - gifted assets and government grants	24	23
Total other income	24	23

B2 Other operating expenses

	NBN Co Group	
	30 June 2020	30 June 2019
	\$m	\$m
For the year ended		
IT and software expenses	(199)	(172)
Communication and public information expenses	(83)	(79)
Other operating expenditure	(271)	(353)
Total	(553)	(604)

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 2020 \$m	30 June 2019 \$m
Cash at bank	344	520
Total	344	520

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

For the year ended	NBN Co Group	
	30 June 2020 \$m	30 June 2019 \$m
Loss for the year	(5,239)	(4,878)
Add/(less) non-cash/non-operating items		
Depreciation and amortisation	3,154	2,614
Finance charges	1,480	1,003
Other items	(98)	(24)
Income tax expense/(benefit)	1	(1)
Increase in operating assets		
Increase in trade and other receivables	(68)	(117)
Decrease/(Increase) in inventories	39	(3)
Increase in other assets	(23)	(2)
Increase/(Decrease) in operating liabilities		
(Decrease)/Increase in trade and other payables	(150)	253
Increase in provisions	52	40
Net cash used in operating activities	(852)	(1,115)

Amounts recognised in the statement of cash flows

The total cash outflow for leases during the year ended 30 June 2020 was \$800 million.

C2 Trade and other receivables

	NBN Co Group	
	30 June 2020	30 June 2019
	\$m	\$m
Current		
Trade receivables	396	304
Interest receivable	-	1
Other receivables	44	53
GST receivable	72	86
Total	512	444

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 2020 (2019: nil).

C. Our assets and liabilities continued

C3 Property, plant and equipment

NBN Co Group

	Land \$m	Buildings and leasehold improve- ments \$m	Furniture and equipment \$m	IT equipment \$m	Network assets \$m	Total \$m
At 30 June 2018						
Cost	17	445	20	166	29,006	29,654
Accumulated depreciation	-	(161)	(15)	(118)	(4,317)	(4,611)
Net book value	17	284	5	48	24,689	25,043
Year ended 30 June 2019						
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)
Net book value	17	64	4	40	29,318	29,443
At 30 June 2019						
Cost	17	187	22	174	35,865	36,265
Accumulated depreciation	-	(123)	(18)	(134)	(6,547)	(6,822)
Net book value	17	64	4	40	29,318	29,443
Year ended 30 June 2020						
Opening net book value	17	64	4	40	29,318	29,443
Transition - right-of-use assets	19	114	11	-	1,400	1,544
Additions ¹	-	179	13	21	5,247	5,460
Disposals	-	(4)	-	-	-	(4)
Depreciation	(2)	(75)	(12)	(17)	(2,599)	(2,705)
Net book value	34	278	16	44	33,366	33,738
At 30 June 2020						
Cost	36	458	45	195	42,512	43,246
Accumulated depreciation	(2)	(180)	(29)	(151)	(9,146)	(9,508)
Net book value	34	278	16	44	33,366	33,738

1 Following the adoption of AASB 16 on 1 July 2019, the additions balance includes the recognition of newly acquired right-of-use assets and the impact of the remeasurement of existing right-of-use assets.

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

NBN Co Group		
	30 June 2020	30 June 2019
	\$m	\$m
Constructed and purchased assets	23,194	19,073
Assets in the course of construction	1,150	2,828
Right-of-use assets	8,522	-
Leased assets	-	6,707
Assets acquired for no consideration and under government grant	872	835
Property, plant and equipment - net book value	33,738	29,443

Assets in the course of construction

The carrying value of property, plant and equipment includes \$1,150 million (2019: \$2,828 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.

Right-of-use assets

NBN Co adopted AASB 16 *Leases* on 1 July 2019. This resulted in the recognition of \$8,251 million right-of-use assets, comprising the reclassification of \$6,707 million existing leased assets and \$1,544 million newly recognised right-of-use assets. Refer to Note H8 for further information on the impact of the adoption of AASB 16. As at 30 June 2020, the carrying value of property, plant and equipment includes \$8,522 million related to right-of-use assets as follows:

NBN Co Group					
Right-of-use assets	Land \$m	Buildings and leasehold improve- ments \$m	Furniture and equipment \$m	Network assets \$m	Total \$m
Balance at 1 July	19	114	11	8,107	8,251
Additions	-	125	11	657	793
Remeasurement	-	23	1	(84)	(60)
Disposals	-	(4)	-	-	(4)
Depreciation	(2)	(56)	(10)	(390)	(458)
Net book value	17	202	13	8,290	8,522

C. Our assets and liabilities continued

C3 Property, plant and equipment continued

Leased assets (classified as a finance lease under AASB 117)

As at 30 June 2019, the net carrying amount of leased assets included in property, plant and equipment was \$6,707 million for network assets.

Following the adoption of AASB 16, these leased assets have been reclassified as right-of-use assets. Refer to Note H8 for further information on the impact of the adoption of AASB 16.

Assets acquired for no consideration and under government grant

Included within network assets are assets acquired from developers for no consideration and an infeasible right-of-use arrangement with the Department of Infrastructure, Transport, Regional Development and Communications 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, other than that held by way of right-of-use assets, is not depreciated.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs,
- restoration costs.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

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 equipment	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 estimation of useful lives, residual value and depreciation methods requires 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 is based on contractual costing arrangements applied to detailed designs and is 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.

C. Our assets and liabilities continued

C3 Property, plant and equipment continued

Significant non-cash components

Acquisition of assets by means of non-cash transactions represents those assets acquired via right-of-use arrangements or contributed for no consideration.

	NBN Co Group	
	30 June 2020	30 June 2019
	\$m	\$m
Acquisition of network infrastructure by means of finance leases	-	1,100
Acquisition of assets by means of right-of-use arrangements	793	-
Acquisition of network infrastructure by means of developer contributions or government grants	61	142
Acquisition of assets by non-cash transactions	854	1,242

C4 Intangible assets

	NBN Co Group			
	Software	Licenses	Other	Total
	\$m	\$m	\$m	\$m
At 30 June 2018				
Cost	3,078	163	69	3,310
Accumulated amortisation	(1,134)	(129)	(22)	(1,285)
Net book value	1,944	34	47	2,025
Year ended 30 June 2019				
Opening net book value	1,944	34	47	2,025
Additions	436	10	39	485
Reclassification	-	-	37	37
Amortisation	(370)	(5)	(28)	(403)
Net book value	2,010	39	95	2,144
At 30 June 2019				
Cost	3,514	173	145	3,832
Accumulated amortisation	(1,504)	(134)	(50)	(1,688)
Net book value	2,010	39	95	2,144
Year ended 30 June 2020				
Opening net book value	2,010	39	95	2,144
Additions	369	2	27	398
Amortisation	(413)	(7)	(29)	(449)
Net book value	1,966	34	93	2,093
At 30 June 2020				
Cost	3,883	175	172	4,230
Accumulated amortisation	(1,917)	(141)	(79)	(2,137)
Net book value	1,966	34	93	2,093

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
Other intangible assets	3–10 years

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.

C. Our assets and liabilities continued

C4 Intangible assets continued

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 \$352 million (2019: \$186 million).

Key estimates and judgements:

Determination of useful lives of intangible assets

The estimation of useful lives, residual value and amortisation methods requires 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 non-financial assets are measured using the cost basis and are considered to be impaired where their carrying value exceeds the recoverable amount.

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 of an asset that results in the carrying value being less than its recoverable amount is recognised as an expense in profit or loss as an impairment loss.

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**TM 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).

At the end of the reporting period, the Group estimated the recoverable amount of the NBN Co CGU adopting a value in use approach. As a result of this analysis it has been determined that the recoverable amount of the NBN Co CGU exceeds its carrying amount as at 30 June 2020. In assessing the recoverable amount of the NBN Co CGU a number of factors were considered including historical financial performance, current economic and market conditions, and future revenue, capital expenditure and profitability expectations and forecasts based on the Group's Integrated Operating Plan and application of a long-term growth rate and discount rate.

C. Our assets and liabilities continued

C6 Trade and other payables

	NBN Co Group	
	30 June 2020	30 June 2019
	\$m	\$m
Current		
Trade and other payables	249	192
Contract liabilities	119	119
Accruals	1,921	2,440
Total	2,289	2,751

	NBN Co Group	
	30 June 2020	30 June 2019
	\$m	\$m
Non-current		
Trade and other payables	-	1
Contract liabilities	1	4
Total	1	5

The accruals balance includes \$875 million (2019: \$1,147 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 2020 \$m	30 June 2019 \$m
Current		
Deferred gain on developer contributions and government grants	25	24
Total	25	24

	NBN Co Group	
	30 June 2020 \$m	30 June 2019 \$m
Non-current		
Deferred gain on developer contributions and government grants	847	811
Total	847	811

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**[™] 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 Lease liabilities

	NBN Co Group	
	30 June 2020 \$m	30 June 2019 \$m
Current		
Lease liabilities	415	276
Total	415	276

	NBN Co Group	
	30 June 2020 \$m	30 June 2019 \$m
Non-current		
Lease liabilities	10,445	8,277
Total	10,445	8,277

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

The Group also leases certain commercial properties, commercial vehicles, 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 periodic reviews to market-based levels.

In the prior year, the Group only recognised lease liabilities in relation to leases that were classified as finance leases under AASB 117 *Leases*. As of 1 July 2019, the Group adopted AASB 16 *Leases* which resulted in the recognition of additional lease liabilities for leases previously classified as operating leases under AASB 117, as well as the remeasurement of existing lease liabilities for leases previously classified as finance leases under AASB 117. For further information on the adoption impact of AASB 16 refer to note H8.

Recognition and measurement from 1 July 2019 under AASB 16 Leases

The Group recognises leases where the Group has the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases in which the Group is a lessee

Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group, except where the Group applies the practical exemption to not apply AASB 16 for leases of low-value assets.

Management considers low-value assets as those assets valued at less than \$10,000, with this assessment based upon the value of the asset when it is new. The payments for these low-value assets will be recognised as operating expenditure on a straight-line basis (or other systematic basis). For the year ended 30 June 2020, \$209 million has been recognised as operating expenditure in the income statement for lease arrangements that have been classified as low-value assets.

Right-of-use assets and lease liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate that are known at the reporting date
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liability is subsequently increased by the interest charged on the lease liability and decreased by lease payments made. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is remeasured when there is a change in future lease payments. The lessee shall recognise the amount of any remeasurement of the lease liability as an adjustment to the right-of-use asset. The Group is exposed to potential future changes in variable lease payments that are based on an index or rate, such as payments linked to Consumer Price Index (CPI). Changes to these variable lease payments will result in a remeasurement of the lease liability (and corresponding adjustment to the right-of-use asset) at the point when these changes due to the movement in an index or rate become known.

The Group applies judgement to determine the lease term for some lease contracts in which it is a lessee that include purchase, renewal or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the value of lease liabilities and right-of-use assets recognised.

C. Our assets and liabilities continued

C8 Other financial liabilities continued

Leases in which the Group is a lessor

The Group does not have significant leases where it acts as the lessor. Under AASB 16, the Group will continue to classify each lease as either an operating lease or a finance lease. A lease will be classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

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

Recognition and measurement applicable before 1 July 2019 under AASB 117

As explained above, the Group has changed its accounting policy for leases where the Group is the lessee. The impact of the change in accounting policy is disclosed in Note H8.

Until 30 June 2019, the determination of whether an arrangement was or contained a lease was based on the substance of the arrangement and required an assessment of whether the fulfilment of the arrangement was dependent on the use of a specific asset or assets and the arrangement conveyed a right to use the asset or assets.

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

Finance leases were 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) were excluded from minimum lease payments and were therefore, not included in lease liabilities. Contingent rentals paid during the year were 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 were assessed. Each lease payment was allocated between the liability and finance charges. The finance charges were 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 were depreciated over the shorter of the asset's useful life or the lease term. Depreciation on network and non-network assets under lease commenced when they were installed and ready for use, otherwise termed as 'in service'.

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

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

Key estimates and judgements:

Determination whether a contract contains a lease

At the inception of a contract, the Group will assess whether the contract is, or contains a lease. The Group will recognise a lease where a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In making this assessment the Group primarily considers if there is an identified asset, who has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use, and who can direct how and for what purpose the asset is used throughout the period of use.

Determination of the net present value of a lease

A number of key estimates and judgements have been made in determining the net present value of applicable lease payments. In determining the net present value of a lease, the applicable lease payments are discounted using the interest rate implicit in the lease. Where this cannot be readily determined, a discount rate representing the estimated incremental borrowing rate at the commencement of the lease is used.

The incremental borrowing rate is the rate of interest the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Group determines the incremental borrowing rate based upon the rate at which NBN Co, as a stand-alone company, can borrow funds. When determining the incremental borrowing rate for a lease, consideration is given to the term of the lease, indicative credit ratings for NBN Co, comparable market transactions and the nature of the assets being leased.

Determination of lease term

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

For network infrastructure right-of-use licenses with Telstra, 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.

C. Our assets and liabilities continued

C8 Other financial liabilities continued

Lease commitments

The aging profile of future lease and right-of-use license payments is shown below. This includes the payments associated with the additional leases recognised on the balance sheet following the adoption of AASB 16.

In the prior year, the Group only recognised lease liabilities in relation to leases that were classified as finance leases under AASB 117 *Leases*.

	NBN Co Group	
	30 June 2020 \$m	30 June 2019 \$m
Finance lease and right-of-use licences are payable as follows:		
Within one year	1,289	985
Later than one year but not later than five years	4,074	3,297
Later than five years	20,770	18,708
Minimum lease payments	26,133	22,990
Future finance and other charges	(15,273)	(14,437)
Recognised as a liability	10,860	8,553
Representing finance lease and right-of-use licence liabilities:		
Current	415	276
Non-current	10,445	8,277
Total	10,860	8,553

Net finance costs

Net finance costs primarily relate to the right-of-use licences to access Telstra's network infrastructure, and interest charged on related party borrowings.

For the year ended	Note	NBN Co Group	
		30 June 2020 \$m	30 June 2019 \$m
Finance charges on lease arrangements		(829)	(649)
Unwinding of the discount on other lease-related provisions		(2)	(2)
Interest on related party borrowings	E2	(629)	(352)
Interest on working capital facilities		(15)	-
Fees on undrawn borrowing facilities		(5)	-
Other net interest income		20	10
Total		(1,460)	(993)

C9 Other financial liabilities

	NBN Co Group	
	30 June 2020 \$m	30 June 2019 \$m
Current		
Working capital facility	1,000	-
Total	1,000	-

The Group has entered into short-term working capital management facilities which are payable in full within twelve months. The average floating interest rate during the year was 1.71%.

C10 Provisions

	NBN Co Group	
	30 June 2020 \$m	30 June 2019 \$m
Current		
Employee benefits	192	128
Other provisions	21	32
Total	213	160

	NBN Co Group	
	30 June 2020 \$m	30 June 2019 \$m
Non-current		
Employee benefits	45	58
Other provisions	12	5
Total	57	63

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 2020 \$m	30 June 2019 \$m
Defined contribution superannuation expense	(74)	(73)
Other employee expenses, net of capital recoveries	(803)	(794)
Total	(877)	(867)

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 2020	30 June 2019
	\$	\$
Short-term employee benefits	10,988,635	9,649,167
Post-employment benefits	240,272	1,446,790
Long-term employee benefits	534,261	674,405
Termination benefits	691,600	807,897
Total	12,454,768	12,578,259

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 2020 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. On 26 March 2019, the tenor of this loan was extended by three years to 30 June 2024.

During the year NBN Co entered into facility agreements with a number of financial institutions to secure \$6.1 billion of private sector debt for a period of five years. There have been no drawdowns from these facilities as at 30 June 2020.

In addition, NBN Co has access to short-term working capital facilities totalling \$1.0 billion and utilises these facilities in the normal course of business.

E1 Contributed equity

As at 30 June 2020, a total of \$29.5 billion (2019: \$29.5 billion) had been provided to the Company.

	NBN Co Limited		NBN Co Limited	
	30 June 2020 Number of shares	30 June 2019 Number of shares	30 June 2020 \$m	30 June 2019 \$m
Ordinary shares Fully paid	29,500,000,000	29,500,000,000	29,500	29,500
Total	29,500,000,000	29,500,000,000	29,500	29,500

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.

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 (2019: nil).

E2 Related party borrowings

	NBN Co Group	
	30 June 2020 \$m	30 June 2019 \$m
Non-current		
Loans from related parties	19,458	13,053
Total	19,458	13,053

As at 30 June 2020, \$19.46 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. Establishment fees paid upon entering into loan facilities are recognised as transaction costs related to the loan to the extent that it is probable that some or all of the loan facility will be drawn down. In this case, establishment fees are deferred until the drawdown occurs. If it is not deemed probable that some or all of the loan facility will be drawn down then the fee is capitalised as a prepayment and amortised over the period of the related loan facility.

After initial recognition, all interest bearing loans are measured at amortised cost, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

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 out¹. 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.

The payment structure remains linked to the rollout of the **nbn**[™] 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.

1 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.

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**TM 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**TM 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**TM 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**TM access network as it is rolled out.

Payments to Optus for the migration of customers to the **nbn**TM 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 2020	30 June 2019
	\$m	\$m
Within one year	1,928	4,130
Later than one year but not later than five years	2	175
Later than five years	1	307
Total capital commitments	1,931	4,612

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.

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 (as classified under AASB 117)

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.

From 1 July 2019 following the adoption of AASB 16, the Group has recognised right-of-use assets for these leases, except for low-value leases. Refer to Note H8 for further information on the impact of the adoption of AASB 16.

	NBN Co Group	
	30 June 2020	30 June 2019
	\$m	\$m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	-	121
Later than one year but not later than five years	-	313
Later than five years	-	648
Total	-	1,082

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 2020	30 June 2019
	\$m	\$m
Financial assets		
Cash and cash equivalents	344	520
Interest receivable	-	1
Trade and other receivables	440	357
Derivative financial assets	5	8
Carrying amount of financial assets	789	886
Financial liabilities		
Trade and other payables	2,290	2,756
Lease liabilities	10,860	8,553
Other financial liabilities	1,000	-
Related party borrowings	19,458	13,053
Carrying amount of financial liabilities	33,608	24,362

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 2020 was a net expense of \$1,458 million (2019: net expense of \$991 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 2020, 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 2020		30 June 2019	
	USD \$m	EUR \$m	USD \$m	EUR \$m
Foreign exchange risk				
Trade payables	61	3	31	1
Current foreign exchange risk	61	3	31	1
Forward exchange contracts				
Buy foreign currency (cash flow hedges)	84	-	101	-
Forward exchange contract risk	84	-	101	-

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 fully hedge all material contractually certain foreign currency exposures and to hedge highly probable material foreign exchange exposures on a sliding scale dependent upon the period of time until expected settlement.

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.

G. Our financial risk management continued

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 Amount \$m	Weighted average effective interest rate %
At 30 June 2020			
Cash and cash equivalents	C1	344	0.76%
Working capital facilities	C9	(1,000)	1.71%
At 30 June 2019			
Cash and cash equivalents	C1	520	1.82%

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.

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 2020	30 June 2019
	\$m	\$m
Trade receivables		
<i>Counterparties with an external credit rating</i>		
AAA	-	1
AA1	4	-
A1	65	-
A2	171	188
<i>Counterparties without an external credit rating¹</i>		
Group 1	7	5
Group 2	120	88
Group 3	29	22
Total	396	304
Cash at bank and short-term bank deposits		
AA-	344	520
Total	344	520
Derivative financial assets		
AA-	5	8
Total	5	8

¹ 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 2020 (2019: 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.

G. Our financial risk management continued

The following table illustrates the maturities for financial assets and liabilities:

NBN Co Group					
	Within 1 year \$m	1 to 5 years \$m	Greater than 5 years \$m	Total contractual cash flows \$m	Carrying amount (assets)/ liabilities \$m
At 30 June 2020					
Non-derivatives					
Trade and other payables	2,289	1	-	2,290	2,290
Related party borrowings	771	21,769	-	22,540	19,458
Working capital facilities	1,000	-	-	1,000	1,000
Lease liabilities	1,289	4,074	20,770	26,133	10,860
Total	5,349	25,844	20,770	51,963	33,608
Derivatives					
Gross settled (forward foreign exchange contracts - cash flow hedges)					
- inflow	85	4	-	89	-
- outflow	(80)	(4)	-	(84)	(5)
Total	5	-	-	5	(5)
At 30 June 2019					
Non-derivatives					
Trade and other payables	2,751	5	-	2,756	2,756
Finance lease liabilities	985	3,297	18,708	22,990	8,553
Related party borrowings	517	15,121	-	15,638	13,053
Total	4,253	18,423	18,708	41,384	24,362
Derivatives					
Gross settled (forward foreign exchange contracts - cash flow hedges)					
- inflow	86	23	-	109	-
- outflow	(80)	(21)	-	(101)	(8)
Total	6	2	-	8	(8)

In the prior year, the Group only recognised lease liabilities in relation to leases that were classified as finance leases under AASB 117 *Leases*.

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). If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs for the asset or liability 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.

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 2020 \$m	30 June 2019 \$m
(a) Income tax benefit/(expense)		
Deferred tax	(1)	1
Total	(1)	1
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(5,238)	(4,879)
Tax at the Australian tax rate of 30% (2019: 30%)	1,571	1,464
Current year tax losses not recognised	(1,428)	(1,271)
Temporary differences not recognised	(144)	(192)
Income tax benefit/(expense)	(1)	1
(c) Tax Losses		
Unused tax losses for which no deferred tax asset has been recognised	(24,145)	(19,381)
Potential tax benefit at 30%	(7,243)	(5,814)
(d) Unrecognised temporary differences		
Deductible temporary differences relating to:		
Property, plant and equipment and Intangible assets	3,020	2,512
Provisions and accruals	259	288
This is offset by:		
Taxable temporary differences (deferred tax liabilities)		
Cash flow hedges	1	(8)
Net temporary differences for which deferred tax assets have not been recognised	3,280	2,792
Unrecognised deferred tax asset relating to the above net deductible and taxable temporary differences	984	838

The cumulative amount of unrecognised tax losses of \$24,145 million (2019: \$19,381 million) may be available to offset against future income tax assessments when the Group generates taxable income.

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 2020, 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 (2019: 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.

H. Other financial information continued

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 2020	Equity holding as at 30 June 2019
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 2020 and the results of all subsidiaries for the year ended 30 June 2020.

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.

H3 Parent entity disclosures

Financial position of NBN Co Limited

	NBN Co Limited	
As at	30 June 2020	30 June 2019
	\$m	\$m
Assets		
Total current assets	990	1,125
Total non-current assets	35,905	31,674
Total assets	36,895	32,799
Liabilities		
Total current liabilities	4,017	3,285
Total non-current liabilities	30,808	22,209
Total liabilities	34,825	25,494
Net assets	2,070	7,305
Equity		
Contributed equity	29,500	29,500
Other reserves	9	7
Accumulated losses	(27,439)	(22,202)
Total equity	2,070	7,305

Financial result of NBN Co Limited

	NBN Co Limited	
For the year ended	30 June 2020	30 June 2019
	\$m	\$m
Loss for the year	(5,237)	(4,880)
Total comprehensive loss for the year	(5,235)	(4,877)

Parent entity receivables and investments have been written down by a total of \$1.4 million (2019: \$4.4 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.

Key management personnel

The key management personnel of the parent are the same as for the Group.

Related parties

The related parties of the parent are the same as for the Group.

H. Other financial information continued

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 2020 of the closed group.

Statement of profit or loss and other comprehensive income

For the year ended	NBN Co & NBN Tasmania	
	30 June 2020 \$m	30 June 2019 \$m
Revenue	3,836	2,824
Direct network costs	(641)	(746)
Employee benefits expenses	(877)	(867)
Other operating expenses	(554)	(609)
Subscriber costs	(2,414)	(1,903)
Depreciation and amortisation expense	(3,151)	(2,611)
Other income	24	23
Net finance costs	(1,460)	(991)
Loss before income tax	(5,237)	(4,880)
Income tax (expense)/benefit	(1)	1
Loss for the year	(5,238)	(4,879)
Loss attributable to the shareholder	(5,238)	(4,879)
Other comprehensive gain/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges, net of tax	2	3
Total other comprehensive gain/(loss) for the year, net of tax	2	3
Total comprehensive loss for the year	(5,236)	(4,876)
Total comprehensive loss attributable to the shareholder	(5,236)	(4,876)

Statement of financial position

	NBN Co & NBN Tasmania	
As at	30 June 2020	30 June 2019
	\$m	\$m
Current assets		
Cash and cash equivalents	344	520
Trade and other receivables	512	444
Inventories	-	39
Derivative financial assets	5	6
Other current assets	129	116
Total current assets	990	1,125
Non-current assets		
Derivative financial assets	-	2
Property, plant and equipment	33,738	29,443
Intangible assets	2,064	2,114
Other non-current assets	29	43
Total non-current assets	35,831	31,602
Total assets	36,821	32,727
Current liabilities		
Trade and other payables	2,289	2,751
Other liabilities	25	24
Lease liabilities	415	276
Other financial liabilities	1,000	-
Provisions	213	160
Total current liabilities	3,942	3,211
Non-current liabilities		
Trade and other payables	1	5
Other liabilities	847	811
Lease liabilities	10,445	8,277
Provisions	57	63
Related party borrowings	19,458	13,053
Total non-current liabilities	30,808	22,209
Total liabilities	34,750	25,420
Net assets	2,071	7,307
Equity		
Contributed equity	29,500	29,500
Other reserves	9	7
Accumulated losses	(27,438)	(22,200)
Total equity	2,071	7,307

H. Other financial information continued

H4 Deed of cross guarantee continued

Summary of movements in accumulated losses

For the year ended	NBN Co & NBN Tasmania	
	30 June 2020 \$m	30 June 2019 \$m
Opening balance at 1 July	(22,200)	(17,321)
Loss for the period	(5,238)	(4,879)
Closing balance at 30 June	(27,438)	(22,200)

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 2020, NBN Co had no outstanding legal action that would materially impact the 30 June 2020 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.

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:

For the year ended	Note	NBN Co Group	
		30 June 2020 \$	30 June 2019 \$
Loans from the Commonwealth of Australia			
Balance at 1 July		13,053,334,593	5,531,165,018
Loans advanced during the year		6,405,000,000	7,522,000,000
Interest charged on government borrowings		628,970,163	351,670,241
Interest paid on government borrowings		(629,225,990)	(351,500,666)
Balance at 30 June	E2	19,458,078,766	13,053,334,593

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 (Directors) (including External Securities Declaration of Interests) Policy, and as required by the *Corporations Act 2001 (Cth)*, 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.

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 retired as Chairman effective 1 July 2019. There were no matters considered by the Board during the period which required Mr Milne to recuse himself from a Board meeting. In the prior period, 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.

H. Other financial information continued

H6 Related party transactions continued

NBN Co has contracts with Speedcast Australia Pty Ltd and Speedcast Managed Services Pty Ltd, both subsidiaries of Speedcast International Limited. During the year, Mr Malone was not present when matters involving Speedcast were discussed by the Board. In the prior period, 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 (excluding GST) occurred with the above related parties:

For the year ended	NBN Co Group	
	30 June 2020	30 June 2019
	\$	\$
Payments for various goods and services (excluding GST) from entities with common key management personnel	107,272,740	148,171,875

During the period, Mr Milne's and Mr Flannigan's terms of office came to an end effective 10 November 2019. NBN Co engaged the services of Mr Milne and Mr Flannigan at a number of Board and Committee meetings held in December 2019 through their respective entities, CicoMilne Pty Ltd and WGK Investments Pty Ltd. This engagement came to an end in respect of both Mr Milne and Mr Flannigan effective 17 December 2019. Both Mr Milne and Mr Flannigan were paid \$12,601 each (including GST) for these services.

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 2020	30 June 2019
	\$	\$
Australian National Audit Office		
Audit of annual financial statements	2,171,421	2,085,000
Review of half-year financial statements	758,669	611,000
Audit of NBN Co reporting for Whole of Government financial statements	366,150	300,000
Non-recurring audit fees	-	-
Total remuneration for audit and other assurance services	3,296,240	2,996,000
PwC Australia		
Other assurance related services		
- <i>Accounting advice</i>	-	-
- <i>Regulatory audit and reviews</i>	425,500	417,000
- <i>Other reviews</i>	-	-
Total remuneration for other assurance related services	425,500	417,000
Other services		
- <i>Other</i>	168,500	303,200
Total remuneration for other services	168,500	303,200
Total auditor's remuneration	3,890,240	3,716,200

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 Expected Credit Losses (ECLs) on financial assets measured at amortised cost and contract assets (as defined in AASB 15 *Revenue from Contracts with Customers*). 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 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.

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.

H. Other financial information continued

H8 Other significant accounting policies continued

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.

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 16 *Leases* with an initial adoption date of 1 July 2019. As a result, the Group has changed its accounting policies as detailed below.

AASB 16 *Leases*

AASB 16 replaced 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 introduced a new definition for leases and for lessee accounting applied a single, on-balance sheet lease accounting model. This effectively removed the classification of leases as either operating or finance leases. As a result, the Group has recognised right-of-use assets representing its right to use the underlying asset and lease liabilities representing its obligation to make lease payments for certain assets for which it is the lessee. There has been no significant change to lessor accounting as a result of this new accounting standard, i.e. lessors continue to classify leases as either finance or operating leases.

A summary of the transition approach and adoption impact of AASB 16 are outlined below. See Notes C3 and C8 for further details on the accounting policy with respect to lease accounting.

Transition

The Group has applied the modified retrospective approach for the adoption of AASB 16. Under this approach, the cumulative effect of adopting AASB 16 has been recognised as an adjustment to the opening balance sheet on 1 July 2019 and there is no restatement of comparative information, which continues to be reported under AASB 117.

In adopting AASB 16 the Group has used the following practical expedients permitted by the standard:

- Apply the ‘grandfather’ exemption to maintain the previous assessment as to whether a contract contains a lease which was made under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease*. Therefore, no formal reassessment of existing contracts is required.
- Apply the expedient to continue to account for low-value leases, previously classified as operating leases, on a straight-line basis over the lease term. This is consistent with NBN Co’s ongoing accounting policy.
- Use of a single discount rate across a portfolio of leases with reasonably similar characteristics.
- Rely on NBN Co’s assessment of whether leases are onerous under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as at 30 June 2019 as an alternative to performing an impairment review upon adoption. The carrying value of the right-of-use assets is adjusted by the amount of any provision for onerous leases held as at 30 June 2019.
- Exclude initial direct costs from the measurement of the right-of-use asset upon transition.
- Where practicable, and by class of underlying asset, arrangements that contain both lease and non-lease components will be accounted for as though they comprise a single lease component.

Adoption impact

In line with the requirements of AASB 16, the Group has recognised lease liabilities and associated right-of-use assets for all leases that do not meet the low-value asset exemption criteria. The adoption impacts for both leases previously classified as finance leases and leases previously classified as operating leases are discussed below.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. Therefore, there is no AASB 16 adoption impact for leases previously classified as finance leases. However, the measurement principles of AASB 16 differ to those of AASB 117. Lease payments under AASB 16 now include lease payments due to contingent rental payments that depend on an index or rate and non-lease component payments for certain asset classes. The measurement principles of AASB 16 were applied immediately after the initial application of AASB 16 resulting in adjustments of \$1,005 million to reflect the increased lease payments under AASB 16, excluding any reclassification of accruals previously recognised under AASB 117. The remeasurements of the lease liabilities were recognised as adjustments to the related right-of-use assets. The impact of this remeasurement has been presented as an adoption impact of AASB 16 as it was applied from 1 July 2019.

For leases previously classified as operating leases under the principles of AASB 117 *Leases*, the Group recognised additional lease liabilities of \$558 million. The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group’s estimated incremental borrowing rate applicable to the specific assets as at 1 July 2019.

H. Other financial information continued

H8 Other significant accounting policies continued

Associated right-of-use assets of \$8,251 million were recognised equivalent to the value of the corresponding lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019. This recognition of right-of-use assets is offset by the derecognition of existing leased assets of \$6,707 million. This results in a net adoption impact of an increase in recognised assets of \$1,544 million. There were no onerous lease provisions as at 30 June 2019, which were included as an adjustment to the right-of-use asset.

As a result of the AASB 16 adoption approach and elections applied, there has been no impact on the accumulated losses of the Group.

There was no significant adoption impact for lessor accounting.

The impact of AASB 16 transition is summarised below (only financial statement items affected by AASB 16 are shown):

	30 June 2019 (under AASB 117) \$m	Adoption Impact \$m	1 July 2019 (under AASB 16) \$m
Land - right-of-use assets	-	19	19
Buildings and leasehold improvements - right-of-use assets	-	114	114
Furniture and equipment - right-of-use assets	-	11	11
Network assets - right-of-use assets	-	8,107	8,107
Leased assets	6,707	(6,707)	-
Right-of-use assets	6,707	1,544	8,251
Other current assets	116	(24)	92
Current trade and other payables	(192)	1	(191)
Current accruals	(2,440)	42	(2,398)
Other balance sheet items	(2,516)	19	(2,497)
Current lease liabilities	(276)	(62)	(338)
Non-current lease liabilities	(8,277)	(1,501)	(9,778)
Lease liabilities	(8,553)	(1,563)	(10,116)
Accumulated losses	(22,170)	-	(22,170)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 6.8%.

	\$m
Operating lease commitments disclosed as at 30 June 2019	1,082
(Less): Commitments for low-value leases not recognised as a lease liability under AASB 16	(318)
(Less): adjustments relating to changes in contingent rental payments and non-lease components	(11)
(Less): Operating lease commitments with a commencement date after 1 July 2019 not recognised as a lease liability under AASB 16	(145)
Operating lease commitments to be discounted using the lessee's incremental borrowing rate at the date of initial application	608
Discounted using the lessee's incremental borrowing rate at the date of initial application	(231)
Add: adjustments as a result of different treatment of extension and termination options	181
Increase in lease liability from operating leases recognised as at 1 July 2019	558

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 2020 reporting period. These standards, amendments to existing standards and interpretations have not been early adopted by the Group and are not expected to have a material impact on the Group's financial statements in the period of initial application.

I. Events occurring after the reporting period

No matter or circumstance has arisen since 30 June 2020 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.

Directors' declaration

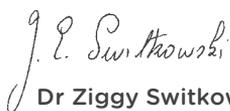
In the Directors' opinion:

- (1) The financial statements and notes set out on pages 126 to 182 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 2020 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
6 August 2020



Mr Stephen Rue

Chief Executive Officer
6 August 2020

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 2020 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 2020 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 2020 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 auditor independence requirements of 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 (including Independence Standards)* (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	How the audit addressed the matter
<p data-bbox="301 563 682 605">Valuation of property, plant and equipment and intangible assets – impairment</p> <p data-bbox="301 614 682 677"><i>Refer to Note C3 'Property, plant and equipment,' Note C4 'Intangible assets' and Note C5 'Impairment of non-financial assets'</i></p> <p data-bbox="301 687 682 858">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 (CGU) is not less than the carrying amount as at 30 June 2020.</p> <p data-bbox="301 868 682 1169">The NBN Co Group's property, plant and equipment and intangibles assets combined are the largest balance on the Statement of financial position at year-end of \$35,831 million. I considered the valuation of property, plant and equipment and intangible assets to be a key audit matter because the NBN Co Group's determination of the recoverable amount of these assets and the testing for whether these assets are impaired was complex. The assessment also required significant professional judgement due to the nature of the NBN Co Group's business and because assets may be exposed to competition or obsolescence resulting from the emergence of new technologies.</p>	<p data-bbox="696 563 1077 626">To audit the risk of impairment of property, plant and equipment and intangible assets, I performed the following procedures:</p> <ul data-bbox="696 635 1077 1418" style="list-style-type: none"> <li data-bbox="696 635 1077 677">• tested the mathematical accuracy of the impairment model's calculation; <li data-bbox="696 687 1077 820">• assessed the aggregation of NBN Co Group's property, plant and equipment and intangible assets into one CGU as the smallest identifiable group of assets that can generate largely independent cash flow, which is consistent with my knowledge of NBN Co Group's operations; <li data-bbox="696 830 1077 915">• evaluated NBN Co Group's methodologies and their documented basis of key assumptions used in the value-in-use model which are outlined in Note C5; <li data-bbox="696 925 1077 1011">• compared the key assumptions used in the impairment model to historical results, economic and industry forecasts including consideration of the COVID 19 pandemic; <li data-bbox="696 1020 1077 1169">• compared the forecast cash flows used in the value-in-use model to FY21 Integrated Operating Plan formally approved by the Board and evaluated the appropriateness of amendments to the forecasts as required for value-in-use methodology under AASB 136 – <i>Impairment of Assets</i>; <li data-bbox="696 1178 1077 1264">• evaluated NBN Co Group's historical ability to forecast future cash flows by comparing budgets with reported actual results for the past year; and <li data-bbox="696 1273 1077 1418">• assessed the reasonableness of the valuation by performing sensitivity analysis varying certain inputs in NBN Co Group's value-in-use model including revenue growth rates and discount rates to other outcomes that I considered reasonably possible.
<p data-bbox="301 1428 682 1452">Key audit matter</p> <p data-bbox="301 1462 682 1506">Accuracy and completeness of depreciation and amortisation expense</p> <p data-bbox="301 1515 682 1559"><i>Refer to Note C3 'Property, plant and equipment' and Note C4 'Intangible assets'</i></p> <p data-bbox="301 1568 682 1698">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 \$35,831 million with depreciation and amortisation expense for the year ended 30 June 2020 of \$3,154 million.</p>	<p data-bbox="696 1428 1077 1452">How the audit addressed the matter</p> <p data-bbox="696 1462 1077 1506">In relation to the calculation of depreciation and amortisation, I undertook the following procedures:</p> <ul data-bbox="696 1515 1077 1698" style="list-style-type: none"> <li data-bbox="696 1515 1077 1582">• performed industry benchmarking to assess the appropriateness of the useful lives of NBN Co Group's assets; <li data-bbox="696 1591 1077 1698">• 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

<p>I consider this to be a key audit matter because the calculation of the depreciation and amortisation expense, including the estimation of useful lives and cost allocations in the depreciation and amortisation calculations, of the network property, plant and equipment and intangibles involves significant professional judgement and the use of complex manual depreciation models by the NBN Co Group.</p>	<p>transferred to the fixed asset register;</p> <ul style="list-style-type: none"> 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.
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Key audit matter	How the audit addressed the matter
<p>Valuation of construction liabilities estimates</p> <p><i>Refer to Note C3 'Property, plant and equipment' and Note C6 'Trade and other payables'</i></p> <p>The liability balance recognised at 30 June 2020 was \$875 million.</p> <p>I consider this to be a key audit matter because NBN Co Group's process for estimating construction liabilities due to delivery partners involves significant professional judgement resulting from the complexity of the unique network build.</p> <p>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.</p>	<p>I performed the following procedures:</p> <ul style="list-style-type: none"> 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 2020 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	How the audit addressed the matter
<p>Accounting treatment of rights and obligations under significant contractual arrangements</p>	<p>I performed the following audit procedures:</p> <ul style="list-style-type: none"> assessed whether any changes in the RDAs in the

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.

I consider this to be a key audit matter because 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 under Accounting Standard AASB16 *Leases*, implemented by NBN Co Group as of 1 July 2019;
- the recognition of contingent rental amounts that relate to an index or rate (CPI);
- the recognition of non-lease components;
- the determination of an appropriate discount rate to calculate the present value of the lease payments for right-of-use 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 2020. This requires an estimation of disconnection levels, based upon historical information.

current year would result in changes to the accounting judgements determined at inception of the lease agreement;

- assessed the appropriateness of the judgements and transitional options applied in relation to the adoption of AASB 16 and tested the remeasurement of leases under the RDAs, including the recognition of contingent rental and non-lease components;
- tested a sample of new leases acquired in the period to assess whether the accounting policies determined at inception of the lease are in accordance with AASB 16;
- tested a sample of lease remeasurements in the period to assess whether the lease liability and corresponding right-of-use asset were appropriately calculated;
- tested a sample of leased and owned asset additions to external source documentation to assess whether these sample assets were recognised at the appropriate date;
- 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 2020, 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.

In connection with my audit of the financial report, my responsibility is to read the other information 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 ability of the NBN Co Group 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied. 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
6 August 2020

Regulatory report

For the year ended
30 June 2020

Regulatory report



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.

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 reporting requirement index on pages 201 to 205 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**[™] 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 2020–23, which covers the reporting periods of FY20 to FY23 inclusively, in August 2019. NBN Co has also prepared a draft Corporate Plan for the reporting periods 2021–24.

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**[™] 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**[™] 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**[™] 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 premises¹.

¹ The **nbn**[™] access network is being designed to provide these peak speeds to NBN Co's Retail Service Providers at **nbn**[™] 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 FY20, NBN Co appeared before the Environment and Communications Legislative Committee for Supplementary Budget Estimates and Additional Budget Estimates (two hearings).

NBN Co also made submissions to and appearances before two parliamentary inquiries during the year including the Joint Standing Committee on the National Broadband Network and the Environment and Communications Legislation Committee.

NBN Co lodged 220 questions on notice for FY20 in addition to the questions answered during hearings.

During FY20, 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 FY20 (FY19: nil).

Superannuation Benefits

During FY20, 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 FY20 we saw an overall favourable decrease in our lag metrics. Our TRIFR for employees and contractors decreased from 2.9 to 2.7 and our Lost Time Injury Frequency Rate (LTIFR) decreased from 0.9 to 0.8 for employees and contractors.

This overall improvement follows on from a focus on the uplift of internal and industry HSE capability, strengthening existing governance arrangements and maintaining the focus on Critical Risk Control compliance and in-field assurance in FY20. Key priorities in FY21 will include further industry collaboration, uplift of internal and industry capability, and alignment of systems and processes to changing business requirements. To address the increase in TRIFR for employees, these priorities will specifically include enhancing physical and psychological wellbeing and injury prevention.

Indicators	FY20	FY19
TRIFR ¹ – employees and contractors	2.7	2.9
TRIFR ¹ – employees	2.0	1.6
TRIFR ¹ – contractors	2.9	3.3

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.

In FY20, NBN Co notified Comcare of 45 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.

Refer to pages 32 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 business activities via our HSE management system, standards and approach to sustainability, which is now further supported by developing NBN Co's Sustainability Program. In FY20 the HSE management system maintained certification to ISO 14001:2015 Environmental Management Systems.

During FY20, this was demonstrated by:

- continuing to build the **nbn**[™] access network which aims in conjunction with our RSPs to deliver access to high-speed broadband to all Australians. The **nbn**[™] 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**[™] 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)
- developing a company-wide Sustainability Program, focusing on social, economic and environmental considerations. (Integration Principle)
- exploring long term opportunities to secure renewable energy supply while reducing energy consumption and greenhouse gas emissions. (Precautionary Principle)
- recycling additional waste streams from NBN Co operational activities including supporting Delivery Partners to improve their recycling performance. (Intergenerational 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 help identify the risks and associated financial costs of climate change impacts. (Precautionary and 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)
- developing in response to COVID-19, our First Peoples Communities protocol for accessing and working in remote Aboriginal and Torres Strait Islander communities, and additional plans for entry to Northern Territory border crossing. (Integration Principle)
- continuing to consolidate the NBN Co real estate footprint into more energy efficient buildings. (Integration Principle).

Our Environment Performance

In line with the growth of the **nbn**™ access network, energy usage increased in FY20.

The table below provides an estimate of NBN Co's scope 1 and 2 greenhouse gas emissions and energy consumption for FY20 in comparison with prior years' externally assured data (as reported to the Clean Energy Regulator).

Indicator	FY20 Estimate	FY19	FY18	FY17
Scope 1 emissions (tCO ₂ -e)	4,935	4,932	3,972	4,106
Scope 2 emissions (tCO ₂ -e)	301,007	258,767	201,131	152,758
Total scope 1 and 2 emissions (tCO ₂ -e)	305,942	263,699	205,103	156,864
Energy consumed (GJ)	1,368,736	1,186,175	925,837	718,277

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 FY20 energy and greenhouse gas emissions data to the Clean Energy Regulator in October 2020.

During FY20 NBN Co did not receive any fines or prosecutions under any environmental regulations. However, the New South Wales Department of Planning, Industry and Environment issued a Delivery Partner in August 2019 with a penalty notice in relation to compliance with an Aboriginal Heritage Impact Permit, for works being undertaken at Stony Chute, New South Wales in 2019.

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 FY20, NBN Co received 94 new FOI requests, carried forward 11 from FY19, finalised 90 requests under the FOI Act and carried over 15 FOI requests into the next financial year.

Those applications were processed as follows:

Granted in full	4
Granted in part	4
Access refused	8
No documents held	9
Request transferred	0
Application withdrawn	65

The Office of the Australian Information Commissioner (OAIC) initiated reviews concerning one of NBN Co's FOI determinations or FOI processes in FY20. Five 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 13, 100 Mount 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 FOIofficer@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 13, 100 Mount Street
North Sydney NSW 2060

Or email to: privacyofficer@nbnco.com.au

Other matters

During FY20, 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.

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 2019	Ongoing	Non-Ongoing	Total
Male	3,913	400	4,313
Female	1,865	183	2,048
Indeterminate, Intersex or Unspecified	8	38	46
Total	5,786	621	6,407

Employment by classification and gender as at 30 June 2020	Ongoing	Non-Ongoing	Total
Male	4,065	159	4,224
Female	1,895	76	1,971
Indeterminate, Intersex or Unspecified	4	64	68
Total	5,964	299	6,263

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
Total	5,786	621	6,407

Employment type by full-time, part-time status as at 30 June 2020	Ongoing	Non-Ongoing	Total
Full-time	5,832	282	6,114
Part-time	132	17	149
Total	5,964	299	6,263

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
Total	5,786	621	6,407

Employment type by location as at 30 June 2020	Ongoing	Non-Ongoing	Total
ACT	30	-	30
NSW	2,164	153	2,317
NT	6	-	6
QLD	473	4	477
SA	144	2	146
TAS	43	1	44
VIC	2,942	137	3,079
WA	162	2	164
Total	5,964	299	6,263

Regulatory reporting requirements index

For the year ended 30 June 2020

Section	Subject	Location	Pages
Public Governance, Performance and Accountability Act 2013 (PGPA Act)			
s. 97	Financial report	Financial Report	124-183
	Directors' report	Directors' report	12-83
	Auditor's report	Independent auditor's report	184-189
Corporations Act 2001			
s. 295	Financial statements	Financial Report	126-129
	Notes to financial statements	Financial Report	130-182
	Directors' declaration	Directors' declaration	183
s. 298 – s. 300	Directors' report	Directors' report	12-83
s. 301 and s. 308	Audit of annual report and auditor's report	Independent auditor's report	184-189
Public Governance, Performance and Accountability Rule 2014			
28E	Contents of annual report		
28E (a)	The purposes of the company as included in the company's corporate plan for the reporting period	Regulatory report	192
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	193
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	193
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	192
28E (e)	Particulars of non-compliance with: (a) a direction given to the entity by the Minister under the company's constitution, an Act or instrument during the reporting period; or (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
28E (f)	Information on each director of the company during the period	Directors' report	70-74
28E (g)	An outline of the organisational structure of the company (including any subsidiaries of the company)	Financial Report	170
28E (ga)	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: (a) statistics of full-time employees (b) statistics on part-time employees (c) statistics on gender (d) statistics on staff location	Regulatory report	199-200

Section	Subject	Location	Pages
28E (h)	An outline of the location (whether or not in Australia) of major activities or facilities of the company	Directors' report	12-69
28E (i)	Information in relation to the main corporate governance practices used by the company during the reporting period	Corporate governance statement	102-122
28E (j), 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): (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 (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	Not applicable Not applicable
28E (l)	Any significant activities or changes that affected the operations or structure of the company during the reporting period	Directors' report	83
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	196-197
28E (n)	Particulars of any report on the company given by: (i) the Auditor-General; or (ii) a Parliamentary Committee; or (iii) the Commonwealth Ombudsman; or (iv) the Office of the Australian Information Commissioner; or (v) the Australian Securities and Investments Commission	Independent auditor's report Regulatory report Regulatory report Regulatory report Regulatory report	184-189 198 198 198 198
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
28E (oa)	Information about executive remuneration	Remuneration report	99

Section	Subject	Location	Pages
28E (ob)	The following information about the audit committee for the company:		
	(a) a direct electronic address of the charter determining the functions of the audit committee;	Corporate governance statement	112
	(b) the name of each member of the audit committee	Corporate governance statement	112
	(c) the qualifications, knowledge, skills or experience of each member of the audit committee;	Directors' report	70-74
	(d) information about each member's attendance at meetings of the audit committee;	Directors' report	75
	(e) the remuneration of each member of the audit committee	Remuneration report	99
28E (p)	An index identifying where the requirements of this section and section 28F (if applicable) are to be found.	Regulatory index	202-205
28F	Disclosure requirements for government business enterprises.		
28F (1)(a)(i)	An assessment of significant changes in the company's overall financial structure and financial conditions	Directors' report	56-61
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	62-63
28F (1)(b)	Information on dividends paid or recommended	Directors' report	83
28F (1)(c)	Details of any community service obligations the government business enterprise has including: (a) an outline of actions taken to fulfil those obligations; and (b) an assessment of the cost of fulfilling those obligations		
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. 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
Work Health and Safety Act 2011			
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 Regulatory report	32-39 193-194

Section	Subject	Location	Pages
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 Regulatory report	38-39 193-194
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 Regulatory report	39 193-194
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	38-39 193-194
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	38-39 193-194
<i>Environment Protection and Biodiversity Conservation Act 1999</i>			
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	194-195
<i>Superannuation Benefits (Supervisory Mechanisms) Act 1990</i>			
s. 6(1)(b)	Report on establishment and operation of the superannuation arrangement under which the benefits are provided.	Regulatory report	193
<i>The Freedom of Information Act, 1982</i>			
s. 93	Provide information to the Information Commissioner (IC)	Regulatory report	196-198
<i>National Greenhouse and Energy Reporting Act 2007</i>			
s. 19	Report to be given to the Regulator: (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: (a) greenhouse gas emissions; (b) energy production; (c) energy consumption. 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 (2) A report under subsection (1) is required for: (a) the corporation's trigger year (within the meaning of subsection 12(1) or(3)); and (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. Actual FY19 data will be subject to external assurance and will be submitted to the Clean Energy Regulator in October 2019.	196

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